GEARED TO GROW

Rocell
Eternal elegance

ROYAL CERAMICS LANKA PLC
ANNUAL REPORT 2016/17

GEARED TO **GROW**

AT ROCELL WE'RE VERY USED TO DOMINANCE IN OUR FIELD. LONG RECOGNIZED AS SRI LANKA'S PREMIER MANUFACTURER OF TILING SOLUTIONS, WE HAVE NOW EXPANDED OUR BUSINESS INTERESTS INTO A NUMBER OF KEY GROWTH SECTORS, INCLUDING WALL AND FLOOR TILES, BATHWARE, ALUMINIUM EXTRUSIONS, PLANTATION, PACKAGING AND FINANCIAL SERVICES.
IN EACH OF THESE SEGMENTS WE HAVE SET OUT TO MAKE OUR MARK AS A FAST GROWING DIVERSIFIED CONGLOMERATE ASPIRING TO REPRESENT THE HIGHEST STANDARD OF BUSINESS EXCELLENCE IN SRI LANKA.

THIS YEAR WE ARE PROUD TO ANNOUNCE OUR CROWNING ACHIEVEMENT OF REACHING A LANDMARK IN REVENUE, IN ADDITION TO ACHIEVING THE NUMBER ONE RANKING FOR PROFITABILITY IN THE LOCAL MANUFACTURING SECTOR. THE YEAR UNDER REVIEW ALSO SAW OUR COMPANY INVEST EXTENSIVELY INTO FACTORY EXPANSION AND PRODUCT DIVERSIFICATION WHILE EXTENDING OUR GLOBAL FOOTPRINT TO PAKISTAN, ACHIEVEMENTS THAT WE CONSIDER EVEN MORE SIGNIFICANT IN LIGHT OF THE CHALLENGING BUSINESS ENVIRONMENT WE WORK WITHIN.

VALUE CREATION FOR OUR STAKEHOLDERS REMAINS OUR PRIMARY FUNCTION AND WE BELIEVE THAT TODAY'S INVESTMENTS WILL DELIVER RESULTS IN THE YEARS AHEAD, FOR WE ARE EAGER TO EXPAND, READY FOR THE FUTURE AND GEARED TO GROW.

Rocell
Eternal elegance

This annual report is available in the online:
http://rocell.com/index.php?route=event/report&doc=1

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About this Report

WELCOME TO OUR FIRST INTEGRATED ANNUAL REPORT

Always conscious of the need for positive change and development, the RCL Group decided to change its reporting structure for the year 2016/17 and include a non-financial aspect that presents shareholders and stakeholders with a detailed and holistic account of the groups' financial, social, human, natural and manufactured capital during the year ended 31 March 2017.

This, our first integrated annual report, follows the "In Accordance" core option of the G4 Guidelines of the Global Reporting Initiative (GRI). This has been used as a framework on which to report on the Groups performance. The report is also written in accordance with the Companies act no 7 of 2007, the continued listing requirements of the Colombo Stock Exchange and the Sri Lanka Accounting and Auditing Standards act no 15 of 1995. Sri Lanka Accounting standards apply to all financial reporting.

The external auditors appointed by shareholders, Messrs Ernst & Young, have delivered assurance on the financial statements contained in this report.

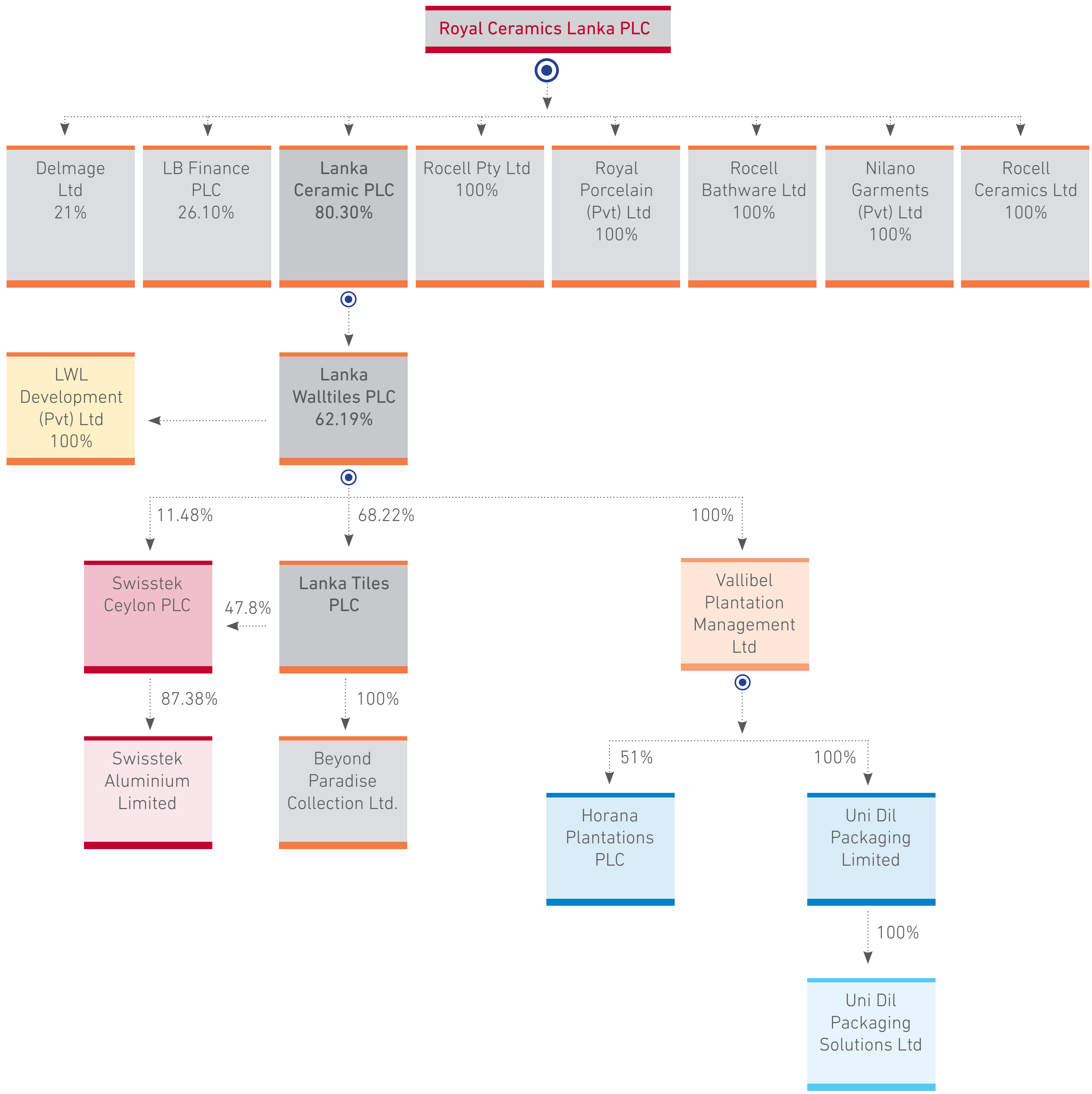
The Royal Ceramics Lanka PLC Group considers this to be a first step in its new reporting process, and will continue to learn and develop, keeping a close tab on best practices and excellence in corporate reporting in order to bring you an even more comprehensive, well documented and transparent report in the years to come.

For inquiries about this report, please contact:

Name	:	Haresh Somashantha
Designation	:	Head of Finance & Treasury
Email	:	haresh@rcl.lk
Address	:	No 10, R A De Mel Mawatha, Colombo 3
Website	:	www.rocell.com

About the Company

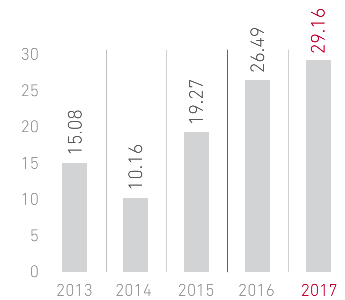
GROUP STRUCTURE



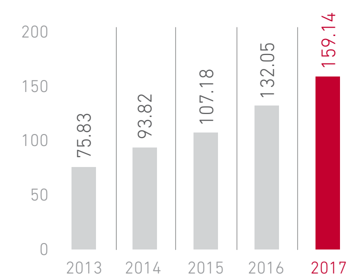
2017 Group Financial Highlights

		2017 Rs.'000	2016 Rs.'000	Change (%)
For the year ended 31st March 2017				
Turnover	Gross	29,295,996	27,062,638	8
	Net	26,412,846	24,782,089	7
Profit before tax		5,987,156	5,347,339	12
Profit after tax		4,457,070	4,091,745	9
Gross dividends		997,104	886,315	12
Interest cover (No of times)		6.42	7.65	(16)
Dividend cover (No of times)		3.24	3.31	(2)
Return on Equity (%)		17.08	18.22	(6)
As at 31st March				
Shareholders Funds		17,630,715	14,629,803	21
Total Assets		44,799,373	39,173,038	14
Group employment (No of Employees)		10,014	10,197	(2)
Current Ratio (Current assets : Current liabilities)		1.48:1	1.44:1	3
Per share				
(Issued and fully paid shares 110,789,384)				
Earnings (Rs.)		29.16	26.49	10
Dividend (Rs.)		9.00	8.00	12
Net assets (Rs.)		159.14	132.05	21
Market value (Rs.)		119.00	100.10	19

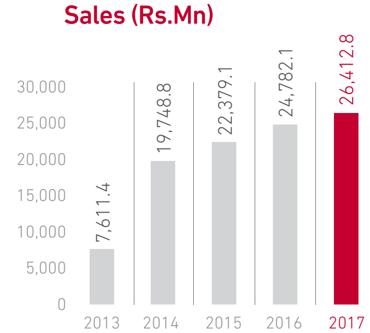
Earning per Share (Rs.)



Net Assets per Share (Rs.)



Sales (Rs.Mn)



Rs. 17,477 mn
Net Revenue - Tiles
(2016 : Rs. 16,986 mn)

Rs. 1,947 mn
Net Revenue - Plantations
(2016 : Rs. 1,800 mn)

Rs. 1,975 mn
Net Revenue - Sanitaryware
(2016 : Rs. 1,578 mn)

Rs. 2,394 mn
Net Revenue - Packaging Material
(2016 : Rs. 2,447 mn)

RS. 44,799 mn
Total Assets
(2016: Rs. 39,173 mn)

Rs. 2,824 mn
Net Revenue - Aluminium Products
(2016 : Rs. 2,189 mn)

Rs. 4,457 mn
Net Profit (2016 : Rs. 4,092 mn)

10,014
Employees
(2016 : 10,197)

Our Businesses

Tiles and associated items

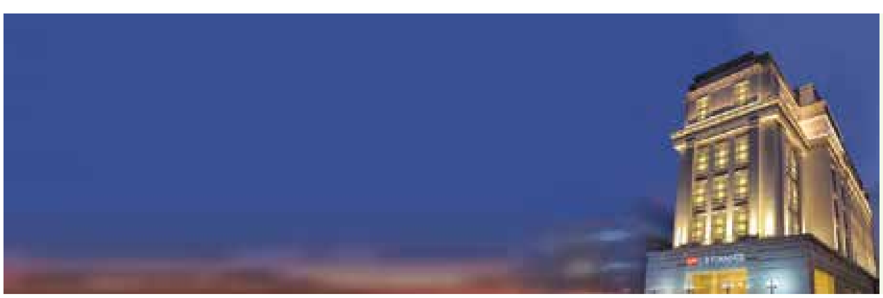
Manufacture and distribution of floor tiles, wall tiles, tile grouts and tile mortar

Sanitaryware

Manufacture and distribution of bathware and accessories

Plantations

Cultivation & processing
of tea, rubber and other agricultural products



Financial Services

Provider of financial solutions

Packaging

Environmentally friendly packaging

Aluminium

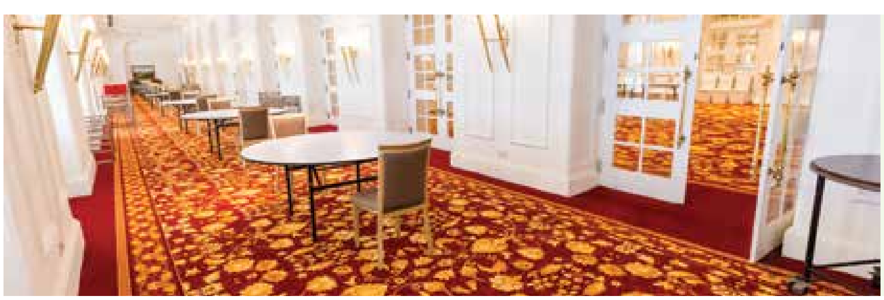
Aluminium extrusion manufacturing

SWISSTEK
ALUMINIUM

Mining

Supplying of raw materials to the ceramic industry

LANKA CERAMIC PLC



Others

Consumer, retail, life style, healthcare and transportation

DELMEGE

Chairman's Message

Dear Shareholders,

"GEARING TO GROW"

As your Chairman it is with both pride and pleasure for me to welcome you to the Royal Ceramics Lanka PLC Annual Report for the financial year 2016/17. This year too, your company has made excellent strides, and with hard work and smart decision making, has succeeded in bringing you positive results despite challenging economic, political and environmental factors.

I am delighted to report that the company's Group Profit after Tax increased to Rs. 4.5 billion as against Rs. 4.1 billion in the previous year, which reflects a growth of 9%. The tile sector made a 65% contribution to the Group's Profit, with the Finance, Aluminum and Sanitaryware sectors also performing well during the year demonstrating a growth of as much as 5%, 30% and 17% respectively, when compared to the previous year. This positive trajectory across so many of our subsidiaries is a source of immense satisfaction, as it is a reflection of the Group's collective commitment to creating value, optimising efficiencies, developing new paradigms and achieving success even in the face of challenging operational scenarios.

As always one of our primary objectives is to not pass on any operational cost increases to our consumers, thus, via the streamlining of our operational processes to ensure absolute efficiency, we were

Group Profit after Tax increased to Rs. 4.5 billion as against Rs. 4.1 billion in the previous year, which reflects a growth of 9 %. The tile sector made a 65% contribution to the Group's Profit, with the Finance, Aluminum and Sanitaryware sectors also performing well during the year demonstrating a growth of as much as 5%, 30% and 17% respectively, when compared to the previous year.

able to absorb increased expenses and continue to offer our customers, the best quality products at a reasonable price.

Our determination to invest in expansion and take considered risks has defined the development of our business over the years. This year too we invested extensively in numerous capacity increases, state of the art machinery and processes, showroom upgrades, knowledge and expertise building of our employees and sustainable business practices.

Innovation lies at the heart of our business philosophy and during the year under review we continued to blaze a trail of innovation in design, texture and product efficiency introducing new sizes and designs in both the tile and sanitary ware segments.

Our commitment to our customers has always been of the utmost importance, and we are currently in the midst of a phenomenal initiative that involves the relocation and/or renovation of our entire network of showrooms. This will have a twofold purpose – enhanced customer experience and a 'total customer satisfaction guarantee', in addition to a reorganized inventory and product range that optimises our product portfolio.

We are also on the threshold of revealing an exciting new brand, and a wider range of complimentary accessories that will see your company expand its offering to guarantee the delivery of 'a total solution' in the sanitary ware sector.

As you know, the Group recently went through a change in Senior Management, following the resignation of our former Managing Director. While changes in leadership have taken place, our objectives for the Group remain the same; and we will continue to work towards making Royal Ceramics Lanka PLC a truly multinational company, driven by the desire to succeed beyond all expectations and thereby maximizing shareholder wealth.

I welcome Aravinda Perera, former Managing Director of Sampath Bank, who has stepped in as the new Managing Director of the company. I have complete confidence that under his guidance the company will continue to grow and achieve all that we have envisioned for it.

Rs. 4,457 mn

Net Profit (2016 : Rs. 4,092 mn)

I would like to take this opportunity to thank our former Managing Director for his leadership during his service.

My sincere appreciation to all our invaluable stakeholders – our customers, shareholders, employees and valued partners; thank you for sharing in our vision, placing your trust in us and for committing to the vision we champion. We are geared to grow and thereby, so are you.

Dhammika Perera
Chairman

Managing Director's Review

2016/17 was a year of challenges, both natural and man-made, yet, in overcoming these challenges and emerging with excellent growth across almost all sectors and subsidiaries, and a more than respectable rise in Turnover and PAT; we have proved once again that the Royal Ceramics Groups' operational philosophy is a very successful one.

Prizing operational efficiency, continuous expansion, technological advancement, cost reduction, uninhibited innovation and the delivery of the highest quality for the best possible price, the Group's modus operandi is one that sets the standard across all the sectors in which it operates.

The Group has reported a Net Turnover of Rs. 26.4 billion during the financial year 2016/17, this signifies an increase of 6.6% compared to the Net Revenue of Rs 24.8 billion recorded in 2015/16. The Gross Profit of the Group recorded a growth of 14% compared to the previous year with a 3% higher margin. Group Profit after Tax increased to Rs. 4.5 billion as against Rs. 4.1 billion previously, denoting a growth of 9%.

We are proud to be the number 1 listed company in the Manufacturing sector on the Colombo Stock Exchange, while also holding the number 3 spot in the Diversified Holdings Sector in profitability.

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GEARING TO GROW

The Royal Ceramics Group has always held expansion at the heart of its business model. Every year strategic investments are made in all sectors the company operates in, and 2016/17 was no exception to that rule.

Our stakeholders will see us follow the same path in 2017/18 as we expand our businesses further, investing not just in capacity building, machinery and technology, but also in the people who make up our wider support systems – our dealers, tilers, fabricators and more. For everyone, in every sector, we see growth and development.

That growth will also extend beyond our shore, as we expand our business further in the territories in which we operate as well as explore new opportunities overseas. We are indeed 'gearing to grow' and we are committed to ensuring that our stakeholders grow with us.

SEEKING ECONOMIES OF SCALE

As has been the case for many years, the biggest challenge the group faces in the tiles and sanitary ware sectors come from the glut of low cost imports that are 'dumped' into the country by China and India. This same challenge also affects the company's export arm since these low cost products are also flooding shared markets. It is the economies of scale that are possible in these countries that threaten us, since we are, at this time, unable to compete with them on this score.

Rs. 26.4 bn

Net Turnover (2016 : Rs. 24.8 bn)

It is our sincere hope, that the Government will heed our advocacy for concessions that will enable us to offer similar economies of scale, and thereby allow us to compete effectively in the local and international markets.

Energy costs have always been one of the Group's biggest expenses, again we are hopeful that, via Government intervention, a competitive energy source like LNG will be made available in Sri Lanka. Switching from LPG to LNG will reduce energy costs effectively and thereby help lessen our own product costs, enabling us to better compete with imports.

The imposition of anti dumping levies and intervention by the Consumer Protection Authority to safeguard consumers who are purchasing low quality tiles and sanitary ware would also be welcome.

Managing Director's Review

RESTRICTING ACCESS TO RAW MATERIALS

Strict government regulation on mining, the difficulty of obtaining licensing for clay mines and the prohibitions in place in terms of the purchase of mining lands all lead to a shortage of available raw material.

The Group's answer is to ensure that Lanka Ceramics plays an active role in sourcing raw materials, and in the future focus attention so that the company can from now on, invest in lands which can be mined for vital raw materials as time progresses.

While importing basic raw materials is not financially viable, the Group is considering the option of having its products manufactured overseas if a cost effective option can be found.

EFFECTIVE COST MANAGEMENT

Despite rising financial expenditure, the group stayed true to its aim of offering customers the best possible price and did not transfer the burden of increased cost on to the consumer. Instead via a deft combination of productivity initiatives, operational efficiencies, cost management, improved product yield and product optimization, the Group was able to maintain its margins. Productivity enhancement tools such as TPM have proved to be well worth the investment made in them.

DEMAND DRIVEN SUPPLY CHAIN

In 2016/17 major steps were taken to streamline production and optimise our product portfolio, in order to ensure that customers receive the items they require in the fastest possible delivery time. These efforts to increase the efficiency of customer service have been coupled with a massive showroom relocation and renovation campaign. Both strategies will continue to develop and improve to launch better showrooms in the second half of the year.

While new showrooms were not opened in 2016/17, we did continue to expand our dealer network and are forming partnerships with banks and financial institutions in order to be able to offer multiple methods of payment and thereby more convenience to customers.

KUDOS TO SUBSIDIARY AND ASSOCIATE COMPANIES

Every company within the Group performed in a highly motivated, intelligent and effective manner over the course of the year under review. Our detailed operational reviews (pages from 44 to 63) offer insights into the hard work, innovation and sheer drive to perform that defined their work ethic, and enabled the positive contributions made to the group's bottom line.

FUTURE OUTLOOK

Expansion has been an operational pillar in the past, and this will continue in 2017/18. By the latter half of the new year our newly upgraded factories will be operating at their full production capacity. We anticipate that 2017/18 will be challenging year since it will be too early for the positive effects of our major expansion drive to be reflected from a financial perspective. At the same time the costs of labour and raw materials will continue to rise. With these factors in mind it is fortunate that the Group's productivity, efficiency and cost reduction skills are so well honed.

Innovation in terms of design has always been our watchword. 2017/18 will see the launch of an exciting and extensive range of sanitary ware accessories. This new portfolio will offer customers a 'total solution' in terms of bathware and complimentary amenities.

While Rocell offers an unparalleled range of elegant tiling solutions, it is time to think ahead and venture into an even more premium range of tiles. The Group is examining the possibility of having this range designed and manufactured overseas.

APPRECIATION

I would like to take this opportunity to thank the Chairman and the Board of Directors for putting their faith in me, and for the support and guidance they have given me since I took over as Managing Director of Royal Ceramics Lanka PLC.

To the CEOs and Management of all the subsidiaries under the Royal Ceramics wing, I offer my gratitude and respect. Each of you have proven your commitment to the broader vision of the Group and are steering your entities in a positive and fruitful direction.

To the Management team and staff at Royal Ceramics, thank you for your loyalty, your adaptability and your unwavering dedication to the success of the company. We have demanded a great deal from you in terms of performance and results, and as always, you have delivered. I look forward to working with you in the future as we continue to expand our business, maximizing stakeholder benefits and building brands that make a significant contribution to our nation.

Aravinda Perera
Managing Director

Board of Directors

Seated L to R
Mr. Aravinda Perera, Mr. Dhammika Perera, Mr. A M Weerasinghe, Mr. L T Samarawickrama

Standing L to R
Ms. Niruja Rajeswari Thambiayah, Mr. G A R D Prasanna, Mr. Tharana Thoradeniya, Mr. L N De S Wijeyeratne, Mr. Harsha Amarasekera, Mr. R N Asirwatham

Board of Directors

MR. DHAMMIKA PERERA

Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality & Hydropower generation. He has three decades of experience in building formidable business through unmatched strategic foresight.

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

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 35 years involved in Real Estate, Construction, Transportation & Hospital Industry and has been a Landed Proprietor. In addition to the above, he is also the Chairman of the Singhe Hospitals Ltd and Weerasinghe Property Development (Pvt) Ltd.

MR. ARAVINDA PERERA

Managing Director

Mr. Perera was appointed the Managing Director/Director of Royal Ceramics Lanka PLC on 14th March 2017.

Mr Aravinda Perera counts over 30 years in the Banking sector and functioned as the Managing Director of Sampath Bank PLC from 1st January 2012, until his retirement in September 2016.

Presently, he is the Chairman of Siyapatha Finance PLC & Director of SC Securities (Pvt) Ltd; subsidiaries of Sampath Bank. He also represents Sampath Bank as a Director of Lanka Bangla Finance Ltd in Bangladesh. He is also a Director of Colombo Stock Exchange and Hayleys PLC and Chairman of Audit Committee of Hayleys PLC, the holding company of the Hayleys Group. He is also a Director of Hayleys Industrial Solutions Private Ltd and Fentons Ltd and chairs the Audit Committees of both companies.

He is a Member of the Institute of Engineers (Sri Lanka) (MIESL) and a Chartered Engineer (C.Eng.). He is also a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA) and a Fellow of the Institute of Bankers – Sri Lanka (FIB). He also holds an MBA from the Past Graduate Institute of Management.

Mr Perera was honoured with the "CEO Leadership Achievement Award 2016" by the Asian Banker magazine and was also the recipient of the prestigious "Platinum Honours – 2014" Award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayawardenapura University. He was also honoured with the "Award for the Outstanding Contribution to the Banking Industry – 2015" by the Association of Professional Bankers.

MR. THARANA THORADENIYA

Director Marketing and Business Development/CEO - Rocell Bathware Ltd

Mr. Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is the Group Director Marketing and Business Development of Royal Ceramics Lanka PLC and the Chief Executive Officer of Rocell Bathware Ltd.

He sits on the Boards of several public quoted and privately held companies, including Pan Asia Banking Corporation PLC, Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Unidil Packaging (Pvt) Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

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.

A 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, Sun Tan Beach Resorts and Luxury

Resorts Male. 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 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 of the Institute of Chartered Accountants of Sri Lanka. He is also a member of the Member of the Council of the University of Colombo and Post Graduate Institute of Medicine. He also serves on the Boards of 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, Mercantile Merchant Bank, Dankotuwa Porcelain PLC, Colombo City Holdings (Pvt) Ltd, Peninsular Properties (Pvt) Ltd, Yaal Hotels Private Limited and Browns Beach Hotels PLC.

MR. HARSHA AMARASEKERA

President's Counsel
Mr. 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, specialising 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, Taprobane Holdings PLC, Amaya Leisure PLC, and 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, Delmege, & Grand Mark (Pvt) Ltd

MS. NIRUJA RAJESWARI THAMBIAYAH

Ms. Niruja Thambiayah holds a Bachelor of Arts with Honours in Industrial Economics from the University of Nottingham, UK and a Master in International Business from Monash University, Australia. She is currently the Managing Director of Cargo Boat Development Company PLC and an Executive Director of Renuka Hotels Ltd and Renuka City Hotels PLC. She is a Non-Executive Director of Royal Ceramics Lanka PLC, Renuka Consultants & Services Ltd and Lancaster Holdings Ltd.

MR. L N DE S WIJEYERATNE

Mr. Wijeyeratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 37 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is presently a Director of L B Finance PLC, DFCC Bank PLC, The Fortress Resorts PLC, The Nuwara Eliya Hotels Company PLC, Rockland Distilleries (Pvt) Ltd, The Kingsbury PLC, Aitken Spence Plantation Managements PLC, and Kelani Valley Plantations PLC. He is also a member of the Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka.

He was the Group Finance Director of Richard Pieris PLC from January 1997 to June 2008 and also held Senior Management positions at Aitken Spence & Company, Brooke Bonds Ceylon Ltd and Zambia Consolidated Copper Mines Ltd. Also served on the Board of Property Development PLC and was a Member of Accounting Standards and Monitoring Board of Sri Lanka.

Corporate Management

Aravinda Perera
Managing Director

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

Haresh Somashantha
Head of Finance & Treasury

Nandajith Somaratne
General Manager Manufacturing

Anura Jayatissa
Head of Bathware Factory Complex

Dulanjana Silva
Head of IT

Neil Bogahalande
Head of Human Resources

Kumudu Keerthirathna
Head of Eheliyagoda Factory Complex

Dhammika Ranaweera
Head of Horana Factory Complex

Wasantha Sarathchandra
Group Financial Controller

Sidath Rodrigo
Head of Retail

Thilini Guneratne
Chief Internal Auditor

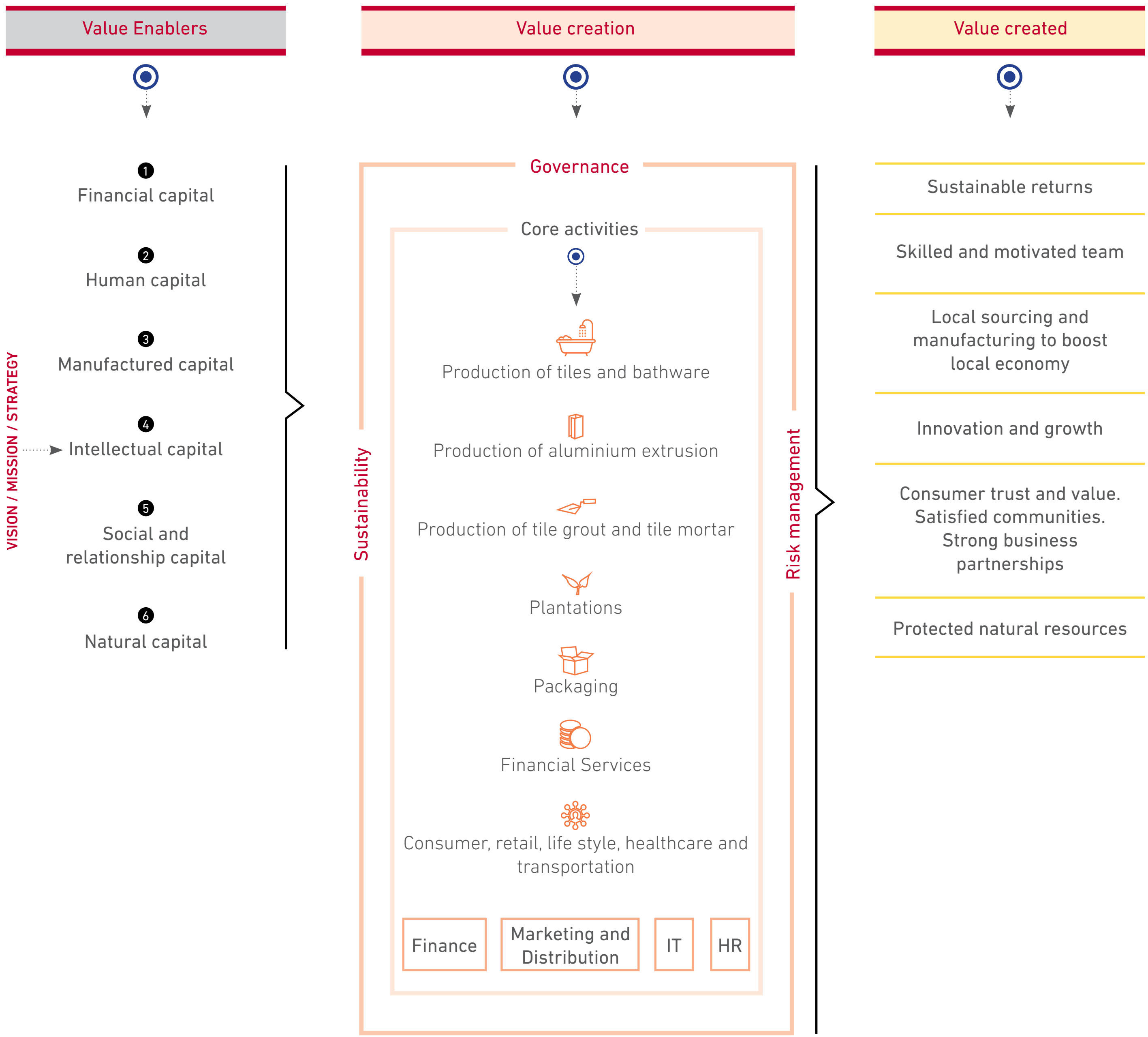
Shammika De Silva
Head of Warehouse Operation

Upul Disanayake
Senior Manager - Logistics

Chaminda Wijegunarathna
Channel Development Manager

Management Discussion & Analysis

Value Creation Model



Stakeholder Engagement

INVESTORS

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
Review shareholder expectations	Annual General Meeting	Attractive dividend of Rs 9/- per share proposed for 2016/17
Provide assurance on regulatory and statutory compliance and governance	Publication of interim accounts	Business diversification reducing business risk targeting high return for the investment
Identify investor preferences and their risk appetite and concerns	Publications and announcements on performance, launch of new products and services	Strong cost management systems across the group which facilitates collective bargaining to maximize returns
Facilitate informed timely investment decisions	Access to management via email/telephone	Constant research and development for product and process innovations
	Meetings with fund managers/ stock brokers, etc.	Introduction of value added products
	Updated corporate website	Expansion of production capacities to increase productivity and reduce cost
		Product portfolio optimisation to maximise revenue and reduce holding cost
		Cost reduction initiatives such as TPM programmes driven to maximise profitability

CUSTOMERS

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
Understand customer needs and expectations	Frequent customer visits/site visits by account, project and service management professionals	Multi channel distribution strategy for ease of access, physical presence at 64 showrooms and over 100 direct dealers and 350 sub dealers located across the country
Review customer perception on quality of product and brand	Daily interaction via 51 showrooms and over 250 dealers and distributors located across the country	Wider customer choice with more than 700 product designs
Identify improvements expected on service levels	Formal complaint management process and a centralized dedicated unit to manage and resolve customer complaints	Quality testing and improvements in quality and safety parameters
Improve awareness of products and services	Updated corporate website and social media accounts	Introduction of warranty schemes
Training on use of products	Feedback form on website	Introduction of software tools to visualize the living spaces with selected products
		Adoption of latest technology in the world to supply best quality products

Management Discussion & Analysis

Stakeholder Engagement

CUSTOMERS

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
Expanding the customer reach	Customer education workshops	Demand driven supply chain to align to customer preferences
		Improvement in the website with details of product designs and characteristics
	Tilers training programmes	ISO9001 quality certification Green Labelling certification, CE mark certification, SLS mark certification. ISO 14,001, 4 star rating on water efficiency labelling system, water mark certification. OHSAS 18,001.
	Annual dealer conference	Tile laying instruction manuals
		Tiler's loyalty schemes
		Dealer performance based reward schemes
		Relocation of showrooms to better serve the customers

EMPLOYEES

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
Create two way communication for improved understanding	Open door policy	Ensuring value alignment and building a cooperative & compliant workforce
Enhance skills and competencies through training & leadership	Frequent training programmes	Transforming HR to a business partner instead of an administrator
Share long-term & short-term goals	Overseas travels for exhibitions	Long-standing, committed and contented workforce equipped with knowledge, skills and attitude
Inculcate compliance to procedures	Annual sales conference	Enhance team work
Handle grievances and conflicts	Monthly group management committee meetings	Medical, insurance and death donation schemes
Evaluate performance	Daily emails, notifications and memos	Mentoring and coaching programme
	Exit interviews upon resignation	On the job orientations, employee satisfaction surveys and open door concept
	Annual staff performance review	Performance appraisals and performance based rewards scheme

SUPPLIERS

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
Foster fair & equitable procurement practices	Annual Registration of suppliers	Uplift the suppliers by providing financial assistance and technology support
Adhere to contractual obligations	Periodical assessments of suppliers' environmental compliance standards	Procurement of quality material/ services at the best price across the group
Knowledge sharing	Supplier reviews for quality of goods/ service and pricing	Negotiated discounts with group volume
Improved trust and transparency	Monthly procurement committee meetings	Collective negotiations for competitive bank interest rates
		Timely delivery of goods and services and payments
		Guaranteed purchase volume to enhance supplier capacity

LOCAL COMMUNITIES

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
We support community development programs to provide for the well-being and economic progress of communities in the markets in which we operate.	Group CSR programme	Road developments of neighbouring showrooms and factories
	Staff volunteerism initiatives	Donations of books to schools
	Dialogue through network of showrooms	Providing death donations to the low income families around factories
	Community visits by factory and showroom staff	Assisting to obtain pipe borne water for the needy families
		Workshop assistance to repair nearby premises
		Provide internships to university & professional students
		Dedicated resource team of medical assistant, welfare officers and child development officers to help estate workers
		Construction of housing units for estate workers

Management Discussion & Analysis

Stakeholder Engagement

ENVIRONMENT

Communication Goals	Channels of Communication	Our Responses/Achievements in 2016/17
We promote green management practices and operational procedures to mitigate the environmental impact of our business	Monthly Efficiency meetings	Installation of skylights in factories to reduce power consumption
	Monthly evaluation of fuel efficiency standards against actuals	Installation of water recycling system, sewerage treatment plants and water purification plant.
	Field visits to the suppliers' sites to ensure the refilling of mines used for ball clay excavation	Raising of boundary walls, installing sound proof canopies & tree planting initiatives to prevent noise pollution
	Regular test on treated water from treatment plants	Dust suction plant to prevent air pollution
	Regular test on noise level	Water mark certification, WELS Certification, ISO 14,001, Green label
		Recycling of waste raw materials, paper waste and aluminium scraps.
		Duel fuel power enabled machinery
		Waste head recovery project
		Energy saving methodologies
		Capacitor bank installation to save energy
		Converting 10% of the furnace oil usage to firewood usage
		Industry deep wells to introduce a water flow control system

Capital Management Report

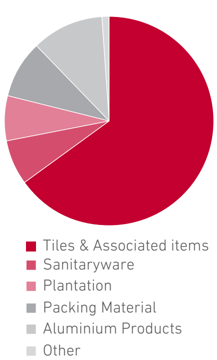
FINANCIAL CAPITAL

GROUP RESULTS

The Group has reported a Net Turnover of Rs. 26.4 billion during the financial year 2016/17 with an increase of 6.6% compared to a net revenue of Rs 24.8 billion recorded for 2015/16. All the sectors of the Group reported a growth in turnover with the exception of the packaging sector.

The Export sector contributed 3% towards the total turnover of the Group, however there is a drop of 43% in export sales compared to the previous year. The lower export revenue contribution to the group was primarily due to an influx of low priced products from countries like China and India. These countries hold a definite advantage when battling global price competition due to their economies of scale.

Group Revenue - Sector wise



PROFITABILITY

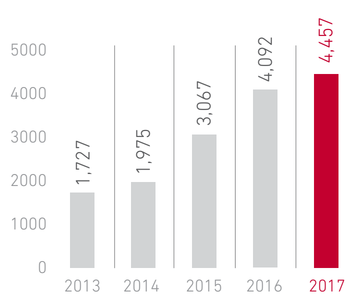
The Gross Profit of the Group recorded a growth of 9% compared to the previous year with a 3% higher margin. A combination of production initiatives, operational efficiencies, improved product yield and product optimization during the year resulted in the maintenance of margins despite increased finance costs, and most significantly, without any increased costs being inflicted on the customer. Energy costs remained the same as in 2015/16 which was also advantageous for the energy intensive tile and sanitary ware operations.

Group Profit after Tax increased to Rs. 4.5 billion as against Rs. 4.1 billion in the previous year, which reflects a 8.9% growth. The tile sector dominated with a 65% contribution to the Group's profit. The Finance, Aluminium and Sanitaryware sectors showed a reasonable growth of net profit during the year, registering 5%, 30% and 17% respectively, compared to the previous year. However, the plantation sector recorded losses of Rs.33.5 million.

The reasons behind achieving high profitability during the year was primarily excellent cost management and the increase of operational efficiencies.

Net profit attributable to the owners of the parent company has increased by 10%, resulting in an increase in earnings per share also by the same percentage to Rs. 29.16. This is mainly due to higher net profit attributable to the parent company by its profitable subsidiaries.

Net Profit After Tax (Rs. Mn.)



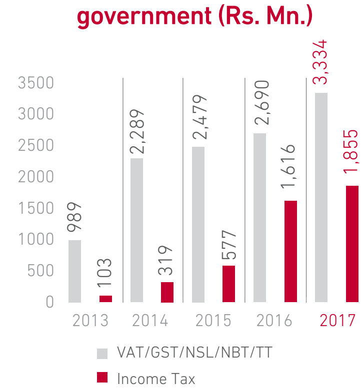
OTHER INCOME

Other Income of the Group has growth by Rs. 14.2 million, recording a growth of 7.1% compared to the previous year.

TAXATION

The Group made an income tax provision of Rs. 1.3 Billion for the year under review in comparison to Rs. 1.2 Billion in the previous financial year. This includes Rs. 241 million as a deferred tax provision for the financial year of 2016/17 compared to Rs. 139 million for 2015/16. In addition, Rs. 3.3 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 9/- per share of which Rs 5/- per share has already been paid as interim payment and another final dividend of Rs. 4/- per share was proposed by the directors on 23rd May 2017, for the approval by shareholders at the Annual General Meeting. Dividend paid for the previous financial year was Rs.8/- per share.

Management Discussion & Analysis

Capital Management Report

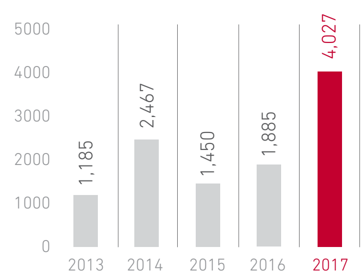
CAPITAL EXPENDITURE

Capital expenditure of the Group was Rs 4.0 billion for the year. This was spent on capacity expansion, the purchase and upgrade of machinery, construction of new head office building, adoption of new technologies, an extensive showroom relocation and renovation initiative, the enhancement of the dealer network, the development of new products and designs and many other improvements particularly across the tile, sanitary ware, packaging and aluminum operations.

ACCOUNTING POLICIES AND DISCLOSURES

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

Capital Expenditure (Rs. Mn.)



FINANCIAL INDICATORS

The Group has reported a net cash outflow of Rs. 886 million during the year as against an inflow of Rs. 1,529 million during last year. The Group's long term borrowings have increased to Rs. 8,018 million from Rs. 6,911 million. The Group's short term borrowings, including overdrafts, have increased to Rs. 4,225 million from Rs. 3,833 million. Shareholders' funds consist of 8% stated capital, 11% capital reserves and 81% revenue reserves.

HUMAN CAPITAL

Royal Ceramics Lanka PLC has always understood that its human capital is the Group's most valuable asset, and has worked to ensure that despite the diverse nature and demands of the industries in which the Group's subsidiaries operate, its HR policies are unified in their focus on strengthening employee engagement by adding professional as well as personal value.

OUR TEAM

With a total of 10,014 employees across all the companies under RCL's purview, every subsidiary shows excellent rates of employee development and retention, facts which stand testament to the success of the Group's wider HR policies. A majority of the group's employees are between the ages of 31 – 40 years and the gender split is 62% of all employees being male and 38% female.

The tiles and sanitaryware Companies comprise 2,810 employees of whom 16% have served their respective companies for more than 20 years. Though the group strives to be an equal opportunity employer, the manual nature of the work means that 91% of employees in the tiling sector for example are male. However this imbalance is addressed by hiring more females in administrative departments, and the overall gender split in the group proves that this policy has been successful. The group does not discriminate based on ethnicity or any other factor.

HUMAN RESOURCE POLICY

The HR Department is under the direct supervision of the Managing Director and is responsible for all HR functions. Professional development, safety and dignity are key, and employees rights are protected by a strong regulatory framework which is ensured via regular internal audit inspections and management accountability. Formal policy frameworks are adhered to and cover recruitment, succession planning, performance appraisal, grievance handling, training and development and compensation. The company strictly does not engage in child labour or forced labour and guarantees the protection of all employees' human rights.

RECRUITMENT POLICY

Opportunity is given to the existing staff of companies within the Rocell Group to apply for the positions/placements available at any given time provided that the applicants meet the eligibility criterion. Each company within the Group recruits the best personnel, (regardless of gender, race or religion) in terms of qualification, skills, and experience. Selection is therefore without prejudice, and is based on the individual's competence and character to effectively contribute towards the sustainable growth and profitability of the Company.

As a critical career development strategy; appointments to long term assignments, secondments to other Group companies are considered. Recruitment and selection activities comply with all local legislative requirements. Applications received for any particular vacancy are kept confidential. Any prospective applicant below the age of 18 will be considered for employment on a trainee basis, subject to relevant legal provisions applicable. All appointments to the Company take effect on issuance of a proper Letter of Appointment under the hand of the Appointing Authority.

EMPLOYEE RETENTION

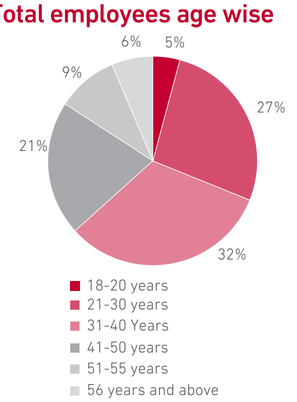
The success of the group's HR policies is implicit in the high rate of retention. In the tiling and sanitaryware segments retention was as high as 90% during the year under review. This successful rating is largely due to the group focus on employee development and engagement programmes that ensure that staff are fulfilled both professionally and personally.

HEALTH AND SAFETY

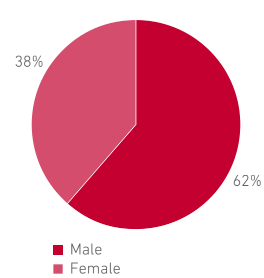
The importance of the health and safety of employees cannot be overstated. Constant efforts are made to identify and protect against hazards and dangerous areas. These include:

- 'Near miss' identification and correction
- Protective covers for all moving parts of machinery and belt guards
- Granting and strict compliance of Personal Protective Equipment (PPE)
- Regular safety awareness programmes
- Fixation of appropriate fire extinguishers and fire drills

Total employees age wise



Total employees gender wise



Management Discussion & Analysis

Capital Management Report

- Pneumatic sensors for accident prevention
- Awareness and training on ergonomics for accident prevention
- Accident root cause analysis for preventive action

KNOW-HOW AND SKILLS

The Group invests a great deal in training and development on an annual basis. New recruits are taken through a structured induction and orientation programme including visits to factories, sales channels and warehouses.

Employees of all levels are offered training opportunities with in-house or external trainers based on needs analysis. With the constant changes of the product, currently the emphasis is on technical training for sales, production and other staff supported by training on soft skills. Regular visits to international exhibitions and world class manufacturing plants forms a vital component of knowledge enhancement for production and sales staff.

- Details of training programmes in the Tiling subsidiaries in 2016/17

	No of sessions
Safety & health	02
Productivity	18
Supervisory	2
Quality	2
Soft Skill development	313
TPM Certificate	8
TPM Executive	4
TPM Operators & technician	6

PERFORMANCE EVALUATION

Performance goals are evaluated by the immediate supervisor and tabulated by the unit head to ensure consistency. Regular feedback and assistance is provided to ensure better performance.

Employees are recognized and rewarded with remuneration, annual increments and bonuses as well as promotions based on higher performance ratings on a continued basis.

GRIEVANCE HANDLING

Supervisors are trained to handle grievances in a swift and satisfactory manner, however if this is not successful, employees at all levels are free to seek assistance from the HR department or to escalate the issue direct to the Managing Director.

INDUSTRIAL RELATIONS

All factory worker grade employees are unionized and successfully entered into collective agreements for a duration of three (3) years. A documented dispute resolution procedure is part of the collective agreement. There were no industrial disputes during the year under review.

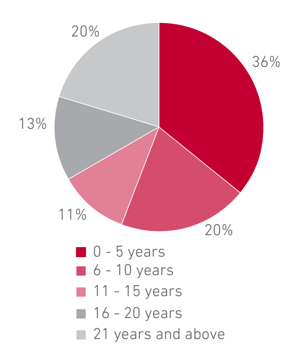
EMPLOYEE PRODUCTIVITY

Efficiency and productivity are the foundations on which the Group's success is built. The tiling and sanitaryware subsidiaries apply stringent productivity measurement techniques on a daily basis. Reinforcing of productivity enhancing best practices, case study comparisons based on similar businesses and productivity based incentive schemes are all vital components.

EMPLOYEE ENGAGEMENT

The staff across the tiling and sanitaryware subsidiaries are provided with numerous opportunities to engage outside work, thereby building camaraderie and ensuring a positive work environment. Annual staff and factory worker trips, worker get-togethers, sports days, sales conferences and regular religious activities all work to help form strong bonds among employees.

Employees according to service period



HUMAN CAPITAL DEVELOPMENT ACROSS DIVERSE SUBSIDIARIES

HORANA PLANTATIONS

The need to recruit, train and essentially retain manpower is imperative to productivity especially in relation to the plantation community. Horana Plantations understands the need for labour empowerment and assists with increasing the employability of youth on the plantations, as well as improving access to infrastructure facilities. Training and development is an ongoing process to build and enhance competencies as a means to improve productivity.

Safety is of paramount importance, and the Company invests in high quality gear and thoroughly evaluated working conditions to ensure that a high degree of safety is maintained at all times.

Investing in the plantation community is essential and in collaboration with ADRA, Horana Plantations introduced a large gravity fed water system to provide safe water to 280 families in Alton Estate. Thirty housing units were completed under the Ministry of Livestock and Rural community Development Programme in Tillicoultry Estate , Lindula in an effort to enhance the living standards of the estate workers. This project was the first and the quickest housing scheme ever developed and was commended by the Plantation Housing and Development Trust.

SWISSTEK ALUMINIUM

The aluminium extrusion company employees are 90% male cadre of 258 employees mostly between the ages of 21 and 30. Retention is at a creditable level

Management Discussion & Analysis

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with 24% of all staff having been with the company for 6 to 10 years.

Training programmes are carried out to ensure that all employees to have necessary skills, knowledge and attitude to meet company goals. Productivity is enhanced via a monthly production incentive based on the achievement of the previous months' production target.

Staff engagement takes place during annual cricket matches, pirith chanting programmes and company trips. These activities serve to build tighter bonds between employees.

With 20 accidents and zero fatalities during the year under review, it is clear that the company policy of mandatory PPE wearing on the factory premises as well as the careful analysis of previous accidents have worked to improve overall safety standards.

UNI DIL PACKAGING

The packaging giant employs a total 340 employees, 93% are male and most are between the ages of 31 and 40.

- Details of training programmes carried out at Uni Dil in 2016/17

Key areas of focus		No of sessions
Mentoring & Counselling	(34 Emp.)	2
Human Responsibility in Production (HRP)	(16 Emp.)	1
Health & Safety	(117 Emp.)	6
Fire Safety	(14 Emp.)	1
Stores Management	(2 Emp.)	2
Time Mgt./ Soft Skill Impr./ Leadership	(102 Emp.)	11
ISO/ Productivity	(51 Emp.)	5
Labour Laws	(2 Emp.)	2

Apart from a focus on training, UniDil is also very much attuned to the idea of providing staff with the tools they need to achieve a work life balance. With this in mind the company organized sports days, an annual interdepartmental cricket encounter, Sinhala and Tamil new year celebrations, Christmas celebrations and an annual staff trip.

Occupational health and safety is assured via training and awareness programmes, strict safety rules, and compliance with ISO standard & Factory Ordinance. While all incidents are discussed Health & Safety committee meetings, staff are also required to wear their PPEs, conduct regular safety audits and take necessary corrective actions.

A detailed grievances procedure is in place. Apart from escalation through management, employees also have the opportunity to approach senior managers directly via JCC, Welfare meetings, Food committee and a complaints box directly accessed by the CEO.

The company has had no need for the formation of a labour union.

Employee productivity is of paramount importance at UniDil and the following measurements are used to measure and improve said productivity - OEE (Overall Equipment Efficiency), Quality Circles activities, KAIZEN Suggestion Scheme, 5S programmes, Production per employee/ Sales per employee/Profit per employees and Achievements of production targets and reject and waste objectives

Management Discussion & Analysis

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Horana factory school books donations

SOCIAL AND RELATIONSHIP CAPITAL

CREATING VALUE FOR CUSTOMERS

We strive to offer our customers an exceptional experience both in terms of the products offered and the service received. Understanding our customers' needs and expectations and being able to provide them with the highest possible standards, is one of the pillars on which our business is built.

CUSTOMER PROFILE

- In terms of domestic usage, the bulk of the tile and bath ware customer profile is made up of the upper middle and middle income segments. Customers are found across the country, but the majority are from the western province.

CUSTOMER CONVENIENCE

- A strong emphasis is placed on customer convenience. Ease of access via our 51 showrooms and over 250 dealers, coupled with a range that includes over 700 product designs serve to create an unparalleled customer offering. Our new and improved online ordering capabilities and increased social media interaction have also done their part to provide customers with quicker, easier ways of accessing our products and services.
- The drive to improve customer service and satisfaction will continue to be a top priority in 2017/18. Work has already commenced to bring all our showrooms up to date, with refurbishments and the stocking of a wide range of appropriate bathroom and lifestyle accessories which will turn our showrooms into a one stop, total solutions provider for our customers.

CUSTOMER SATISFACTION

- In order to ensure that customers receive the best possible service at every turn, we invest in our dealers and suppliers, ensuring that they are well trained and knowledgeable, and receive both technological support and financial assistance with which to expand their businesses.

- Customer satisfaction levels were monitored in 2016 using an index. The results were good overall, indicating that the company had performed to customers' satisfaction in all the relevant categories.
- A formal complaint management process and dedicated customer complaint management unit are also in place, and served well during the year under review, with all valid complaints settled by replacing an equivalent number of tiles.
- The special discount scheme for members of the Sri Lankan armed forces as well as all religious institutions continued in 2016/17.

PRODUCT INNOVATION

- Major steps were taken during the year, in the creation of new and improved products that would offer customers greater variety and value.

CREATING VALUE FOR THE COMMUNITY

Caring for the communities in which we operate has been the cornerstone of our business philosophy. As such, as our businesses have grown and developed so have the communities that surround them. We make in impact not just in terms of humanitarian aid, but through the use of our knowledge and expertise to create concrete and sustainable areas of improvement, linking our work with the well being of the people and environment around us.

EMPOWERING PEOPLE

- Royal Ceramics and Royal Porcelain engage in infrastructure development via their factories in Horana and Eheliyagoda. These factories are responsible for the maintenance and repair of key road ways as well as the construction of proper roadside drainage facilities. The factories are also involved in arranging for the supplying of water from the National Domestic Water board to families in the surrounding areas.
- These factories are also part of the Vallibel One lead '500 pre schools programme' and have taken on the responsibility of developing 150 of the schools that are involved in the project.
- Rocell bathware is part of the same "500 pre schools project', and has taken on the enormous responsibility of providing sanitation facilities in all participating schools.
- Unidil provided the guidance necessary for the Ovitigama Maha Vidyalaya to implement the 5S concept, in order to ensure that the school is run in a more efficient and effective manner.
- Swisstek Aluminium continued its community work via a road development project in the Dompe pradeshiya sabha, when it took responsibility for repairing Kimbulwila Watta road. In order to encourage academic achievement among the children of its employees, the company also provided school books to those children who excelled at school.
- LB Finance aided the Mahiyangana Police Station in their road safety campaign, sponsoring hand bills for pedestrian awareness as well as road signs regarding safe driving practices. The company also sponsored notice boards for national parks, as well as the wildlife conservation gantry and wild life jackets for the Wasgamuwa National Park. LB Finance was also part of the Vallibel One lead '500 pre schools programme' and have taken on the responsibility of developing 150 of the schools across the island.
- Horana Plantations has in place a dedicated resource team of Medical Assistants, Welfare Officers and Child Development Officers who provide support and guidance in relation to maternal and child health, family counselling services to discourage child abuse, domestic violence and teenage pregnancies for all plantation workers. Health related services including immunizations, optical and dental care are provided and also extended to those outside of the workforce as a measure of goodwill and also to build up the health of the community. Adequate housing and sanitation infrastructure is provided. In collaboration with ADRA a large gravity fed water system was constructed to provide safe water to 280 families in Alton Estate. Thirty housing units were completed under the Ministry of Livestock and Rural community Development Programme in Tillicoultry Estate, Lindula. At present the company is engaged in providing 545 housing units in 11 estates under Green Gold Housing Programme in collaboration with Plantation Housing Development Authority. Re-roofing of worker housing has been undertaken in collaboration with World Vision Lanka.

HUMANITARIAN

- At Rocell Bathware, the staff stepped into fund two disaster management projects, distributing lunch packs and dry rations to flood victims. The factory staff were also responsible for an almsgiving in aid of the cancer hospital. The Company funded projects included a blood donation campaign, as well as an eye clinic

Management Discussion & Analysis

Capital Management Report

Blood donation - Bathware factory

which offered free evaluation and treatment to those living in the area.

- Both the Horana and Eheliyagoda factories engaged in school book donation projects to benefit neighbourhood students, as well as the supply of Sunday school uniforms to students visiting the village temple.
- Lanka Tiles and Lanka Walltiles invested approximately Rs. 5Mn in Tile and monetary donations, event sponsorships, training initiatives and community support during the period under review.
- Unidil provided support for all community development work in the surrounding village.
- Swisstek Aluminium undertook to provide milk tea to the nearby Sunday school, while also making donations to the local temple, hospital and police station. The company also engaged in an annual book and gift donation programme benefitting the local nursery. Swisstek Aluminium also stepped in to provide disaster relief to its employees who were affected in the 2016 floods.
- LB Finance sponsored mobile toilets for victims of the 2016 floods. The company also distributed caps to the army officers in Puttalam, as well as sponsored the equipment for the commando basketball team. LB Finance sponsored the Children's Day programme at the Meth Care Centre and made donations to the blind council, the Sri Lanka Cancer Society and a children's home in Anuradhapura. They also funded a video about sign language for the Ceylon School for the deaf and blind. The company made numerous donations to schools, from books, stationery and computers, to swimming pools and O/L and Grade 5 Scholarship seminar programs. LB Finance also carried out its annual blood donation camp.

SPONSORSHIP OF CULTURAL ACTIVITIES

- Every factory within the group also chose to sponsor community events, with the Horana and Eheliyagoda factories sponsoring the New Year festival organised by Middellamullahena villagers as well as the annual cultural program organized by the Horana AGA. Unidil lent financial support to the annual Perahera Pinkama.

CREATING VALUE FOR SUPPLIERS

Our goal is to see our suppliers grow with us. With this in mind we work via an equitable procurement process, strictly adhere to contractual obligations, maintain open channels of communication, engage in multiple knowledge sharing initiatives and place a strong emphasis on absolute trust and transparency.

VALUE ADDITION

Supporting our suppliers as they strive for the continuous improvement of their businesses, is something we take very seriously. As such, we provide financial aid and technological assistance in order to enable these expansions.

ENGAGEMENT

- We are conscious of the need to create multiple opportunities for suppliers to engage with us and to stay up to date with the latest developments. The annual registration of suppliers, monthly procurement committee meetings, supplier reviews and assessments of suppliers environmental compliance standards, all ensure that everyone is on board and operating to the highest standards.

RELATIONSHIPS WITH STAKEHOLDERS

- Government and local authorities - The group maintains strong relationships with all Government and local authorities in all fields and areas of business. Clear and transparent communication, as well as absolute compliance is paramount.
- Trade unions - Relationships with all trade unions remain excellent. A cordial, open door policy allows for clear lines of communication and the swift resolution of any outstanding issues, to the mutual benefit of concerned parties.

MANUFACTURED CAPITAL

Our Manufactured Capital sets us apart, defining us as pioneers, visionaries and benchmark setters.

Our factories are all state of the art complexes powered by the latest, high tech machinery, and run in a way that has brought us numerous certifications for quality, health and safety as well as the protection of the environment. We operate all our factories, warehouses and other facilities in the most efficient manner possible and have the results to prove it.

FACTORIES

Equipped with the most up to date machinery, powered by efficient processes, backed by international standards and manned by highly trained staff, each factory is an example of manufacturing efficiency and quality.

FLOOR AND WALL TILES

- The Royal Porcelain complex in Horana produces 11000 m^2 per day, specialising in Glazed Floor Tiles in the Porcelain, Vitrified and Ceramic categories for the 'Rocell' brand.
- The Royal Ceramics Lanka complex in Eheliyagoda has a capacity of 5000 m^2 per day and produces Homogeneous full body Porcelain Tiles and Glazed Porcelain Tiles for the 'Rocell" brand.
- Pioneering floor tile manufacturer, Lanka Tiles operates out of a state of the art factory in Ranala which produces Floor tiles in the Glazed, Vitrified and Ceramic categories with an output of 12,000 m^2 per day. These retail under the 'Lanka Tiles' brand.
- Lanka Walltiles operates in Meepe. The factory complex has a capacity of 8,000 m^2 per day. Lanka Walltiles produces an unmatched range of wall tiles in a variety of colours, textures and sizes including special trim tiles, decorated tiles, as well as handmade tiles for the North American and Australian Markets. All of the above retail under the 'Lanka Tiles' brand.

FACTORY UPDATES IN 2016/17

ROYAL CERAMICS

Capacity at the Royal Ceramics factory will be increased by 35% following a Rs 1.2bn investment in 2017. The expansion project will reach completion in October 2017. One of the advantages of the expansion will be the factory's ability to increase production of full body porcelain floor tiles for which there is a high demand in the market.

The project will include the addition of 'Double Charge technology' from Italy. This technology will enable Rocell to cater to the demand for polished porcelain tiles.

ROYAL PORCELAIN

Capacity was increased by 15% during the year under review. The expansion enabled the production of glazed porcelain tiles of larger sizes including 60x60 cm, 60x120 cm and 45x90 cm. A further Rs 50Mn was invested in coloured body with dry mixing technology. This enabled the factory to produce the coloured body tiles which are in high demand in the market and were formerly available only via the Royal Ceramics factory.

LANKA TILES

The company will invest Rs 1.5 Bn in an expansion project which will take place in 2017/18 ensuring a capacity increase of 3500sqm per day, making a total 35% increase in total capacity. Apart from vitrified and glazed ceramic tiles, the factory will also begin producing glazed porcelain tiles and to branch out into new sizes including 80x80cms and 60 x 120cms.

LANKA WALLTILES

Though no capacity increases were made during the year under review, machine upgrades with a new Lazer guided handling system and sorting lines were installed to enhance productivity. The factory is now capable of manufacturing 30x90 cm tiles, a significant value addition which will be launched in the market in 2017.

SANITARYWARE

- The country's first sanitary ware manufacturing plant, the Rocell Bathware complex in Homagama produces 245,000 pieces of Vitreous China and Fine Fire Clay sanitary ware appliances per annum. By adding two casting lines, capacity was increased by 30% during the year under review. The company has invested Rs. 580 Mn in an expansion project which will be completed in 2017/18.

ALUMINIUM

- The Swisstek plant located in Dompe in the Gampaha District is capable of producing 450MT per month. 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. Powder coating capacity was increased from 120 MT to 500 MT with an investment of Rs. 200 Mn.

PACKAGING

- The country's leading corrugated carton manufacturer, UniDil occupies a 12 acre complex in Dekatana, which includes warehousing and an in-house laboratory. During the year under review the company added a 2500 mts corrugator capacity and 500 mts printing capacity, making Unidil to the largest packaging company in Sri Lanka.

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WAREHOUSES
With over 60 warehouse facilities spread across the country, we are renowned for our high productivity, low cost modus operandi. The Group is investing in a massive green initiative in 2017/18 which will see the main warehouses convert to solar power subject to the viability of the project.

PURIFICATION PLANTS
Each factory has its own water purification plant. This allows our manufacturing complexes to be completely self sufficient when it comes to water. In addition 70% of our water is recycled and used for various operating processes and the maintenance of the factory grounds.

SHOWROOM /BRANCH NETWORK
As pioneers of the concept store model, and with over 53 showrooms in Sri Lanka, we take great pride in offering our customers a total solution. Our showrooms are constantly being upgraded in order to ensure that customers can make the most of their shopping experience.

Please see page 64 for location of branches.

QUALITY CONTROL/CERTIFICATIONS
Exceptional quality standards are vital to our business and we deliver them consistently throughout the production process in order to create a finished product that is a delight to consumers. Our list of standardisations and certifications covers quality, health and safety and the environment.

ROYAL CERAMICS AND ROYAL PORCELAIN
All Rocell branded products are manufactured according to ISO 13006 classifications and ISO 10545 standards. Rocell tiles are exported to developed markets like USA, Canada, Australia and many other countries with strict quality controls and compliance standards. Both Royal Ceramics and Royal Porcelain have been awarded top industry certifications for quality, compliance and manufacture, including:

- ISO 14001:2004
- ISO 9001: 2008
- SLS 1181:2005
- CE Certification
- Green Label certificate for sustainable building materials and products.

ROCELL BATHWARE
Rocell Bathware is undoubtedly the most sought after sanitary ware brand in the country. Its manufacturing facility and top of the line products have been awarded many industry certifications including:

- ISO 9001:2005
- ISO 14001: 2015
- Water mark certificate of conformity levels 1 and 2
- Certificate and declaration of conformity for CE (European compatibility)
- 4 star rating – water efficiency labelling scheme
- Green Label certificate for sustainable building materials and products.

Other group subsidiaries have also been recognized for quality and compliance, and are the recipients of the following certifications:

LANKA TILE
- ISO 9001
- ISO 14001
- OHSAS 18001
- SLS
- Green Label certification.

LANKA WALLTILES
- ISO 9001
- ISO 14001
- SLS
- Green Label certification.

UNIDIL:
- ISO 9001
- ISO 14001
- ISO 22000
- HACCP
- WRAP (Worldwide Responsible Accredited Production).
- The company is in the process of obtaining SMETA (Sedex Members Ethical Trade Audit)

SWISSTEK ALUMINIUM:
- ISO 9001:2008
- SLS 1410:2011
- SLS 1411:2011

PROCESS CONTROL
Our manufacturing, production planning, material requirement planning, procurement, order management, warehousing and logistics are all gathered under Oracle's leading enterprise planning suite, with a Fault Tolerant IBM Power 730 Server acting as the backbone of the system. The manufacturing facility, warehouse and retail outlets are connected on a high-speed WAN, using a collaborated ERP application, ensuring an efficient and virtually error free operation.

COST SAVINGS THROUGH PRODUCTIVITY
The following productivity and cost saving programmes have been applied in one or more of the manufacturing complexes within the Group - 5S, Quality Circles, Kaizen, Lean Management, TQM, TPM and Six Sigma.

During the year under review these programs helped the Group save a significantly cost among the Royal Ceramics, Royal Porcelain, Lanka Tiles and Lanka Walltiles manufacturing facilities.

INTELLECTUAL CAPITAL

IDENTITIES

As a brand name "Rocell" is associated primarily with elegance. This elegance is not just a facet that pleases the eye, it is a mood, a lifestyle, an inspiration. The brand offers timeless sophistication while also delivering practicality, durability and state of the art technology, ensuring high functionality as well as extreme aesthetic appeal.

Innovation is another key aspect of the brand. The desire to give customers 'more' has resulted in a unparalleled range that promises to deliver perfection, catering to even the most esoteric tastes.

The brand's greatest strength however may lie in its customer centricity, because fundamentally the brand is about the celebration of the individual, the particular space he or she occupies and the image they want to create, it is a brand that can truly say "We are all about you. And you are what you create".

TECHNICAL UPGRADES

State-of-the-art technology is one of the pillars on which the group's operational philosophy is built.

Technical teams make regular visits to the worlds leading technical exhibitions to sample what new developments have taken place and stay up to date, ensuring that the companies within the group are always ahead of competitors in terms of technological advantages. This automatically translates into additional benefits for the groups' clients and customers.

All technical upgrades carried out in 2016/17 are detailed under Manufactured Capital.

RESEARCH AND DEVELOPMENT

Research and Development are fundamental to the way the group operates and each factory, across all sectors has a dedicated R&D unit. This unit is engaged in fulfilling a dual purpose - one, make a better quality product, and two, make a more aesthetically appealing product.

Collaborations with leading international production and design companies ensure that the groups' brands are always evolving and perpetually on trend.

Management Discussion & Analysis

Capital Management Report

Alton Estate, Horana Plantations

NATURAL CAPITAL

In our view, success and sustainability are inextricably linked. We are totally committed to ensuring the mitigation of negative impact on the environment, in every area in which we do business; and environmental responsibility and sustainable practices are integral to our operational philosophy.

Our "Environment Management system", a program run according to the ISO 14000 international environment management standards specified by BVQ1 (London) in 2000, allows us to monitor degrees of pollution, and ensure that they are controlled and maintained at the lowest possible levels.

During the year under review, further investments were made throughout the group to ensure the best possible results in terms of regulatory compliance, energy efficiency, emission reduction, as well as water and waste management.

RAW MATERIALS

- Key raw materials in the manufacture of floor and wall tiles include minerals such as kaolin, ball clay, feldspar, silica sand, schamotte, quartz, zinc oxide, frit and dolomite. 99% of these raw materials are recyclable and find their way back into the production process. The balance 1% is crushed and used to refill the mines from which we source our materials.
- At Unidil, Sri Lanka's number 1 corrugated packaging company, the primary raw materials in use are virgin and recycled paper, cornstarch glue, flexo ink, stitching wire, strapping tape, bundling tape and Chemifix glue. Paper waste is exported to India for recycling thereby generating extra income for the company.
- Swisstek Aluminium follows a rigorous recycling protocol, ensuring that aluminium billet scraps are dealt with in-house. All refuse that cannot be recycled in-house is passed on to

a reputed professional organization engaged in recycling.

ENERGY

- The cost of fuel and electricity represent 32% and 8% respectively of total production costs in the tiling industry. In 2016, a fortuitous drop in energy prices lead to the decision to convert kerosene operated machinery to LPG or dual fuel power. This conversion resulted in a fuel saving of SLR 120Mn during the year under review.
- A waste heat recovery project at the Royal Porcelain factory is currently in its pilot stage and is proving very beneficial. The project, conducted with the guidance of two top notch Italian companies, will continue, and is set to result in a 5% saving on energy costs in 2017/18.
- The energy saving campaign at the Horana factory has been successful and has involved several methodologies including peak hours saving in terms of the ball mill operation resulted in a saving of Rs.1mn, planned stoppages in the glazing lines which saved Rs.1.3mn, dual fuel burner replacement in Spray Dryer registered a Rs.18mn saving and the introduction of water absorbent rollers to polishing line allowed for a saving of Rs.0.8 Mn in energy costs.
- The Eheliyagoda plant also carried out energy saving initiatives including the installation of a capacitor bank, LPG fuel conversion in two spray dryers and fuel saving in the vertical dryer. These efforts results in Rs. 42.5Mn saving in terms of energy.
- The installation of a Capacitor Bank at the Rocell Bathware factory in Homagama has lead to a significant reduction in energy costs and a notable saving in terms of electricity. Three new decks were included in the kiln car to enhance loading capacity and the time run of the first firing cycle was reduced.
- Energy consumption at the Lanka Tiles factory was reduced by the implementation of a new conveyance line in the squaring plant. LPG fuel conversion was also implemented in the squaring plant and spray dryer.
- By converting 10% of furnace oil usage to firewood usage, UniDil was able to generate an energy cost reduction of approximately Rs. 2Mn per month during the period under review.
- Swisstek Aluminium places great value on the maintenance of all machinery in order to reduce heat loss and thereby lessen energy consumption.

WATER

- All tile manufacturing factories operating within the group have their own industrial deep wells and draw water exclusively from this source. Access to our own water purification plant enables us to recycle 70% of utilized water, which is then used for Gardening, Floor Washing and Toilet Flushing.
- The Horana and Eheliyagoda factories also use recycled water in the ball mill grinding process. Arrangements have been made for a similar usage of recycled water for squaring and polishing.
- The Rocell Bathware factory introduced a water flow control system in its inspection and glazing booth in order to save on water consumption.
- One of UniDil's primary green initiatives is its waste water management. The production facility in Dekatana has its own waste water treatment plant, and all treated water is used for the maintenance of the factory gardens and environs.

EMISSIONS

- At the Royal Porcelain factory in Horana, all inspection and glaze booths use 'water curtains'. These serve a dual purpose - to reduce dust, as well as sound. Dust suction plants have also been installed to serve the same purpose. This is an ongoing initiative and has been 50% completed as at the end of the year under review.
- Kiln exhaust and emissions are a challenge to contend with, and future plans include the installation of heat exchangers to deal with the Kiln exhaust at the Eheliyagoda and Horana factories.
- The construction of sound proof canopies at the Horana and Eheliyagoda factory boundaries, as well as over the hydraulic press, press coolers and spray dryer burners, have all contributed to a significant reduction in noise pollution.
- The use of green fencing along the factory boundary in Horana, is a pilot project initiated in an attempt to preserve local fauna while also protecting the factory premises.

Management Discussion & Analysis

Capital Management Report

Vegetable cultivation - Meepe Factory

- A conscious effort is made to ensure that hazardous materials are not used in the production process.
- These policies are adopted across all factories including those belonging to our subsidiaries - Lanka Tiles and Lanka Walltiles.
- In an effort to further reduce emissions Swisstek Aluminium uses a bale press machine to press raw material discharged from the melting section into cubical blocks. Swisstek Aluminium also installed a 100ft chimney which is responsible for the efficient emission of gasses from the melting furnace.
- In 2013, LB Finance had its carbon footprint measured and in 2015 the company was awarded certification from the Sri Lanka Climate Fund as a carbon neutral company. The company has continued its green initiatives, and in the year under review promoted 'Greener Transport' with green financing facilities. This product promotes the use of hybrid and electrical vehicles which reduce fuel consumption, thus reducing the owners carbon footprint.

WASTE MANAGEMENT

Recycling is an integral facet of our green policy.

- The Royal Porcelain factory in Horana and Royal Ceramics factory in Eheliyagoda have conducted very successful trials with a view to converting squaring waste material to material that can be used in the production process. Damaged Scrap pieces and used moulds which cannot be recycled back into the mix are crushed and used as quarry fillings. Plans are in the works to institute a mechanism that convert all dust in the dust collectors into a liquid formulation which can be mixed into the body material of tiles and bathware.
- Across all factories, repairable wooden pallets are fixed and used again or are recycled.
- Organic waste collected from factory canteens is donated to community farms.
- Unidil has a three pronged approach to the measuring, monitoring and controlling of processed waste. All solid waste is segregated into biodegradable, non biodegradable and glass waste. Food waste is collected and donated as animal feed to farms in and around the factory premises.
- Waste management processes at Swisstek Aluminium include a fully equipped sludge yard, which is maintained to the highest standards. All sludge is handed over to cement manufacturing companies for use within their operations.
- LB Finance actively monitors waste management practices as part of the business operations. Awareness was created among employees to promote best practices.

COMPLIANCE

- Efficient production processes, waste reduction and a minimal use of toxic substances are key when it comes to the production of our sustainable product line. Due to our extensive efforts, all tiles and bathware manufacturing factories within the group have been awarded ISO 14001 certification for environment management, and have obtained GREEN Label (Green Star) certification from the Green Building Council of Sri Lanka (GBSL), as well as CE certification .
- All factories operate within the legal and regulatory limits specified by the Central Environmental Authority (CEA) Rocell Bathware has obtained water mark certification for water closets and tanks as well as WELS certification for water efficiency.

- Horana Plantations remains committed to and complies with, all the guidelines laid out by the CEA, and is aligned with the code of ethics of the Rainforest Alliance, Forest Stewardship Council and the Ethical Tea Partnership.
- Horana Plantations PLC became the first Company to be accredited for " Certified Oil Palm " in the world. This global recognition was awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices after a thorough evaluation of environment friendliness, social acceptability and economic viability.
- During the year under review in addition to the certification of Rain Forest Alliance in respect of the five Upcot estates, RA certification was awarded to estates in the Lindula cluster namely Bambrakelle, Tillicoultry and Eildonhall.

INVESTING IN A SUSTAINABLE FUTURE

- The group conducted staff training programs focused on environmental conservation and knowledge building with a view to furthering the groups' sustainability goals. By rallying every employee under the same banner, a consistent and concerted effort to safeguard our precious natural resources is guaranteed.
- Companies within the group are encouraged to engage in special green initiatives. As such, UniDil has embarked upon an extensive tree planting campaign, planting over 50 trees during the year under review. The trees planted are fruit and herb trees chosen due to their usefulness and ecological value.
- LB Finance believes that natural resource conservation starts from childhood and thereby sponsored an environmental programme entitled 'The Protection of Endangered Species and International Bio-Diversity Day'. This programme was organized by The Department of National Zoological Gardens in partnership with the Young Zoologists' Association and targeted schoolchildren in the Western Province.

Management Discussion & Analysis

Group Operational Review

ROYAL CERAMICS LANKA PLC

Royal Ceramics Lanka PLC is a public limited liability company quoted on the Colombo Stock Exchange. The crux of the Group's business is the manufacture and retail of porcelain and ceramic tiles under the brand name "Rocell". The Group's sanitaryware products are marketed under "Rocell Bathware" and represent the only range of such items manufactured in Sri Lanka.

The company operates three fully owned subsidiaries, Royal Porcelain (Private) Limited, Rocell Bathware Limited and Rocell Pty Limited (Australia), and several other partly owned subsidiaries.

Royal Ceramics is the recipient of multiple certifications for quality, safety and environmentally conscious business practices. These include, for dimension and surface : EN ISO Standard 10545.2 (checking rectangularity, thickness, exterior flatness and warpage), for physical properties : Water absorption - ISO 10545.3, module of rapture- ISO 10545.4 , resistance to abrasion- ISO 10545.6 (unglazed) and 10545.7 (glazed), crazing resistance - ISO 10545.11, frost resistance - ISO 10545.12, thermal expansion - ISO 10545.8 and for chemical properties : Chemical resistance - ISO 10545.13 and Stain resistance - ISO 10545.14.

Other certifications include SLS ISO 14001:2004, SLS ISO 9001: 2008, SLS 1181:2005, CE Marking and during the year under review, the renowned Green SL Labelling System.

PERFORMANCE REVIEW

During the financial year 2016/17 the company revenue increased to Rs. 3,825 million from Rs. 3,405 million in 2015/16. Group revenues increased to Rs. 26,413 million from Rs.24,782 million in the previous year.

Company profit after tax was Rs. 1,359 million compared to Rs. 1,193 million in the previous year. The group profit after tax stood at Rs.4,457 million against Rs.4,092 million in the previous financial year.

Finance costs of the company increased by 7%. The share price ended the year at Rs.119/- compared to a price of Rs. 100/- per share as at March 31, 2016.

KEY STRENGTHS

- Work commenced on a Rs 1.2 bn investment in capacity building. The expansion will increase factory capacity by 35% The project includes the addition of Double Charge technology from Italy.
- The introduction of Total Productive Maintenance (TPM) resulted in cost reduction and efficacy increases across the board. TPM combined with the many other efficiency platforms in operation have targeted a Group saving of Rs 600Mn just among the Royal Ceramics, Royal Porcelain, Lanka Tiles and Lanka Walltiles manufacturing facilities in the year 2017/18.
- Measures were taken to improve production yield via investment in mechanisms that ensure fewer damages and thereby increased yield.
- Product optimization was assured by working closely with the dealer segment and making sure that the products with the greatest appeal and demand within the market were in stock at all times.
- Stable costs in the energy sector also worked as a saving for the company
- The achievement of Green Label certification. This certifies that all Royal Ceramics products are made with significant reductions in hazardous materials, improved energy efficiency and more, making them an environmentally responsible choice.

CHALLENGES

- Unprecedented weather conditions and patterns culminated in floods at the beginning of the financial year, which affected the production capacity.
- The export arm experienced a negative turn due to the overall decrease in global demand primarily due to the glut of products from China and India where economy of

Work commenced on a Rs 1.2bn investment in capacity building. The expansion will increase factory capacity by 35%.

scale and lower cost energy sources allows for low pricing structures

- Strict government regulation on mining and the difficulty of obtaining licensing for clay mines, or purchasing land for mining, all lead to a restriction of the availability of raw materials that are vital for the sector. This resulted in the company being forced to import some of the raw materials at a high cost.
- Inconsistent economic and governance policies with changes that were slow to be implemented lead to stunted investment and a lowered market sentiment.
- Investment was also affected by cost increases resulting from high interest rates, income tax and other indirect taxes, and an increased exchange rate.

FUTURE OUTLOOK

The expansion project at the Royal Ceramics factory will reach completion in October 2017. As a result of this expansion the factory will be able to manufacture larger format full body porcelain floor tiles for which there is a high demand in the market.

In 2017/18 the company will continue to maximize its advanced technology, uncompromising quality standards and unmatched innovation and design capabilities to maintain and extend its dominance in the local market, while also investing in the expansion of its global reach with new branches due to open in Australia and Pakistan over the new year. The company also will move to a new head office building constructed with an investment of Rs. 490 Mn in June 2017. The company has also set in motion a large scale relocation and renovation campaign involving all its showrooms, with a view to increasing customer convenience while also presenting a reorganized inventory and range that optimizes its product portfolio.

Rs.3,825 mn

Net Revenue (2016 : Rs. 3,405 mn)

Rs.1,359 mn

Net Profit (2016 : Rs. 1,193 mn)

Management Discussion & Analysis

Operational Review - Subsidiaries

Latest PH5000 Press Machine - Royal Porcelain

ROYAL PORCELAIN (PRIVATE) LTD

Royal Porcelain (Private) Limited is engaged in the design and manufacture of superior quality wall, floor and exterior tiles under the Rocell brand name. The company has a high capacity modern plant situated in Horana, with a production capability of 11,000m^2 of tiles a day.

State-of-the-art sorting and redline measuring technologies guarantee that the Ceramic, Vetrified and Porcelain tiles produced at the facility are defect minimized and design optimized. Design novelty and creativity are maintained via collaboration with the best designers in the industry in Italy, and quality standards are assured through constant testing and experimentation in a laboratory setting. A series of demanding tests and certifications are applied at every turn - for dimension and surface : EN ISO Standard 10545.2; for physical properties : Water absorption - ISO 10545.3, module of rapture- ISO 10545.4, resistance to abrasion- ISO 10545.6 (unglazed) and 10545.7 (glazed), crazing resistance - ISO 10545.11, frost resistance - ISO 10545.12,and for thermal expansion - ISO 10545.8. For chemical properties: Chemical resistance - ISO 10545.13 and Stain resistance - ISO 10545.14.

The company's high quality products are available via a strong network of Rocell concept stores, as well as dealer and franchise outlets across the island, geared to ensure absolute ease of access and convenience for customers.

PERFORMANCE REVIEW

Royal Porcelain revenues stood at Rs. 4,665 million during the current financial year, compared to the revenue of Rs. 4,427 million in the previous financial year. Overall contribution to group revenue by Royal Porcelain was 18%.

KEY STRENGTHS

- Production capacity was increased by 15% during the year under review. The expansion included the capability to produce glazed vitrified tiles as well as full body glazed porcelain tiles and ceramic glazed tiles.
- Measures were taken to improve production yield via investment in mechanisms that ensure fewer damages and thereby increased yield.
- Product optimization was assured by working closely with the dealer segment and making sure that the products with the greatest appeal and demand within the market were in stock at all times.
- The company achieved Green Label certification during the year. This certifies that all Royal Porcelain products are made with significant reduction in hazardous materials, improved energy efficiency and more. Thus making them an environmentally responsible choice.
- The introduction of Total Productive Maintenance (TPM) which resulted in cost reduction and efficacy increases across the board.

CHALLENGES

- Strict government regulation on mining and the difficulty of obtaining licensing for clay mines, or purchasing land for mining, all lead to a restriction of the availability of raw materials that are vital for the sector. This resulted in the company being forced to import these raw materials at a high cost.
- Unprecedented weather conditions and patterns culminated in floods in the begining of this financial year. This affected the production capacity.
- The export arm experienced a negative turn due to the overall decrease in global demand primarily due to the glut of products from China and India where economy of scale allows for low pricing structures
- Inconsistent economic and governance policies with changes that were slow to be implemented lead to stunted investment and a lowered market sentiment.

- Investment was also affected by cost increases resulting from high interest rates, income tax and other indirect taxes, higher energy prices, and an increased exchange rate.

FUTURE OUTLOOK

As per the Group policy, Royal Porcelain will also focus on a demand driven supply chain via a greater understanding of the products and options that are most desired in the market. The company plans to maximize the advantages of the improvements and expansion made in 2016/17 to venture into high demand sizes and textures, as well as more 'structured' options which have been found to be popular among consumers.

ROCELL BATHWARE LIMITED

Rocell Bathware is the premier sanitary ware manufacturer in Sri Lanka, and in less than a decade of operation has achieved an impressive 40% market share, wowing customers with the brands superior combination of elegance and excellence.

The Rocell Bathware Facility in Homagama, is on par with the world's most sophisticated sanitaryware production endeavours, supporting a capacity of approximately 245,000 units, of cultured Virtuous China and Fire Clay Sanitaryware.

The Rocell Bathware production process is endorsed under ISO 9001:2015 quality management system certification, ISO 14001: 2015 environmental management system certification, water mark certificate of conformity levels 1 and 2, certificate and declaration of conformity for CE (European compatibility), 4 star rating – water efficiency labelling scheme(WELS), and the Green Label certificate for sustainable building materials and products.

Rocell Bathware's concept stores provide an inspirational shopping experience, giving customers a chance to view Rocell's fine products not just in isolation, but more importantly as part of a total 'look', bringing dreams and ideas to life. Rocell Bathware is a total bathroom solutions provider and is widely available via a growing network of Rocell concept stores and franchise and dealer outlets.

Shuttle kiln newest addition - Rocell Bathware

PERFORMANCE REVIEW

Rocell Bathware generated a revenue of Rs.1,976 million during the year under review compared to Rs. 1,578 million in the previous financial year. The company contributed 7.5% to the group's revenue. The company registered a Profit After Tax of Rs301 million, a 17% increase when compared to 2015/16.

KEY STRENGTHS

- The company invested Rs 580Mn in capacity expansion by the addition of casting machines and a brand new kiln.
- Rocell Bathware added to its product portfolio, focusing on the design and manufacture of a range of Rocell brand bathware accessories including bathroom cabinets, mirrors, a range of electronic items and more. This expanded product portfolio enhances Rocell Bathware's capabilities as a total solutions provider.
- The company launched new bathware suites including the Urbanity Urinal and Xenon wash basin.

CHALLENGES

- The tough policy with regard to the issuing of mining licenses has lead to a scarcity of raw materials which in turn had a detrimental effect on the manufacturing process.
- Compelled to import raw materials, the company experienced a spike in manufacturing costs.
- Increased fuel and labour costs served to further drive up the cost of production.
- Under-regulated duty and statutory payments by importers in the industry allow for goods to be sold at cheap prices and high margins, thereby adversely affecting local producers.

Management Discussion & Analysis

Operational Review - Subsidiaries

Rocell Pty Ltd Showroom - Mitcham, Australia

- The proposal that CESS on imports should be removed is a further threat to a market already flooded with cheap low quality imports.
- The lack of 'anti dumping levies' in Sri Lanka continues to be an issue as low quality items manufactured in large factories (primarily in China) are 'dumped' into the local market below the cost.
- The depreciation of the rupee, high inflation and increases in interest rates and taxes lowered the demand in the market and caused a cost increase in manufacturing.
- Managing increased demands in terms of environmental protection laws covering noise, air and water pollution proved complex, however Rocell Bathware was successful in ensuring total regulatory compliance with minimal disturbance to factory operations.

FUTURE OUTLOOK

Rocell Bathware will continue to fall in line with the worldwide trend of cost reduction over price increase. This is achieved via cost efficiencies in production and distribution and the introduction of high turnover products. While much of the groundwork for this has been laid, the company will continue to take actions that are aligned to these principles going forward.

The time has come to focus on medium to long term solutions particularly in terms of increased capacity. 2017/18 will be the year for exploring methods for increasing turnover either locally or from a base overseas that offers significant advantages from a cost perspective.

2017/18 is also the year of the customer. While Rocell Bathware has always prided itself on delivering exceptional customer service, we aim to create new benchmarks in customer service excellence. Improved showroom quality, improved accessibility, constant additions to the product portfolio, continued research and development to better the products on offer and the training and development of staff to ensure the delivery of excellent service levels, are all key components of the company's plans for 2017/18.

ROCELL PTY LTD

Rocell Pty Ltd, is a fully owned subsidiary of Royal Ceramics Lanka PLC based in Australia. Its first international showroom was inaugurated in Melbourne in mid 2015. The company operates showrooms in Micham and Oakleigh. The Rocell showroom in Micham is an architectural masterpiece by renowned architect Terry Davis and houses a comprehensive range of bathware items customized to suit the Australian market.

PERFORMANCE REVIEW

Rocell Pty Ltd made significant progress during the year under review, establishing itself as a brand that appeals to the discerning Australian customer in terms of quality and design as well as price.

KEY STRENGTHS

- State-of-the-art showrooms
- Innovative brand awareness campaign to introduce and promote the product range to new markets
- High quality standards backed by numerous internationally recognized and renowned certifications
- The brands quintessential luxury and elegance

CHALLENGES

- A highly competitive market
- Significant investment in brand building

FUTURE OUTLOOK

Rocell Pty Ltd is set to open another showroom in Moonee Ponds, Australia in 2017. The company is a reflection of the Rocell brand's vision in terms of expansion into overseas markets, and its confidence in the high quality and superior design features of its product range. Further expansion plans are in the works, and the company is seeking opportunities to increase its network of showrooms and venture into other regions of Australia.

LANKA CERAMIC PLC

Lanka Ceramic PLC engages in the mining and processing of raw materials for the ceramics industry and managing and holding of investments in subsidiary companies.

The largest supplier of raw material to the local tiling and ceramic sector, the company's mines are located in Meetiyagoda, Owala, Balangoda and Dediyawela, from which Kaolin, Feldspar and Ball Clay are sourced.

The Lanka Ceramic group consists of Lanka Tiles PLC, Lanka Walltiles PLC, Horana Plantations PLC, Uni Dil Packaging Ltd and Swisstek Aluminium Ltd, Vallibel Plantation Management Ltd, UniDil Packaging Solution Ltd, Swisstek Ceylon PLC, LWL Development (Pvt) Ltd and Beyond Paradise Collection Ltd.

PERFORMANCE REVIEW

Despite a year of many challenges Lanka Ceramic PLC was able to achieve its financial targets, and is currently at the top of its game as the largest ceramic raw material supplier in Sri Lanka. The company's production volume increased from 60,756 MT in 2015/16 to 73,816 MT in 2016/17, this included 1,822 MT from Meetiyagoda, 44,460 MT from Dediyawela, 26,019MT from Owala and 1,515 MT from Balangoda, reflecting a 22% growth in production volume.

Lanka Ceramic PLC recorded an increase in turnover from Rs.236 Mn in the preceding financial year to Rs. 283 Mn in 2016/17. As a result, there was a significant growth in operating PAT (excluding subsidiary dividend) from Rs.44 Mn in 2015/16 to Rs.61 Mn during the year under review, resulting in an improvement in earnings per share from Rs.9.69 to Rs.10.20.

KEY STRENGTHS

- Drive to secure more clay rich land in 2016/17. While the Owala and Etholuwa mines in Meetiyagoda will provide sufficient operating capacity for another couple of years, the company ensured the steady supply of ball clay by entering into an operating lease agreement with ball clay land owners in Dediyawala.
- Efficient internal control systems installed. In order to ensure absolute adherence to good corporate governance, internal control systems were installed in all operational and financial spheres. These 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.
- Strict adherence to regulations imposed by the Central Environmental Authority (CEA). As per the guidelines given for the rehabilitation of all mines, the company engaged in the maintenance of the access roads to the mines, the construction and display of security fences and warning boards, and many other community and environment oriented regulations were obeyed in an efficient and timely manner.

CHALLENGES

- Major customers experienced restrictions due to the availability of low cost options, unfavourable market conditions and the high

Management Discussion & Analysis

Operational Review - Subsidiaries

Flooring done at Shangri-la, Hambantota

interest rates, exchange rates and taxations that were experienced during the year under review.

- Strict government regulation on mining and the difficulty of obtaining licensing for clay mines
- Difficulties in purchasing mining lands
- Unprecedented weather conditions and patterns

FUTURE OUTLOOK

The company diversification of products portfolio through entering into the manufacturing of quartz for the ceramic tile industry and supplying crushed and powdered dolomite to manufacturing industry as raw materials and mineral fertilizer for the planation sector, expansion of customer base through moving towards other ceramic product suppliers and improving the production capacity and quality through investment in new technology and clay mining lands

LANKA TILES PLC

The pioneering floor tile manufacturer in Sri Lanka, Lanka Tiles PLC was incorporated in 1984, with Ceramic Glazed floor tiles as its core business. Today the company operates an ultra-modern factory at Ranala which produces tiles in a range of sizes and textures including matt, rough, gloss, stone, marble and terra-cotta, in a range of self-colours or shades. Lanka Tiles enjoys a 20% market share and is in the number 2 spot in the local market.

The company exports 10% of all manufactured tiles to countries such as the USA, Canada, Japan, Singapore, New Zealand, Australia as well as some countries in Europe. Lanka Tiles also has an established showroom in Bangalore, India.

The company prides itself on delivering the total tile package, offering state-of-the-art technology, high quality materials and inspirational designs and textures. All Lanka Tile products conform to ISO 9001, 14001, OHSAS 18001, SLS and, proudly acquired during the year under review, the much sought after Green Label certification.

PERFORMANCE REVIEW

The overall turnover of the company suffered a slight decrease registering a 7% decline in the year under review compared to the 4% growth achieved in the last financial year. The company's gross profit margin increased only by 1% compared to the 44% achieved in 2015/16. The Operating profit of the Company decreased to 33% mainly due to the increase in interest income from Rs. 70 Mn in the previous year to Rs. 110 Mn in the year under review.

KEY STRENGTHS

- Focused strategies to minimise costs and achieve efficiencies of scale were successful, allowing for an increase in production quantities in anticipation of the elevated demand anticipated in 2017/18. A creditable capacity utilisation of 97.5% was achieved.
- The achievement of Green Label certification. A Green Label identifies overall, proven environmental preference of a product or service within its category. The certification confirms that Lanka Tiles products are made with significant reductions in hazardous materials, improved energy efficiency and more. The awarding of the Green Label served as confirmation to consumers that in choosing a Lanka Tiles product, they are making an environmentally responsible choice.
- The introduction of Total Productive Maintenance (TPM). A system of maintaining and improving the integrity of production and quality systems through machines, equipment, processes, and employees, thus adding business

The company prides itself on delivering the total tile package, offering state of the art technology, high quality materials and inspirational designs and textures.

value to the company. The implementation of TPM resulted in cost reduction and efficacy increases across the board.

- The installation of an IT-based Workflow Management System linking the ordering, purchasing and good receiving functionalities to the existing ERP system. This new system will result in long term in terms including reduced costs, increases in manufacturing efficiencies, and increased transparency and control of the raw material ordering and receiving process.
- Entering into a successful strategic partnership with Indian tile manufacturer Ambani Vitrified Ltd. Tiles will be produced in India under Lanka Tiles' strict quality guidelines, will comply with standards imposed by the Sri Lanka Standards Institute and will carry the SLS mark. This move will enable the company to meet market demands in an efficient and cost effective manner.
- New digital orientation – the company invested in the extensive development of its social media channels as well as its online sales portal, enabling orders to be placed via the company website as well as via a mobile app. These developments garnered excellent customer feedback.
- Investment in innovation. 49 new designs were released to the market, while 50 technical factor changes and ten quality improvements were made to existing tile designs and types.
- Two contemporary showrooms were opened in Kalutara and Matara, while five showroom in the towns of Aluthgama, Kegalle, Peradeniya, Warakapola, and Wariyapola were renovated with state-of-the-art internal merchandising systems and an expanded floor area. Intelligent Screens were installed at the Nawala showroom.
- A new dealer from Vavuniya was added to the company's distribution network.
- The restructured distribution network model will allow the Company greater control of the retail market while allowing distributors to work with minimal working capital requirements. A Distributor Automation System to connect distributors to the central ERP system was installed.
- Training programmes aimed at skills development and knowledge enhancement were conducted for tilers in the company's tiler network.

CHALLENGES

- Domestic sales decreased due to increased inflation in the year under review and the slowdown of the housing sub-sector in 2015/16 which was realised in actual terms only in 2016/17.

Management Discussion & Analysis

Operational Review - Subsidiaries

Lanka Walltiles factory - Meepe

- The main factor that contributed to the reduction in export sales was the competition presented by lower priced items from China and India.
- A longer than expected shutdown of manufacturing operations in April 2016, and the need to change the company's product mix in order to meet demands, resulted in actual production being below budgeted levels throughout the year.
- Inconsistent economic and governance policies with changes that were slow to be implemented lead to stunted investment and a lowered market sentiment.

FUTURE OUTLOOK

The company invested Rs.98Mn in 2016/17 towards expansion and modernization efforts. The new machinery purchased for this purpose will enhance manufacturing quality and range, while enabling the company to match consumer demand for different types of tiles. This effect will be clearly felt in 2017/18.

The Bangalore showroom of the company will be in focus during the new year as the company mobilises efforts to increase sales in the India and expand the distribution network, while simultaneously enhancing the company's brand positioning in the Indian market place.

Based on the success of the company's digital customer service and marketing initiatives, the company will launch a dedicated android application which will allow customers to purchase products from the comfort of their home.

LANKA WALLTILES PLC

Lanka Walltiles PLC commenced commercial production in its Balangoda factory in May 1977, exporting its first order in July of the same year. In 1994 it became a public quoted company. The unprecedented 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.

Lanka Walltiles PLC is in a dominant market position locally, holding 50% market share; and is second to none in terms of productivity, efficiency, quality and creativity of design. 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.

The company has been awarded ISO 9001 and ISO 14001 quality system certification as well as the SLS stamp of approval. In 2016 Lanka Walltiles also received the renowned Green Label certification.

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.

PERFORMANCE REVIEW

The Company's revenue grew by 4% to Rs. 3,345 Mn in the year under review compared to Rs. 3,209 Mn achieved in the previous year. The domestic sales volume for the year under review grew by 6%. The growth in gross profit margin was 15% amounting to a gross profit of Rs. 176 Mn. This increase is mainly attributed to cost efficiency measures adopted by the company. Lanka Walltiles' profitability also increased by 20% in 2016/17 compared to the Rs. 773 Mn achieved in the previous year.

Export sales volumes decreased by 6% in the year under review compared to the previous year.

The company has been awarded ISO 9001 and ISO 14001 quality system certification as well as the SLS stamp of approval.

Kiln-Meepe Factory

KEY STRENGTHS

- Manufacturing facilities operated at optimum levels with over 95% capacity utilization. As a result the Company was able to achieve a high level of stocks with which to cater to the growing demand of customers.
- A total investment of Rs 43Mn was made in the expansion and modernisation of the manufacturing facilities in Meepe. The upgrades made will ensure long term cost savings as well as an improved ability to cater to changing consumer demand for varied tile styles, sizes and designs.
- Lanka Walltiles is committed to the protection of the environment. The achievement of Green Label certification identifies the company as one that has overall, proven environmental preference of a product or service within its category. Lanka Walltiles is on the cutting edge of green tile production and is dedicated to continual improvements that ensure the prevention of pollution and conservation of natural resources, and the Green Label certification stands testament to that mission.
- Constantly seeking higher productivity levels, Lanka Walltiles invested in Total Productive Maintenance (TPM), a system of maintaining and improving the

Management Discussion & Analysis

Operational Review - Subsidiaries

New corrugator machine- Uni Dil

integrity of production and quality systems through machines, equipment, processes, and employees, thus adding business value to the company.

- Always ahead of the curve, the company invested in the extensive development of its social media channels as well as its online sales portal in 2016/17. These developments enabled orders to be placed via the company website as well as via a mobile app. Excellent customer feedback indicates the success of these endeavours and makes this an area in which further investment will most certainly be made going forward.
- Customer convenience was further ensured via the addition of two new franchise showrooms in Kalutara and Matara, and the upgrading of the showrooms in Aluthgama, Kegalle, Peradeniya, Warakapola, and Wariyapola. Intelligent screens were installed in the Nawala showroom. Eight new design series spanning 38 products were also launched.
- The Company was awarded the Silver Award at the National Exporters Awards 2016 for the high quality of its exports.

CHALLENGES

- Export sales volumes continued to decline mainly due to the low-cost products available from India and China. Export sales amount to only 10% of total sales volumes of the Company, however the drop in volume had a negative impact on the Company's targeted sales volumes during the year.
- An uninviting investment market due to inconsistent economic and governance policies with changes that were slow to be implemented, lead to lowered market sentiment.
- Cost increases resulting from high interest rates, income tax and other indirect taxes, higher energy prices,

and an increased exchange rate, also stunted investment.

FUTURE OUTLOOK

The company will invest in a further 20% production expansion in the year ahead. This expansion will effectively help meet the demand created by the country's rapidly expanding construction sector. Further investment will be made in expanding the company's digital footprint as well as strengthening marketing and customer service efforts. Efforts will be made to increase export sales by tapping into new overseas markets.

UNI DIL GROUP OF COMPANIES

Incorporated in 1994, Uni Dil Packaging Ltd specializes in the production of corrugated packaging and accessories. Uni Dil is the number 2 choice for packaging in Sri Lanka having captured a 13% market share. 45% of the company's business is based locally, while 55% comes from indirect export. The company supplies retail and end user manufacturers in various industries including Tea, Garments, Ceramics, Agriculture, Rubber, and Food and Catering suppliers.

In terms of scope, Uni Dil has limitless possibilities and can custom design and manufacture corrugated packaging boxes of any design for any industry. Continually dedicated to improving the quality of their product, ensuring timely delivery and complete customer satisfaction, Uni Dil has made the most of management concepts and techniques such as 5S, Quality Circles, Kaizen, TQM and Six Sigma to maximize productivity and excellence, deservedly winning the National Productivity Award in 2004 in the Manufacturing sector and Taiki Akimoto 5s award and Nagaki Yamamoto kaizen award in 2002 and 2003 respectively. Uni Dil Packaging has a Quality Management system that complies with ISO 9001, 14001 and 22000 certifications along with HACCP and WRAP (Worldwide Responsible Accredited Production) and in the process of obtaining SMETA (Sedex Members Ethical Trade Audit) certification. The company ensures that all raw materials are sourced from leading suppliers the world over.

PERFORMANCE REVIEW

The year under review was a challenging one for the company with increases in exchange and interest rates and a spiralling tea export market all making a negative impact on the company's financial performance. Thus, company revenue shrank by 4% to Rs. 2.4 Bn, PAT was down to Rs.108Mn with net profit down by 3.1% to 4.4%.

Despite this, Uni Dil grew its market share by securing and capitalizing on the business of top of the line multinational companies such as Nestle, Dilmah and Ansell. As it stands, Uni Dil is on the cusp of being recognized at the number 1 packaging company in Sri Lanka.

High-tech control unit corrugator machine -Uni Dil

KEY STRENGTHS

- Capacity expansion was a primary focus in 2016/17. Factory space was increased by 50,000 sqft, the total plant capacity rose by 45% and board manufacturing capacity increased by 133%. In 2016 the company reached its maximum corrugation production capacity. Hence Uni Dil acquired a new machine and increased its corrugator production capacity from 1500 MT to 3500 MT per month.
- The addition of new corrugator of 2000 MT capacity served to make Uni Dil #1 locally in terms of corrugation capacity. In total the company invested Rs 400 Mn in new machinery during the year under review including an automatic computer controlled, high speed corrugator machine and high speed computer controlled printer with slotter, inline gluer and strapping unit.
- The company also introduced new product lines in the form of laminated cartons and a new flute combination for 5ply boxes. The latter not only consumes less raw material but also allows for better print quality.

Management Discussion & Analysis

Operational Review - Subsidiaries

Anodizing - Swisstek Aluminium

- Another innovation introduced during the year was the concept of boxes based on strength rather than weight. This is currently being promoted among customers using the box compression test.
- Productivity related regular activities were implemented and monitored by the productivity monitoring committee. These efficiency measures brought the plant operations time down from 24 hours to 15 hours, leading to a considerable saving in terms of energy expenditure.
- The company's strength has always been in the hands of its highly motivated and experienced staff whose industry expertise and product ingenuity are second to none.
- Customer service improvements such as delivery arrangements tailor made to client requirements, providing support for customer product improvements and technical consultation on package designing to improve packaging efficiency, also serve as great advantages.

CHALLENGES

- Due to the oligopolistic nature of the industry, the total industry production capacity is more than the required demand. This means that the competitiveness of the industry is very high creating costing challenges due to undercutting among suppliers, and customers using this weakness to beat down the price even further.
- The increased cost of raw materials, especially paper, contributed to the rise in company expenses
- While capacity increased, the company faced human resource issues due to the shortage of skilled labour. In addition, the inability to access machines to replace certain manual operations was also a drawback.
- Increased interest and exchange rates also combined to adversely affect company profitability.

FUTURE OUTLOOK

As the supplier with the greatest capacity for corrugation, Uni Dil will seek out more group orders, using the synergies within the Royal Ceramics group to take full advantage of its corrugation capabilities. Excellent results from this are expected in 2017/18. The company also plans to pursue clients for the new flute combination of 5 ply boxes as well as the laminated cartons. Further machinery for the production of the latter will be purchased in the new year.

Uni Dil will also turn its attention to the export market. Cost and waste reduction methods will be expanded upon via the use of productivity management tools and the automation of hitherto manual operations. The Sales team will focus on the acquisition of volume customers to improve production efficiency. The company is confident that with these combined efforts it will become the first choice of packaging partner for any local industrialist, and gain its rightful place as market leader.

SWISSTEK ALUMINIUM LTD

Swisstek Aluminium is engaged in the manufacture of high quality aluminium extrusions. The company commenced commercial operations in September 2009. Despite being less than a decade in the business, Swisstek has achieved 40% market share and captured the number 2 spot in the local market. The company offers a wide range of finishes including powder coating, wood graining, anodized, natural and bronze.

All Swisstek products are ISO 9001:2008 certified, along with SLS 1410:2011 certifications for extrusion and anodizing and SLS 1411:2011 for powder coating. The company is also certified as an approved applicator of Jotun Powder coating.

The Swisstek plant located in Dompe in the Gampaha District is equipped with ultramodern technology and is capable of producing 450 MT per month. 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.

PERFORMANCE REVIEW

Swisstek Aluminium Limited's profit before tax increased by 46% to Rs 365 Mn in 2016/17. Profit After Tax was Rs 326 Mn. These remarkable results were mainly due to the streamlining of the production process which served to increase productivity and remove bottle necks. Cost of production per MT was therefore 26% less than in the previous year. Total production and sales volumes increased by 21% and 26% respectively.

KEY STRENGTHS

- Spearheading innovation has always been one of Swisstek's pillars of operation. This year was no exception with great efforts made to design and manufacture new products that will be introduced to the market in 2017/18.
- Improved reach via establishing better relationships with fabricators and dealers island wide, ensuring that Swisstek is easily accessible and becomes their brand of choice.
- Introduced products and new concepts via island wide fabrication courses in collaboration with the Vocational Training Authority in Sri Lanka
- Overseas achievements via the successful supply of extrusions for projects in the Maldives for which the company gained positive feedback.
- Quality certification in the form of the internationally reputed Qualanod stamp of excellence. This specifically certifies the consistent production of high quality Anodized Aluminium

CHALLENGES

- Increases in raw material prices are a primary challenge for the company
- The depreciation of the Sri Lankan Rupee and increased interest rates also affected the company's profit margin
- The decision, via the free trade agreement, to open the Aluminum market up to Chinese suppliers has the potential to be a sizable threat in the future.
- The increasing demand for large size profiles is also a challenge for the company

FUTURE OUTLOOK

Swisstek Aluminium intends to remain on this upward trajectory with the introduction of new products to the market in 2017/18. With that in mind two machines have been purchased which will add new surface finishes, delivering a sanding effect and a mirror effect. New profiles for aluminium furniture will be designed, and new proprietary system doors and windows have already been assembled and are currently undergoing standard testing in India/Singapore after which they will be introduced to the market.

Further expansion of projects in the Maldives is also a key goal in the new year.

The company has already laid the groundwork necessary to obtain Qualicoat certification for its powder coating products, and are confident of receiving this certification within the course of the year.

Capacity at Swisstek Aluminium Limited will be increased to 1000 MT following a further investment of Rs. 530 Mn in 2017. The expansion project will reach completion in August of this year. One of the advantages of the expansion will be the factory's ability to manufacture larger aluminium extrusions for which the company foresees a high demand in future. The expansion project will also include a 30% capacity increase in Anodized aluminium production.

Curing Oven - Swisstek Aluminium

Management Discussion & Analysis

Operational Review - Subsidiaries

Neuchtel Estate Oil Palm cultivation - Horana Plantations

SWISSTEK (CEYLON) PLC

Swisstek (Ceylon) PLC formerly known as Parquet (Ceylon) PLC was established in 1967. The Company's main line of business shifted from the manufacture and sale of wooden flooring under the "SWISSPARKETT" brand name to the manufacture and sale of Tile Grout and Tile Mortar. The Company also manufactures Decorative Pebbles and continues to import and supply wooden flooring for the local market. All products are manufactured to the highest quality standards and are distributed under new brand name "SWISSTEK".

PERFORMANCE REVIEW

Top line revenue reached Rs. 608 Mn, up by 20% from the Rs. 505 Mn registered in 2015/16. The Net Profit rose to 24% against 14% compared to last year. The increase in the net profit to Rs. 143 Mn. helped to record an improved Return on Assets (ROA) of 10% and Return on Equity (ROE) of 27%.

KEY STRENGTHS

- Maintaining cost efficient production via technical excellence, continuous process improvements and optimum raw material mix.
- Development of distribution channels helped increase reach to a larger market audience.
- Staying at the forefront of manufacturing and technology leadership via capacity increase, diversification, and process upgrades.
- Investment in new plant infrastructure to increase mortar capacity and thereby cater to customer demands.
- Raw material sourcing teams ensure steady supply arrangements.
- Inroads into new market segments via the company's Skim Coat and Timber flooring.

CHALLENGES

- The shortage of a vital raw material, silica sand was a primary challenge during the year.
- Inconsistent economic and governance policies with changes that were slow to be implemented lead to stunted investment and a lowered market sentiment.
- Cost increases resulting from high interest rates, income tax and other indirect taxes, higher energy prices, and an increased exchange rate.

FUTURE OUTLOOK

As we look to 2017/18, our plans include selectively divesting non-core assets to enhance shareholder value, our sister company diversification with the support of focusing more on Lanka Tiles, penetrating into new customer segments, capitalizing on emerging market trends, and leveraging on our diversified portfolio.

We are optimistic that we will be able to build on the momentum achieved in 2016/17, allowing us to continue to contribute to the immediate success of the group while also assisting in broader nation-building initiatives.

HORANA PLANTATIONS PLC

Horana Plantations PLC is one of Sri Lanka's premier plantation companies, with sixteen estates spread over more than 7,500 hectares, primarily in the Central and Western provinces of the island. Since being incorporated in 1992, Horana Plantations has grown into a leading producer of the finest tea, rubber and other agricultural produce. Horana Plantations PLC is reputed for the superior quality of its products, and many of its estates have been accredited with internationally recognized quality standards.

All of the Horana Plantations factories have received ISO 2200:2005/HACCP certification which focuses on the purity and safety of food products, by ensuring good agricultural and manufacturing practices. The products from our tea factories are tested by accredited laboratories to ensure conformance to the minimum residual levels of agro-chemicals, heavy metals and micro biological content.

PERFORMANCE REVIEW

Horana Plantations PLC reported a bottom-line loss of Rs. 30 Mn. However this is a notable reduction from the Rs. 73 Mn loss incurred in the previous financial year. Horana Plantations PLC witnessed an improved Net Sale Average of Rs 502.3 per kg for this financial year versus Rs. 406.44 per kg previously.

Despite the numerous uncontrollable variables that affected the tea crop, Horana Plantations was able to leverage on the rise in prices towards the latter part of 2016. As such, the Company reported an improved Net Sale Average of Rs. 502.3 per kg, despite a lower yield per hectare, and ultimately a segmental profit of Rs. 103 Mn versus a loss of Rs 8 Mn in the previous financial year.

The Rubber sector posted a loss of Rs. 0.272 Mn against a loss of Rs. 20 Mn in 2015/16. Production was improved from 0.843 Mn kg to 1.071 Mn Kg recording a yield of 657 Kg against 548 Kg achieved in the previous year.

KEY STRENGTHS

- Human Resource Development and Social Welfare - Horana engages with its staff at all levels especially the plantation sector who remains a core component of the production process.
- Compliance/Quality Certifications and Awards - We take pride in the fact that all our business processes are structured around quality, safety, and sustainability, all within an ethical framework. This has been reflected by the numerous certifications, and the international recognition awarded to the Company.
- Ethical Tea Partnership (ETP) - A fairer, socially just and environmentally sustainable tea industry is driven by the Ethical Tea Partnership (ETP) which Horana Plantations has partnered. All our tea plantations are ETP accredited.
- Rainforest Alliance Certification / Fair Trade Certification - Rain Forest Alliance certification was awarded

Alton Estate - Horana Plantations

Management Discussion & Analysis

Operational Review - Subsidiaries

to our estates in Lindula cluster namely Bambrakelle, Tillicoultry and Eildonhall estates during the year under review. This certification is in addition to the certification awarded to our five Upcot estates. Fair Trade certification was revalidated in respect of Alton and Stockholm estates.

- Certified Palm Oil - Horana Plantations PLC became the first Company to be accredited for " Certified Oil Palm " in the world. This global recognition was awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices.
- Awards for tea - Alton Estate won a Bronze award at the recently concluded Ceylon Specialty Tea of the year competition held in Beijing , China.
- Field Development/Crop Diversification - With the two key commodities performing negatively, crop diversification has served to minimise the risk of dependency on tea and rubber while minimising the Company's financial losses. Horana has since diversified in to the planting of Oil palm, Cinnamon, Coconut, timber, and other fruit crops.
- Capital Expenditure/Factory Development - In an effort to optimise internal efficiencies and minimise its cost of production, Horana Plantations PLC continued its Field and Factory development programme despite of many challenges.

CHALLENGES

- Tea crop losses – this commenced in the second half of 2015 when the country lost approximately 9 Mn kgs of tea due to unfavourable weather. This loss was carried forward into 2016, after which productivity continued to deteriorate. The total tea production for 2016 amounted to 292.4 Mn kgs, in comparison to 328.8 Mn kgs in 2015, reflecting a 36.4 Mn kg decline, a trend which continued into the first quarter of 2017.
- Tea Prices - Unfavourable weather and weak economic conditions in key tea importing nations kept prices low although winter buying stimulated a price increase despite the limited supply during the first two quarters of 2016.
- Cost of Production - A new wage agreement was signed between the Regional Plantation Companies and Trade unions with an increase of 18% from the previous wage structure.
- Withdrawal of the fertilizer subsidy and the government ban on importing glyphosate also had a knock on negative effect
- Low Rubber Prices - The glut of natural rubber which was prevalent in 2015, spilled over in to 2016. This combined with a weak global economy especially that of China, the largest consumer of natural rubber, contributed towards depressed rubber prices. Contributing only 1% towards global production of natural rubber, Sri Lanka faces many constraints in relation to rubber productivity and managing its costs of production.
- Cinnamon / Coconut - The Company continued to invest in Cinnamon and Coconut cultivations. Sri Lanka's Cinnamon continues to be the best in the world and is highly lucrative crop given the high prices it commands in the world export market. There is also significant demand for coconuts in both domestic and international market.
- Timber and Fuel Wood Planting - Restrictions on the harvesting of timber prevented the Company from profiting from previous investments and contributing to the wood requirements of the Country.

FUTURE OUTLOOK

Horana's diversification into oil palm, cinnamon, coconut and other ancillary crops has served to reduce its losses, and mitigate risk. The Company will continue to invest in its multiple commodities, improve its agricultural practices as a means to improve productivity and lower its cost of production.

Operational Review - Associate Companies

LB FINANCE PLC

A pioneer in the non-bank financial institutions sector, with nearly five decades of experience under its belt, LB Finance is uniquely placed to serve the varied aspirations and expectations of all its stakeholders.

The company offers a variety of services including leasing, factoring, hire purchase, micro finance, mortgage loans and gold loans. LB Finance has a widespread and ever expanding network of branches and Gold Loan centres.

LB Finance is well known for its ability to deploy cutting edge technology in order to offer unparalleled and unprecedented levels of convenience to stakeholders, customers and employees. Staffed by a team of professionals, and operating in total compliance with all regulatory requirements, LB Finance has built efficient safeguards against downturns and any other challenges the environment may bring.

LB Finance is licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No.42 of 2011.

PERFORMANCE REVIEW

At Rs 6,902 Mn, LB Finance earned the highest profit before tax in the Non-Bank Financial Institutions (NBFI) sector yet again in 2016/17, and consequently paid the highest taxes to the Government amounting to Rs 2,727 Mn.

This exceptional performance saw LB Finance end the year with a profit after tax of Rs 3,918 Mn, a year on year growth of 5%.

The quality of our loan portfolio saw an improvement, with the non-performing assets (NPA) ratio declining from 3.28% in 2015/16 to 2.14%. This remained well below the NBFI sector average and was a result of the improvements to the credit standards as well as close monitoring of advances.

Despite many challenge, LB Finance proved its resilience in 2016/17 due to its ability to innovate and also as a result of the careful strategic decision making and excellent groundwork laid over the years.

KEY STRENGTHS

- LB Finance joined the league of Rs. 100 billion asset NBFIs, only the third in the industry to achieve this milestone.
- Despite a challenging environment, the company increased its mortgage loan portfolio and exploited new sectors in asset financing.
- Though the introduction of the Loan To Value ratio (LTV) for leased vehicles lead to a decline in the demand for unregistered vehicles, LB Finance was able to successfully exploit the market for registered vehicles.
- Seizing the opportunity created when the banking sector was affected by the fall in gold prices and a regulatory directive to bring down their exposure to gold backed loans, LB Finance capitalised on this space, resulting in an impressive 24% growth rate in the gold loan portfolio.
- The company championed small scale borrowers, stepping into fill a need within this group for mortgage loans.
- The innovative gift voucher scheme introduced for new deposits during the New Year period was very well received by customers.
- While awaiting regulatory approval on branch expansion plans, LB Finance invested in alternative channels such as digital banking platforms to order to increase customer reach.

CHALLENGES

- Though the Sri Lankan economy grew at a moderate rate of around 5%, the rising interest rates in the wake of a hike in Policy Rates posed challenges for the financial sector.
- The tightening of the Central Bank monetary policy lead to slower growth in credit towards the end of 2016, hovering at around just 21%.
- Rising inflation also served as a negative in the business environment.

FUTURE OUTLOOK

LB Finance will continue to focus on key strengths such as leasing, asset backed financing and gold loans in 2017/18. The company holds an impressive market share in the Gold loans sector, and aims to increase the overall market share going forward. The decentralising of operations, facilitating the expansion of the franchise and providing a speedier service to customers, will also continue. Technology will also be an area of investment, as will employee training and development, as both serve to drive the business forward. A customer centric focus, commitment to innovation, and the maximising of in house expertise will continue to be the tools LB Finance depends on as it grows from strength to strength in the new year.

Management Discussion & Analysis

Operational Review - Associate Companies

DELMEGE LTD

Since it was first established over a century and a half ago, Delmege has become a house hold name, best known for introducing flagship consumer brands as well as reputed life style and industrial products. The Delmege Group is one of the oldest conglomerates in the country, and has, while retaining their original business of imports, also diversified into FMCG, health care, interior décor, construction products, airline services, insurance, exports, travel, shipping and freight forwarding, serving also as General Sales Agents (GSA) for Kuwait Airways (Passenger & Cargo) Lufthansa and Philippines (Cargo).

PERFORMANCE REVIEW

The Group turnover has grown by 3% year on year moving from Rs. 7.18 Bn in 2015/16 to Rs. 7.41 Bn in 2016/17. Since April 2016 until present the permanent cost saving achieved has been significant, through the implementation and formulation of processes and strategies in day-to-day operations. As a result the Group was able to record an Operating profit of Rs. 604 Mn in 2016/17 compared to the Operating profit of Rs.328 Mn in the financial year 2015/16.

KEY STRENGTHS

- During the year, the Alcon brand continued to maintain the strongest base with 35 Phaco machine installations and 40 vitreoretinal machine installations. Overall the Healthcare sector performed brilliantly showing a 43% increase in net profit before tax when compared to the previous year.
- Best year in history for the Delmege Pharmaceutical Medical equipment division, with the highest turnover and profits. The Company deployed area coordinators in key towns, to better serve customers and expand market reach.
- Introduction of fully automated Axienta sales operation software, which enabled the sales function to be more systemized.
- Enhancement of digital marketing via the creation of brand customized pages on FB
- Re-launch of tea brands as Delmege Hiru Kahata and Breeze BOPF, the expansion of Chef's Choice product portfolio and Motha maintaining its 80% plus market share in the dessert premix category, a share it has held for over five decades, were all advantages during the year under review.
- Lufthansa was placed 21st in cargo by Sri Lankan Airlines despite competition from larger, online airlines.
- Lifestyle sector dominated the market. The company opted for the latest installation methods thereby gaining a competitive edge. In addition, two warehouses were added making Delmege the largest stock holder for all core products including carpets, vinyl, chairs, natural and artificial wooden flooring, hot water pipes, water heaters, geysers and cladding.
- Expansion of power tools and hardware portfolio with the introduction of Maruyama M Line brush cutters and Dewalt Anchoring and Fastening products. The distribution network was expanded. Obtaining approvals from key construction projects and also adding 120 power tools, hardware dealers and 50 electronic dealers to the home appliance network. Today Delmege Construction products division dominates in the branded power tools market in Sri Lanka with the rapid sales growth in Dewalt and Stanley power tools.

CHALLENGES

- In the consumer segment the increase in VAT resulted in price hikes, these coupled with rising

The Group turnover has grown by 3% year on year moving from Rs. 7.18 billion in 2015/16 to Rs. 7.41 billion in 2016/17.

inflation rates restricted consumers to the purchase of essential items and smaller packs as opposed to bulk purchases.

- Airline subsidiary Lewis Brown Air Services faced intense competition from other major carriers who offered on-line capacity and guaranteed uplift coupled with competitive rates, all significant disadvantages as Lewis Brown relies on a third carrier for the initial sector from Colombo.
- The healthcare sector faced some daunting challenges due to higher bank interest rates and delays in receiving payments from the Government sector, which had a major impact on expected profits. Delays in obtaining government registrations for new products caused a substantial delay in introducing these products to the market, which in turn depressed the top line.

FUTURE OUTLOOK

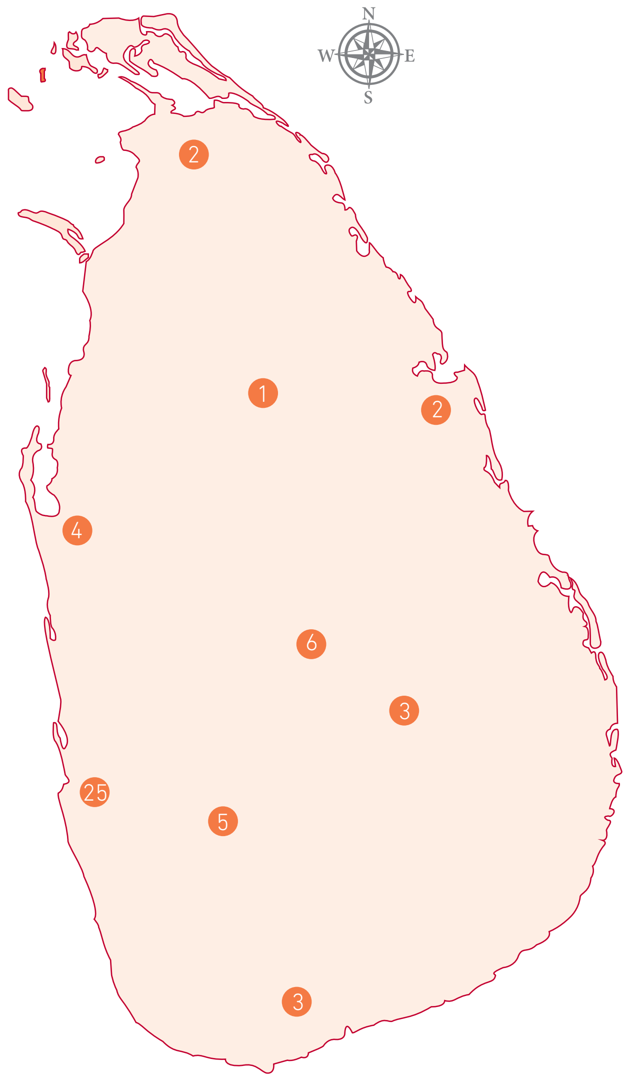
The Delmege Group is poised to surge ahead in the new financial year. The construction products division is geared to expand its market through a range of new products including domestic generators, petrol driven chain saws, hand tools, firestop adhesive, air compressors and welding equipment.

Lewis Brown Airlines is fully geared to exceed and surpass competition with more intense media coverage in the local market designed to capture a larger share of this growing domestic demand for airline services.

The Delmege Consumer Cluster will introduce a condiments category and breakfast cereals category.

Determined to strive for greater achievements in 2017/18 by combining a higher sales turnover with effective cost reduction measures. Delmege will continue to function as an integral part of the Sri Lankan economy while seeking opportunities for growth both at home and internationally.

Branch Network



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5. 158, Negombo Road, Wattala.
   Tel: 011-4818563

6. 392, Gala Junction,
   Kandy Road, Kiribathgoda.
   Tel: 011-4817231

7. 469/A, High Level Road,
   Makumbura, Kottawa.
   Tel: 011-4308413

8. 114, 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 A, 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. 254, 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. 294, Highlevel Road, Nawinna
Maharagama.
Tel: 011-4319514

24. 500/2, Galle Road, Panadura.
Tel: 038-4281898

25. No-509 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. No. 279, 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

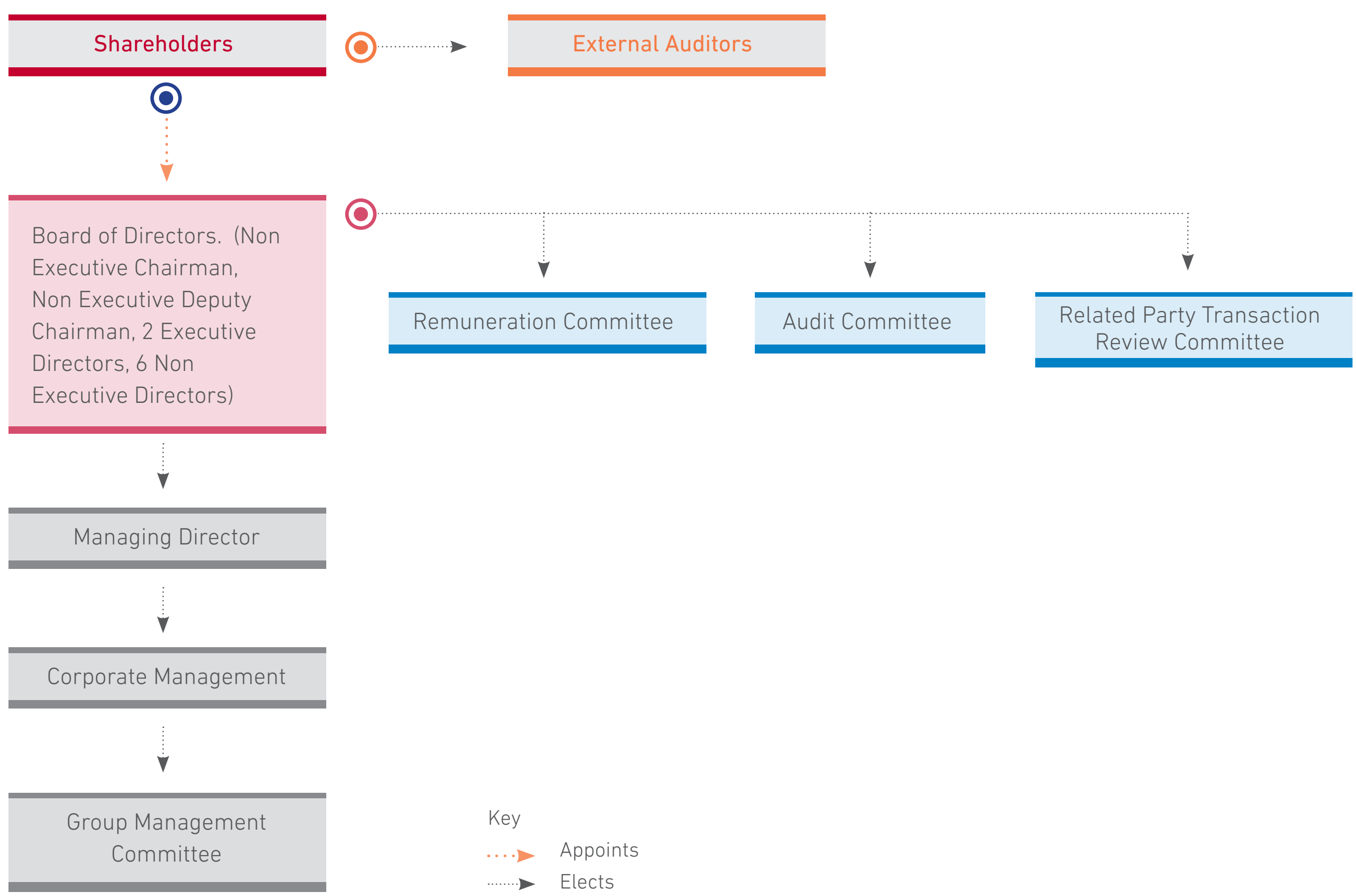
50. No.320, Kandy Road
Kadawatha
Tel: 011 4322994

51. No.124, Mahathma Ghandi
Street, Batticaloa
Tel: 065 4929450

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 on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and 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 Directors and Management with a road map of their respective responsibilities. These guidelines, which will be 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. M.Y.A.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.

Mr. G A R D Prasanna, Ms N R Thambiayah and Mr. L N De S Wijeyeratne qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

The period of service of Mr. L T Samarawickrama exceeds nine years and Messrs S H Amarasekera and R N Asirwatham, serve as Independent Directors of Vallibel One PLC, which has a significant shareholding in the Company.

The Board is of the view that the period of service of Mr. L T Samarawickrama and the directorships of Messrs S H Amarasekera and R N Asirwatham do not compromise their independence and objectivity in discharging their functions as Directors and therefore based on declarations submitted by the said Directors, has determined that those Directors shall nevertheless be "independent" as per the Listing Rules.

Corporate Governance

BOARD SUB-COMMITTEES

AUDIT COMMITTEE

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

The Board has appointed an Audit Committee consisting entirely of Independent Non-Executive Directors Mr. L N De S Wijeratne was appointed as the Chairman of the Audit Committee with effect from 26th September 2016. A comprehensive Report of the Audit Committee appears on page 83.

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, two of whom are Independent, is chaired by Mr. S H Amarasekera. The Report of the Remuneration Committee appears on Page 85. The total of Directors' Remuneration is reported in Note 34.2.1 to the Financial Statements, on page 180.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was appointed by the Board for the purpose of conducting an independent review, approval and oversight of all related party transactions of the company and to ensure that the company complies with the rules set out in the code. The names of the Directors who serve on the said Committee are given on page 86.

The Report of the Related Party Transactions Review Committee is given on page 86.

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

Name	Directorship Status	Main board	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Total no of meetings held		14	9	4	3
Dhammika Perera	Chairman	14/14	N/A	N/A	N/A
Amarakone Mudiyanselage Weerasinghe	Deputy Chairman	14/14	N/A	4/4	2/3
Wannakawattewaduge Don Nimal Hemasiri Perera*	Managing Director	10/14	N/A	N/A	N/A
M. Y. A. Perera**	Managing Director	1/14	N/A	N/A	N/A
Tharana Gangul Thoradeniya	Executive Director	10/14	N/A	N/A	N/A
Lalin Tusitha Samarawickrama	Independent Non-Executive Director	10/14	5/9	N/A	N/A
Rasika Dimuth Prassanna Godawatta Arachchige	Independent Non-Executive Director	14/14	N/A	N/A	N/A
Rajanayagam Nalliah Asirwatham	Independent Non-Executive Director	7/14	7/9	1/4	3/3
Shiran Harsha Amarasekera	Independent Non-Executive Director	13/14	8/9	4/4	N/A
N. R. Thambiayah	Independent Non-Executive Director	12/14	N/A	N/A	N/A
L. N. De S Wijeyeratne***	Independent Non-Executive Director	13/14	7/9	N/A	2/3
M. D. S. Goonatilleke****	Independent Non-Executive Director	-	1/9	-	1/3

Resigned w.e.f. 07.03.2017

***Appointed to the Board on 14.03.2017*

****Appointed to the Board on 16.05.2016*

**** *Resigned w.e.f. 12.05.2016*

as and when required to discuss urgent matters. Attendance at the scheduled Board meetings is set out below.

RELATIONSHIP WITH SHAREHOLDERS

Shareholders are provided with the Annual Report, which the Company considers as its principal communication with them and other stakeholders. The Company provides to the Colombo Stock Exchange for public release, Interim Financial Statements prepared on a quarterly basis as soon as the figures are approved by the Directors and within the period stipulated by the Listing Rules. The Shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting (AGM). 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. 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

Corporate Governance

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.

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.

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-Executives
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 Composition of the Board in this Report. Brief resumes of each director appear on page 18.
Remuneration Committee	7.10.5 (a)	Compliant	The Committee comprises of two Non-Executive Independent Directors and one Non-Executive Director.
	7.10.5 (b)	Compliant	Please refer Remuneration Committee Report on page 85. The aggregate remuneration paid to Executive and Non-Executive Directors is given under Note 34.2.1 to the Financial Statements on page 180.
	7.10.5 (c)		
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 83. 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
	7.10.6 (c)		
Related Party Transactions Review Committee	9.2.2	Compliant	The Committee comprises of three Non-Executive Directors, of whom two are Independent Non- Executive Directors.
	9.3.2	Compliant	Please refer Related Party Transactions Review Committee Report on page 86.

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 2016/17

The important events in risk management in 2017 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 2016 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 2016, 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 2017/18. 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.

Risk Management

Description of risks	Mitigating actions
Competition and commoditization 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 organisational 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 economic and technical developments	Rocell has made corporation with global industry giants to be updated with technological advancement and global trends.
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.
Increase in interest rates	

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 commoditization 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 2017.

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 under Registration PQ 125.

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, 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 aluminum extrusions, manufacture and marketing of corrugated cartons, property holding and wholesaling and retailing of floor and wall tiles and bath ware in Australia.

There have been no significant changes in the nature of activities of the company and its subsidiaries during the financial year under review.

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 Message and Management Discussion and Analysis on pages 10,12 and 22 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 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 are given on pages 92 to 197.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements of the Company and its subsidiaries is given on page 91.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of Group's Consolidated financial statements are given on pages 100 to 116 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 16 to 19.

EXECUTIVE DIRECTORS

- **Mr. M Y A 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. G A R D Prasanna -** *Director*
- **Mr. R N Asirwatham -** *Director*
- **Mr. S H Amarasekera -** *Director*
- **Ms. N R Thambiayah -** *Director*
- **Mr. L N De S Wijeyeratne -** *Director*

* Alternate Director - Mr. T G Thoradeniya

Mr. W D N H Perera who served as the Managing Director of the Company resigned with effect from 7th March 2017.

Mr. L T Samarawickrama retires by rotation at the conclusion of the Annual General Meeting in terms 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 74 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 N Asirwatham.

Mr. M Y A Perera who was appointed to the Board on 14th March 2017 shall retire in terms of the Articles of Association of the Company at the forthcoming Annual General Meeting 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 34.2.1 to the Financial Statements on page 180.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions referred to in Note 34 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 31/03/2017
Royal Porcelain (Private) Limited	AM Weerasinghe	Director	A sum of Rs. 325,123,710 /- was received as service charges	(1,119,565,355)
	TG Thoradeniya	Director	A sum of Rs. 459,000,003 /- was received as dividends.	
	LT Samarawickrama	Director	Materials worth of Rs. 84,750,714/- were purchased	
	GARD Prasanna	Director	Materials worth of Rs. 8,060,773 /- were sold	
	RN Asirwatham	Director	A sum of Rs. 672,943,092 /- was received for reimbursement expenses.	
			A sum of Rs. 1,893,059,486 /- was received as short term funds	
			A sum of Rs. 28,516,333 /- worth of damaged tiles were purchased	
Rocell Bathware Limited	AM Weerasinghe	Director	Materials worth of Rs. 1,294,099 /- were Purchased	(261,093,586)
	TG Thoradeniya	Director	Materials worth of Rs.4,235,657 /- were sold	
	LT Samarawickrama	Director	A sum of Rs. 220,635,320 /- was received for reimbursement expenses.	
	GARD Prasanna	Director	A sum of Rs.17,576,999 /- was received as dividends.	
	RN Asirwatham	Director	A sum of Rs. 693,961,486 - was received as short term funds	
			A sum of Rs. 120,383,301 /- was received as service charge	
Royal Ceramics Distributors (Private) Ltd	AM Weerasinghe	Director	A sum of Rs 237,748/- was received for reimbursement of expenses.	1,155,463
	GARD Prasanna	Director		
	TG Thoradeniya	Director		
	LT Samarawickrama	Director		
Ever Paint & Chemical Industries (Private) Ltd	AM Weerasinghe	Director	Materials worth of Rs.575,397 /- were purchased	328,990,913
			A sum of Rs. 10,843,955 / - was received for Reimbursement of expenses.	
			A sum of Rs.141,353,383/- was paid as short term fund	

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

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2017
Rocell (Pty) Ltd	WDNH Perera	Director	Tiles worth of Rs 41,816,459/-were sold.	33,511,696
	TG Thoradeniya	Director	A sum of Rs.62,885,700 /- was paid as marketing expenses	
			A sum of Rs 1,593,124/- was received for reimbursement of expenses.	
Horana Plantations PLC	Dhammika Perera	Director	Tiles worth of Rs 246,291 /- were sold.	(1,029)
	WDNH Perera	Director	Goods worth of Rs 192,524 /- were purchased.	
Lanka Ceramic PLC	Dhammika Perera	Director	Materials worth of Rs 48,489,647 /- were purchased.	1,492,493
	AM Weerasinghe	Director	A sum of Rs. 39,116,531 /- was received for reimbursement expenses.	
	WDNH Perera	Director	A sum of Rs.192,720,688 /- was received as dividends.	
	TG Thoradeniya	Director	Goods worth of Rs. 1,194,697/- were sold	
	GARD Prasanna	Director		
Lanka Tiles PLC	Dhammika Perera	Director	Materials worth of Rs 470,234 /- goods were purchased.	30,059,455
	AM Weerasinghe	Director	A sum of Rs.110,309,711 /- was received as technical fee	
	WDNH Perera	Director	A sum of Rs.9,405,135 /- was received as dividends.	
	TG Thoradeniya	Director	A sum of Rs.48,125,468 /- was received for reimbursement expenses.	
	GARD Prasanna	Director		
Lanka Walltiles PLC	Dhammika Perera	Director	Tiles worth of Rs 231,072 /- were sold.	19,607,755
	WDNH Perera	Director	A sum of Rs.9,607,664 /- was received as sales commission	
	TG Thoradeniya	Director	A sum of Rs.4,179,828 /- was received as dividends.	
			A sum of Rs.49,939,866 /- was received for reimbursement expenses.	
			A sum of Rs. 36,115,266 /- was received for technical fee	
			Goods worth of Rs 814,291 /- were purchased	
Uni Dil Packaging Limited	WDNH Perera	Director	Goods worth of Rs 27,292,840 /- were purchased.	40,480,923
	TG Thoradeniya	Director	A sum of Rs 40,016,599 /- was received for technical fee	
Uni Dil Packaging Solution Limited	WDNH Perera	Director	Goods worth of Rs 8,314,698 /- were purchased.	(5,377,084)
			A sum of Rs.5,377,084/- were Payable	
Swisstek Ceylon PLC	WDNH Perera	Director	Goods worth of Rs 2,304,106 /- were purchased.	1,161,198
	AM Weerasinghe	Director	A sum of Rs.1,595,108 /- was paid as sales commission	
			A sum of Rs.27,238,556 /- was received for reimbursement expenses.	
			A sum of Rs. 2,254,990 /- was paid as rent	
			A sum of Rs. 648,340 /- was paid as security	
			A sum of Rs.2,677,842 was received as dividends.	

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2017
Swisstek Aluminum Limited	WDNH Perera	Director	Tiles worth of Rs 3,123,398 /- were sold.	25,861,612
	AM Weerasinghe	Director	A sum of Rs. 1,304,847 /- was paid as rent.	
	TG Thoradeniya	Director	A sum of Rs. 65,458,137 /- was received for reimbursement expenses.	
			A sum of Rs.147,459,363 /- was received for technical fee	
Chemanex PLC	SH Amarasekera	Director	Goods worth of Rs 2,200,500/- were purchased.	-
Haycarb PLC	Dhammika Perera	Director	Goods worth of Rs 470,327/- were sold.	-
	WDNH Perera	Director		
Hayleys PLC	Dhammika Perera	Director	Goods worth of Rs 699,201/- were sold.	-
	WDNH Perera	Director		
	LT Samarawickrama	Director		
	MDS Goonatilleke	Director		
	Aravinda Perera	Director		
Link Natural Products (Pvt) Ltd.	SH Amarasekera	Director	Goods worth of Rs 244,897/- were sold.	-
Sampath Bank PLC	Dhammika Perera	Director	Goods worth of Rs 2,365/- were sold.	6,471,211
The Kingsbury PLC	Dhammika Perera	Director	Goods worth of Rs 827,732/- were sold.	-
	WDNH Perera	Director		
	LT Samarawickrama	Director		
LB Finance PLC	Dhammika Perera	Director	Goods worth of Rs 1,784,416/- were sold.	-
	WDNH Perera	Director	A sum of Rs.438,897,269/- was received as dividends.	
Culture Club Resorts (Pvt) Ltd	LT Samarawickrama	Director	Goods worth of Rs 38,027/- were sold.	-
Dankotuwa Porcelain PLC	RN Asirwatham	Director	Goods worth of Rs 44,973/- were sold	-
Delmege Forsyth & Co. (Shipping) Ltd	GARD Prasanna	Director	Goods worth of Rs 664,145/- were purchased.	(37,217)
Pan Asia Banking Corporation PLC	WDNH Perera	Director	Goods worth of Rs 1,399,146 /- were sold.	24,611,546
	TG Thoradeniya	Director		
	GARD Prasanna	Director		
Singhe Hospitals PLC	AM Weerasinghe	Director	Goods worth of Rs 87,529/- were sold.	-
Talawakelle Plantations PLC	L N De S Wijeyeratne	Director	Goods worth of Rs 59,780/- were sold.	-
Aitken Spence PLC	RN Asirwatham	Director	A sum of Rs 337,500/- was received as dividends.	-
Hayleys Fabric PLC	Dhammika Perera	Director	Goods worth of Rs 129,884/- were sold.	-
Vallibel One PLC	Dhammika Perera	Director	A sum of Rs 45,468,937/- was paid for technical fee.	
	SH Amarasekera	Director		
	RN Asirwatham	Director	A sum of Rs 536,023,400/- was paid as dividends.	
	WDNH Perera	Director		

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

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 ....

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 1,447,400 is payable by the Company to the Auditors for the year under review comprising Rs 1,102,400 as audit fees and Rs 345,000 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 25th May 2017 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2017 was Rs.1,368,673,373/- represented by 110,789,384 Ordinary Shares. There were no changes in the Stated Capital of the company during the year.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2017 and 31st March 2016 are as follows.

Mr Dhammika Perera is the major shareholder of Vallibel One PLC, which holds 60,002,600 shares constituting 55% of the shares representing the stated capital of the Company.

	Shareholding as at 31/03/2017	Shareholding as at 31/03/2016
Mr. Dhammika Perera	200,772	200,772
Mr. A M Weerasinghe	749,928	749,928
Mr. M Y A Perera	220	220
Mr. T G Thoradeniya	185,680	185,680
Mr. L T Samarawickrama	2,000	2,000
Mr. G A R D Prasanna	5,000	5,000
Mr. R N Asirwatham	-	-
Mr. S H Amarasekera	-	-
Ms. N R Thambiayah	-	-
Mr. L N De S Wijeyeratne	-	-

SHAREHOLDERS

There were 10,895 shareholders registered as at 31st March 2017 (11,136 shareholders as at 31st March 2016).

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, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 198 to 202 under Share Information and the ten year summary of the Company

EMPLOYMENT POLICY

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

As at 31st March 2017 1,077 persons were in employment (1,084 persons as at 31st March 2016).

RESERVES

The reserves of the Company with the movements during the year are given in Note 14 to the Financial Statements on page 144.

LAND HOLDINGS

The Company's land holdings referred to in Note 3 to the Financial Statements comprise the following:

Location	No of Buildings	Extent (Perches)	As at 31.03.2017 At cost or revaluation
Kottawa	3	231	105,485,000
Eheliyagoda	28	7,937	250,299,000
Meegoda	1	471	64,634,500
Nawala	1	25	87,150,000
Natththandiya	0	1,600	20,000,000
Kalutara	0	768	11,525,000
Seeduwa	1	53	66,112,619
Narahenpita	1	17	59,313,500
Colpetty	1	20	119,820,000
Panadura	1	19	55,164,933
Dehiwala	1	15	103,810,000
Narahenpita	0	45	289,824,550
	38	11,201	1,233,139,102

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given under Notes 3 to the Financial Statements on page 117.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2017 are given in Notes 5, 6 and 12 to the Financial Statements on pages 137,138 and 143.

DONATIONS

The Company has not made donations during the year under review.

DIVIDENDS

The Company paid an interim dividend of Rs. 5/- per share for the year under review on 21st February 2017.

The Directors have recommended a final dividend of Rs. 4/- 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 would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the said distribution.

The said dividend will,subject to approval by the shareholders, be payable on the 7th market day from the date of the Annual General Meeting.

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 71 to 73.

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 Reporting 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 30 to the Financial Statements on page 176 there were no material Contingent Liabilities as at the reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 32 to the Financial Statements on page 178 there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange.

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,

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

integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 66 to 70 explains the measures adopted by the Company during the year.

BOARD SUB-COMMITTEES

An Audit Committee, Remuneration Committee and a Related Party Transaction Review 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. L N De S Wijeyeratne*
Appointed Chairman on 26th September 2016

Mr. S H Amarasekera
Chairman up to 26th September 2016
Mr. L T Samarawickrama
Mr. R N Asirwatham

* Appointed to the Committee w.e.f. 03.06.16

REMUNERATION COMMITTEE

Mr. S H Amarasekera
Chairman

Mr. A M Weerasinghe
Mr R N Asirwatham

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. R N Asirwatham
Chairman

Mr. A M Weerasinghe
Mr. L N De S Wijeyeratne*
* Appointed w.e.f. 31.10.2016

Related party review committee has reviewed all related party transactions that require their review for the year ended 31st March 2017 in compliance with the relevant listing rules.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on pages 34 to 36 of this Report.

ANNUAL GENERAL MEETING

The Notice of the Twenty Seventh (27th) Annual General Meeting appears on page 206.

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

Dhammika Perera
Chairman

M Y A Perera
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

26 May 2017

ANNEXURE A TO THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

DIRECTORS OF SUBSIDIARY COMPANIES AS AT 31ST MARCH 2017

ROYAL PORCELAIN (PRIVATE) LIMITED
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. L T Samarawickrama
Mr. G A R D Prasanna
Mr. R N Asirwatham
Mr. H Somashantha
Mr. M W R N Somaratne

ROCELL BATHWARE LIMITED
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. L T Samarawickrama
Mr. G A R D Prasanna
Mr. R N Asirwatham
Mr. D J Silva

ROYAL CERAMICS DISTRIBUTORS LIMITED
Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. L T Samarawickrama
Mr. K D H Perera

ROCELL CERAMICS LIMITED
Mr. A M Weerasinghe
Mr. T G Thoradeniya

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

NILANO GARMENTS(PRIVATE) LIMITED
Mr. N. Bogahalanda
Mr. S. Rodrigo
Ms. B.G.W. Sarathchandra

LANKA CERAMIC PLC
Mr. Dhammika Perera
Mr. A M Weerasinghe
Mr. N A Abeyesekera (Resigned w.e.f. 15.05.17)
Dr. S Selliah
Mr. J A P M Jayasekara
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms A M L Page
Mr. D J Silva
Mr. R D P Godawatta Arachchige *(Alternate Director to Mr Dhammika Perera)*

LANKA WALLTILES PLC
Mr. Dhammika Perera
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. T De Soysa
Mr. K D G Gunaratne
Ms. A M L Page
Mr. M W R N Somaratne
Mr. J D N Kekulawala

LANKA TILES PLC
Mr. Dhammika Perera
Mr. J A P M Jayasekara
Mr. A M Weerasinghe
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. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. K Y Choi
Mr. S A D M Ratnayake (Resigned w.e.f. 02.05.17)
Mr. J K A Sirinatha
Ms. K C Silva (Resigned w.e.f. 27.04.17)
Mr. T De Zoysa

SWISSTEK ALUMINUM LIMITED
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. D De Silva (Resigned w.e.f. 25.04.17)
Mr. A S Mahendra
Mr. B T T Roche
Mr. K Y Choi
Dr. S Selliah
Mr. T G Thoradeniya
Mr. S A D M Ratnayake (Resigned w.e.f. 01.05.17)
Ms. K C Silva (Resigned w.e.f. 27.04.17)

VALLIBEL PLANTATION MANAGEMENT LIMITED
Mr. A M Pandithage
Mr. T G Thoradeniya
Mr. J M Kariapperuma
Mr. W G R Rajadurai
Mr. N T Bogahalande
Mr. N A Abeyesekera (Resigned w.e.f. 10.03.17)

HORANA PLANTATIONS PLC
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. A M Pandithage
Mr. J A P M Jayasekara
Mr. L D E A de Silva
Mr. D B Gamalath
Mr. T G Thoradeniya
Mr. Haresh Somashantha
Mr. N T Bogahalande
Mr. J M Kariapperuma
Ms. K C Silva (Resigned w.e.f. 27.04.17)

UNI DIL PACKAGING SOLUTIONS LIMITED
Mr. A M Pandithage
Mr. J A P M Jayasekara
Mr. L D E A de Silva
Mr. D B Gamalath

BEYOND PARADISE COLLECTION LIMITED
Mr. M H Jamaldeen
Mr .K D H Perera
Mr. J A P M Jayasekara

L W L DEVELOPMENT (PVT) LTD
Mr .K D A Perera
Mr. J A P M Jayasekara

ROCELL PTY LTD
Mr. T. G. Thoradeniya
Ms. K C Silva
Mr. S A D M Ratnayake
Mr. H Y Perera

NILANO GARMNETS (PVT) LTD
Mr. A N Senaviratne
Ms. K A Suraweera
Mr. N T Bogahalanda
Ms. W S Bopitiya Gamage
Mr. B K G S M Rodrigo

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 Company and its subsidiaries, 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 Company and its subsidiaries and in that context to have proper regard 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

26 May 2017

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. L N De S Wijeyeratne, who is a Fellow of the Institute of Chartered Accountants in Sri Lanka.

The members of the Board appointed Audit Committee are;

Mr. L N De S Wijeyeratne
– *Chairman (w.e.f 26th September 2016)*
Mr. L T Samarawickrama
Mr. R N Asirwatham
Mr. S H Amarasekera

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. Review of the adequacy and effectiveness of the company's Internal Control and Risk Management systems, over the financial reporting process.

MEETINGS

The Audit Committee met nine 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. Attendances by the Committee members at each of these meetings are given in the Corporate Governance Report on page 68.

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

Report of the Audit Committee

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 70.

L N De S Wijeyeratne
Chairman - Audit Committee

26 May2017

Report of the Remuneration Committee

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

Mr. S H Amarasekera
– *Chairman*
Mr. A M Weerasinghe
Mr. R N Asirwatham

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 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 180.

MEETINGS

The Committee met four times 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.

Mr. S H Amarasekera
Chairman - Remuneration Committee

26 May 2017

Report of the Related Party Transactions Review Committee

ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS

The Board of Directors of Royal Ceramics Lanka PLC (RCL) adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee (RPTRC) in January 2016.

PURPOSE OF THE COMMITTEE

The purpose of the RPTRC of the company is to conduct an independent review approval and oversight of all related party transactions of Royal Ceramics Lanka PLC and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

COMPOSITION OF THE COMMITTEE

As at the date of this report, the Committee of Royal Ceramics Lanka PLC consists of three (03) Directors The members of the Committee during the year were:

- **Mr. R N Asirwatham**

  - Chairman (Independent Non- Executive Director)

- **Mr. A M Weerasinghe**

  - Member (Non- Executive Director)

- **Mr. L N De S Wijeyeratne***

  - Member (Independent Non- Executive Director)

*Appointed w.e.f. 31.10.2016

PW Corporate Secretarial (Pvt) Ltd, the Company Secretaries of the Company functions as the Secretary to the Committee.

The Managing Director and the Head of Finance attend meetings by invitation.

MEETINGS

The Committee held three meetings for the year under review.

CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

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

a) Receive regular reports from the management, and be provided with any information it requests relating to its responsibilities

b) Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions

c) Review and evaluate the terms, conditions, and the advisability of, any related party transaction

d) Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole

e) Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction

f) Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following are key responsibilities have been set out in the Charter for RPTRC;

a) Ensure that the Company complies with the rules set out in the Code

b) Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions

c) Perform other activities related to the Charter as requested by the Board

d) Have meetings every fiscal quarter and report to the Board on the Committee's activities

e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions

f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

PROCEDURES FOR REPORTING RPT'S

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the code. Moreover, on a quarterly basis, the MD is required to report to the Committee on the approved related party transactions actually entered into by the Company.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2016/17. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 34 to the Financial Statements, on pages 179 to 181 of this Annual Report.

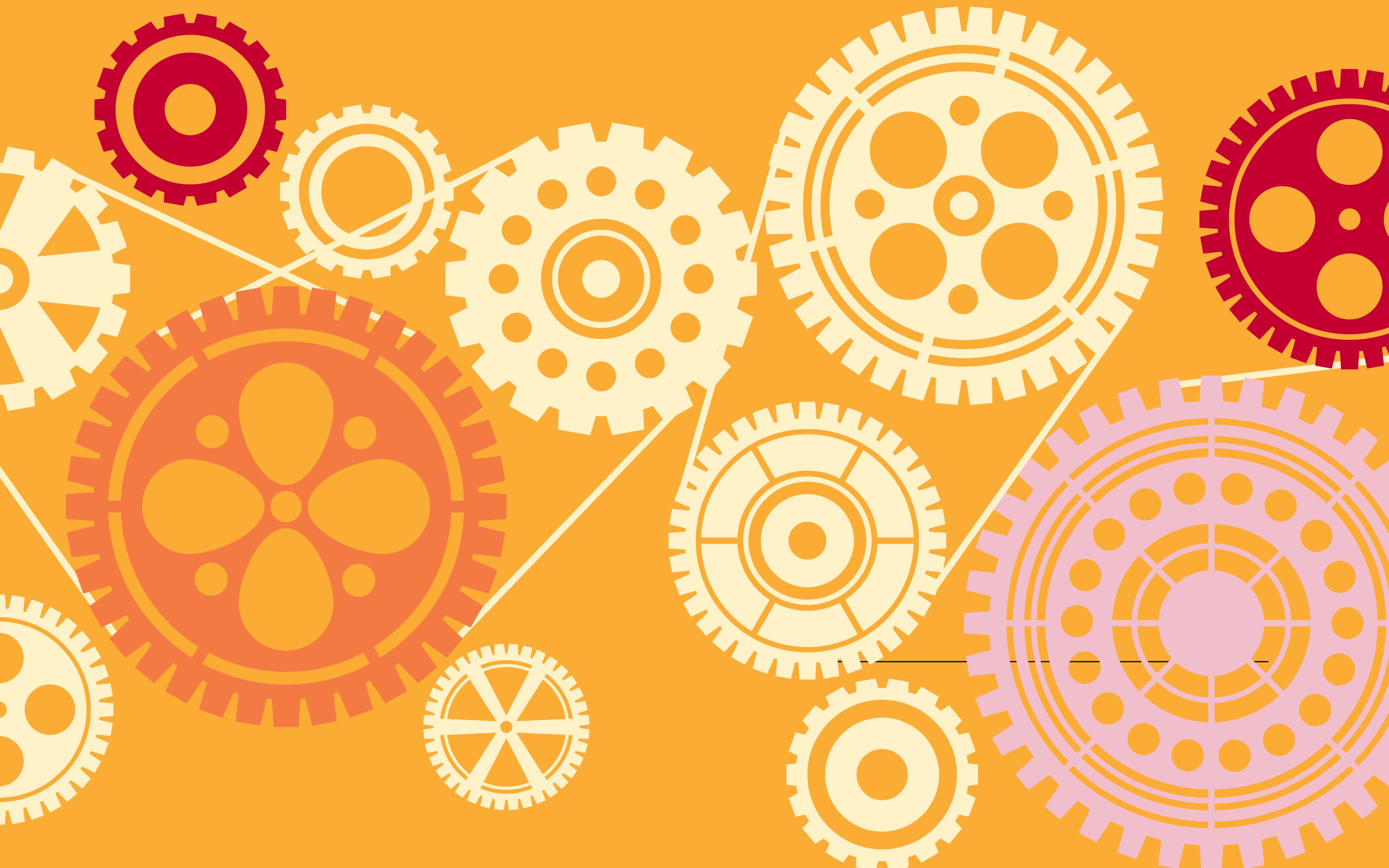
DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 74 to 80 of this Annual Report.

Mr. R N Asirwatham
Chairman - Related Party Transactions Review Committee

26 May 2017

Financial Information



Financial Calendar

FINANCIAL CALENDAR

Final Dividend 2015/2016	July 12, 2016
Interim Report-1st Quarter 2016/2017	August 02, 2016
Interim Report- 2nd Quarter 2016/2017	November 11, 2016
Interim Report- 3rd Quarter 2016/2017	January 30, 2017
Interim Dividend -2016/2017	February 21, 2017
Interim Report- 4th Quarter 2016/2017	May 26, 2017
Annual Report 2016/2017	May 26, 2017
27h Annual general meeting	June 30, 2017
Final Dividend -2016/2017	July 11, 2017

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
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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 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, cash flows 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 2017, 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, 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 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- 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

26 May 2017
Colombo

Statement of Financial Position

As At 31st March 2017	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	03	4,064,061,352	3,199,235,229	21,816,657,901	18,868,280,562
Consumable Biological Assets	3.15	-	-	490,534,000	396,133,000
Leasehold Rights Over Mining Lands	3.20	-	-	16,080,000	8,080,000
Investment Property	04	-	-	238,024,000	238,714,000
Investments in Subsidiaries	05	5,157,342,505	4,883,279,712	-	-
Investments in Associates	06	3,162,937,490	3,162,937,490	5,849,224,970	4,867,051,524
Intangible Assets	07	186,756,235	203,612,256	1,219,371,013	1,269,804,799
Long Term Receivables	08	-	-	27,285,000	27,285,000
Deferred Tax Assets	25.3	194,858,475	323,692,088	207,034,475	336,220,088
		12,765,956,057	11,772,756,775	29,864,211,359	26,011,568,973
Current Assets					
Inventories	09	1,198,259,456	1,256,028,117	8,664,550,121	7,086,871,974
Trade and Other Receivables	10	440,408,888	543,983,964	3,159,371,536	2,542,910,827
Other Non Financial Assets	11	367,189,792	355,394,767	964,494,327	1,119,672,526
Other Financial Assets	12	43,981,389	56,770,827	43,981,389	56,770,827
Income Tax Recoverable		52,482,967	31,665,428	77,156,967	32,839,137
Cash and Cash Equivalents	20	300,093,303	215,336,308	1,887,791,699	2,322,403,769
		2,402,415,795	2,459,179,411	14,797,346,039	13,161,469,060
Assets Held For Sale	41	-	-	137,815,270	-
		2,402,415,795	2,459,179,411	14,935,161,309	13,161,469,060
Total Assets		15,168,371,852	14,231,936,186	44,799,372,668	39,173,038,033
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	2,027,445,205	1,375,859,172
Retained Earnings		6,444,556,583	6,076,306,599	14,234,596,434	11,885,270,727
		8,026,864,220	7,658,614,236	17,630,715,012	14,629,803,272
Non Controlling Interest		-	-	8,463,614,035	7,828,990,754
Total Equity		8,026,864,220	7,658,614,236	26,094,329,047	22,458,794,026

As At 31st March 2017	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	15	3,307,021,497	2,895,285,082	6,247,865,534	5,347,953,424
Deferred Tax Liabilities	25.4	-	-	1,211,769,933	1,082,522,075
Retirement Benefit Liability	16	208,701,087	192,730,570	997,367,058	1,004,604,869
Other Non-Current Liabilities	17	-	-	153,189,000	149,299,000
		3,515,722,584	3,088,015,652	8,610,191,525	7,584,379,368
Current Liabilities					
Trade and Other Payables	18	1,815,044,965	1,146,650,056	2,299,244,477	1,982,719,466
Other Current Liabilities	19	731,378,095	773,801,420	905,048,865	808,017,389
Dividend Payable		45,380,246	99,951,778	105,435,246	163,342,599
Income Tax Liabilities		-	-	523,258,292	639,590,378
Interest Bearing Loans & Borrowings	15	1,033,981,742	1,464,903,044	6,123,921,493	5,536,194,807
		3,625,785,048	3,485,306,298	9,956,908,373	9,129,864,639
Liabilities Directly Associated with the Assets Held For Sale	41	-	-	137,943,723	-
		3,625,785,048	3,485,306,298	10,094,852,096	9,129,864,639
Total Equity and Liabilities		15,168,371,852	14,231,936,186	44,799,372,668	39,173,038,033

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

M Y A Perera
Managing Director

The Accounting Policies and Notes on pages 100 through 197 form an integral part of these financial statements.

26 May 2017
Colombo

Statement of Profit or Loss

		Company		Group	
For the Year ended 31 March 2017	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	21	3,824,904,597	3,405,538,184	26,412,846,431	24,782,089,167
Cost of Sales		(1,881,390,488)	(1,657,118,600)	(15,550,090,889)	(15,238,021,340)
Gross Profit		1,943,514,109	1,748,419,584	10,862,755,542	9,544,067,827
Other Operating Income	22	1,808,744,248	1,679,396,301	213,896,161	199,708,022
Distribution Expenses		(1,072,067,663)	(1,000,311,525)	(3,478,733,295)	(3,198,707,345)
Administrative Expenses		(698,556,252)	(656,486,363)	(1,570,844,264)	(1,384,507,459)
Other Operating Expenses	22.1	(105,658,373)	(232,580,211)	(130,125,074)	(9,580,211)
Finance Cost	23.1	(386,935,417)	(360,783,509)	(1,103,829,864)	(804,490,366)
Finance Income	23.2	776,863	25,963	152,283,356	68,818,196
Share of Associate Companies Profit		-	-	1,041,753,417	932,029,929
Profit Before Tax	24	1,489,817,515	1,177,680,240	5,987,155,979	5,347,338,593
Tax (Expense)/Reversal	25.1	(130,700,624)	15,315,335	(1,334,536,448)	(1,192,079,818)
Net Profit After Tax from Continuing Operations		1,359,116,891	1,192,995,575	4,652,619,531	4,155,258,775
Loss after tax from Discontinued Operations	41	-	-	(195,549,696)	(63,513,753)
Net Profit for the Year		1,359,116,891	1,192,995,575	4,457,069,835	4,091,745,022
Attributable to					
Equity Holders of the Parent		1,359,116,891	1,192,995,575	3,231,003,554	2,934,333,240
Non-Controlling Interest		-	-	1,226,066,281	1,157,411,782
		1,359,116,891	1,192,995,575	4,457,069,835	4,091,745,022
Basic Earnings Per Share	26	12.27	10.77	29.16	26.49
Dividend per share	27	9.00	6.00	9.00	6.00

The Accounting Policies and Notes on pages 100 through 197 form an integral part of these financial statements.

Statement of Comprehensive Income

For the Year ended 31 March 2017	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Net Profit for the Year		1,359,116,891	1,192,995,575	4,457,069,835	4,091,745,022
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	14.3	-	-	3,030,642	4,470,186
Net (Loss)/Gain on Available-for-Sale Financial Assets of Associate Company	14.2	-	-	(3,838,802)	601,510
Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods		-	-	(808,160)	5,071,696
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land		-	-	334,346,414	1,568,812,310
Revaluation of Land and Building of Associate company		-	-	383,759,025	-
Actuarial (Loss)/Gain on Retirement Benefit Liability		(4,955,174)	2,565,920	51,658,277	34,595,311
Actuarial (Loss)/Gain on Retirement Benefit Liability of Associate Company		-	-	(602,925)	2,386,623
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		(4,955,174)	2,565,920	769,160,791	1,605,794,244
Other comprehensive income for the year, Net of tax		(4,955,174)	2,565,920	768,352,631	1,610,865,940
Total comprehensive income for the year, Net of tax		1,354,161,717	1,195,561,495	5,225,422,466	5,702,610,962
Attributable to					
Equity Holders of the Parent				3,895,037,239	3,613,515,228
Non-Controlling Interest				1,330,385,227	2,089,095,734
				5,225,422,466	5,702,610,962

The Accounting Policies and Notes on pages 100 through 197 form an integral part of these financial statements.

Statement of Changes in Equity - Company

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 2015	1,368,673,373	213,634,264	5,545,481,408	7,127,789,045
Net Profit for the Year	-	-	1,192,995,575	1,192,995,575
Other Comprehensive Income / (Loss)	-	-	2,565,920	2,565,920
Total Comprehensive Income	-	-	1,195,561,495	1,195,561,495
Final Dividends - 2014/2015	-	-	(221,578,768)	(221,578,768)
Interim Dividends 2015/2016			(443,157,536)	(443,157,536)
Balance as at 31st March 2016	1,368,673,373	213,634,264	6,076,306,599	7,658,614,236
Net Profit for the Year	-	-	1,359,116,891	1,359,116,891
Other Comprehensive Income / (Loss)	-	-	(4,955,174)	(4,955,174)
Total Comprehensive Income	-	-	1,354,161,717	1,354,161,717
Final Dividends - 2015/2016	-	-	(443,157,536)	(443,157,536)
Interim Dividends 2016/2017	-	-	(553,946,920)	(553,946,920)
Write back of Unclaimed Dividends	-	-	11,192,723	11,192,723
Balance as at 31st March 2017	1,368,673,373	213,634,264	6,444,556,583	8,026,864,220

The Accounting Policies and Notes on pages 100 through 197 form an integral part of these financial statements.

Statement of Changes in Equity - Consolidated

	Attributable to owners of the parent					Total	Non-Controlling Interest	Total
	Stated Capital	Revaluation Reserve	Available for sale Reserve	Foreign Currency Translation Reserve	Retained Earnings			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2015	1,368,673,373	704,876,971	7,102,729	(4,169,415)	9,798,316,270	11,874,799,928	6,136,012,120	18,010,812,048
Super Gain Tax 2013/2014					(199,312,632)	(199,312,632)	(64,229,037)	(263,541,668)
	1,368,673,373	704,876,971	7,102,729	(4,169,416)	9,599,003,638	11,675,487,296	6,071,783,083	17,747,270,380
Net profit for the year	-	-	-	-	2,934,333,240	2,934,333,240	1,157,411,782	4,091,745,022
Other Comprehensive income / (Loss)	-	662,977,191	601,510	4,470,186	11,133,102	679,181,989	931,683,952	1,610,865,941
Total Comprehensive income	-	662,977,191	601,510	4,470,186	2,945,466,342	3,613,515,229	2,089,095,734	5,702,610,963
Final Dividends - 2014/2015	-	-	-	-	(221,578,768)	(221,578,768)	-	(221,578,768)
Interim Dividends 2015/2016	-	-	-	-	(443,157,536)	(443,157,536)	-	(443,157,536)
Write back of Unclaimed Dividends	-	-	-	-	873,382	873,382	912,618	1,786,000
Subsidiary Dividends to Minority Shareholders	-	-	-	-	4,663,669	4,663,669	(332,800,681)	(328,137,013)
Balance as at 31st March 2016	1,368,673,373	1,367,854,162	7,704,239	300,771	11,885,270,727	14,629,803,272	7,828,990,754	22,458,794,026
Net profit for the year	-	-	-	-	3,231,003,554	3,231,003,554	1,226,066,281	4,457,069,835
Other Comprehensive income / (Loss)	-	652,394,193	(3,838,802)	3,030,642	12,447,652	664,033,685	104,318,946	768,352,631
Total Comprehensive income	-	652,394,002	(3,838,802)	3,030,642	3,243,451,206	3,895,037,239	1,330,385,227	5,225,422,466
Final Dividends - 2015/2016	-	-	-	-	(443,157,536)	(443,157,536)	-	(443,157,536)
Interim Dividends 2016/2017	-	-	-	-	(553,946,920)	(553,946,920)	-	(553,946,920)
Write back of Unclaimed Dividends	-	-	-	-	11,192,723	11,192,723	-	11,192,723
Subsidiary Dividends to Minority Shareholders	-	-	-	-	-	-	(344,668,367)	(344,668,367)
Acquisition of non-controlling interests	-	-	-	-	91,786,234	91,786,234	(351,093,579)	(259,307,345)
Balance as at 31st March 2017	1,368,673,373	2,020,248,355	3,865,437	3,331,413	14,234,596,434	17,630,715,012	8,463,614,035	26,094,329,047

The Accounting Policies and Notes on pages 100 through 197 form an integral part of these financial statements.

Cash Flow Statement

For the Year ended 31 March 2017	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Cash Flows from / (used in) Operating Activities					
Profit before tax from continuing operations		1,489,817,515	1,177,680,240	5,987,155,979	5,347,338,593
Profit/(loss) before tax from discontinued operations		-	-	(195,549,696)	(63,513,753)
Profit before tax		1,489,817,515	1,177,680,240	5,791,606,283	5,283,824,840
Adjustments for					
Dividend Income		(1,124,892,800)	(1,134,135,418)	(435,038)	(2,773,028)
Interest Income		(776,863)	(25,963)	(152,283,356)	(68,818,196)
Depreciation of Property, Plant & Equipment		287,500,576	254,751,964	1,306,979,457	1,248,540,559
Amortisation of Leasehold Right over Land		-	-	-	511,000
(Profit)/Loss on Sale of Property, Plant & Equipment		9,786,833	(13,777,064)	8,350,555	22,620,472
Finance Costs		386,935,417	360,783,509	1,128,456,667	822,747,972
Profit on Disposal of Short Term Investments		-	(11,061,799)	-	(11,061,799)
Provision/(Reversal) of Inventories		-	(3,970,210)	(2,844,334)	37,974,815
Write-down of Inventories		16,691,005	15,335,502	42,898,011	50,874,050
Write off Field Development Expenditure		-	-	743,000	-
Provision for Related Party Receivables		153,205,000	177,000,000	-	-
Amortization of Intangible Assets		16,856,021	16,157,983	16,856,021	16,157,983
Unrealised loss on foreign exchange		(304,843)	31,725,445	10,435,157	50,251,445
Impairment of Goodwill		-	-	71,866,701	-
Impairment of Assets held for sale		-	-	131,480,477	-
Impairment of Long Term Investment		47,400,000	223,000,000	-	-
Provision /(Reversal) for Bad Debts		(321,282)	6,250,735	(5,971,402)	5,701,124
Deferred Income / Capital Grants Amortisation		-	-	(4,760,000)	(4,953,000)
Changing in Fair Value of Biological Assets		-	-	(89,187,000)	(40,768,000)
Provision /(Reversal) for Change in Market Value of the Investments		12,789,436	9,580,211	12,789,436	9,580,211
Profit Share of Investment in Associate		-	-	(1,041,753,417)	(932,029,929)
Provision for Defined Benefit Plans - Gratuity	16	36,557,427	30,862,269	178,839,435	168,268,959
Operating Profit/(Loss) before Working Capital Changes		1,331,243,442	1,140,157,404	7,404,066,653	6,656,649,478
(Increase)/ Decrease in Inventories		41,077,655	(41,174,785)	(1,706,813,905)	(48,589,980)
(Increase)/ Decrease in Trade and Other Receivables		(51,464,091)	(419,753,359)	(647,401,762)	205,945,326
(Increase)/ Decrease in Other Non Financial Assets		(11,795,025)	(115,485,149)	147,043,404	(478,013,993)
Increase/ (Decrease) in Trade and Other Payables		660,377,598	(253,870,775)	288,248,179	(113,721,272)
Increase/ (Decrease) in Other Current Liabilities		(42,423,324)	266,458,557	97,031,476	225,874,788
Cash Generated from Operations		1,927,016,255	576,331,893	5,582,174,045	6,448,144,347
Finance Costs Paid		(378,918,105)	(352,846,069)	(1,105,939,402)	(805,805,608)
Defined Benefit Plan Costs Paid		(27,409,095)	(6,274,694)	(119,784,257)	(87,732,547)
Income Tax Paid		(20,817,539)	(8,479,637)	(1,255,452,165)	(672,208,305)
Net Cash Flows From/(Used in) Operating Activities		1,499,871,516	208,731,493	3,100,998,221	4,882,397,887

For the Year ended 31 March 2017	Note	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(1,164,266,686)	(430,688,300)	(4,004,303,948)	(1,859,401,119)
Acquisition of Consumable Biological Assets		-	-	(14,640,000)	(5,852,000)
(Acquisition) / disposal of leased hold right over mining land		-	-	(8,000,000)	(8,080,000)
Proceeds from Sale of Property, Plant & Equipment		2,153,153	65,926,880	15,196,611	82,081,880
Acquisition of Intangible Assets		-	(12,090,377)	-	(12,090,377)
Proceeds from Sale of Short Term investments		-	76,445,740	-	76,445,740
Acquisition of subsidiary	40.1	(60,000,000)	(115,681,700)	(59,999,228)	-
Acquisition of Additional Interest in Subsidiaries	40.2	(259,307,345)	-	(259,307,345)	-
Interest Received		776,863	25,963	152,283,356	68,818,196
Dividends Received		1,124,892,800	1,134,135,418	439,332,305	165,327,572
Net Cash Flows from/(Used in) Investing Activities		(355,751,215)	718,073,624	(3,739,438,249)	(1,492,750,108)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		2,739,076,732	1,367,637,041	12,101,533,766	6,146,166,986
Repayment of Interest Bearing Loans & Borrowings		(2,829,245,892)	(1,614,341,531)	(10,934,659,580)	(7,086,893,711)
Capital Repayments under Finance Lease Liabilities		(2,273,908)	(1,624,751)	(16,822,182)	(6,179,502)
Dividends Paid on Ordinary Shares		(1,040,483,265)	(600,935,740)	(1,040,483,265)	(600,935,740)
Dividend Paid to Non Controlling Interest		-	-	(348,004,187)	(329,576,193)
Capital Grants Received		-	-	8,650,000	17,640,000
Net Cash Flows from/(Used in) Financing Activities		(1,132,926,333)	(849,264,981)	(229,785,448)	(1,859,778,160)
Net Increase / (Decrease) in Cash and Cash Equivalents		11,193,968	77,540,136	(868,225,476)	1,529,869,619
Net foreign exchange difference		-	-	(1,374,863)	(1,776,399)
Cash and Cash Equivalents at the Beginning of the Year	20	(70,280,547)	(147,820,683)	747,698,073	(780,395,147)
Cash and Cash Equivalents at the End of the Year	20	(59,086,579)	(70,280,547)	(121,902,266)	747,698,073

The Accounting Policies and Notes on pages 100 through 197 form an integral part of these financial statements.

Notes to the Financial Statements

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 2017 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, Nilano Garments (Private) Limited and Lanka Ceramic PLC Group and Group's interest in equity accounted investees.

1.2 PARENT ENTERPRISE AND ULTIMATE PARENT ENTERPRISE

The Company's 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. (Discontinued the operations w.e.f. 25 July 2016)

Rocell Ceramics Limited
Non Operational

Rocell Pty Limited
Wholesale and retailing of floor tiles and wall tiles and Bathware in Australia

Lanka Ceramic PLC
Manufacture and marketing of raw materials to ceramics industry and managing and holding of an investment property.

Lanka Walltiles PLC
Manufacture and marketing of Ceramics Wall tiles.

Lanka Tiles PLC
Manufacture and marketing of Floor tiles.

Vallibel Plantation Management Ltd
Providing management services to plantation industry.

Horana Plantation PLC
Manufacture and marketing of agricultural production.

Uni Dil Packaging Ltd
Manufacture and marketing of cartons for packing.

Uni Dil Packaging Solutions Ltd
(previously known as "Uni-Dil Paper Sacks (Pvt) Ltd")
Manufacture and marketing of paper sacks for packing.

Swisstek (Ceylon) PLC
Manufacture and marketing of tile grout and tile mortar.

Swisstek Aluminium Ltd
Manufacture and marketing of aluminium extrusions

LWL Development (Pvt) Ltd
Property holding.

Beyond Paradise Collection Limited
Property holding.

Nilano Garments (Pvt) Ltd
Manufacture and trading ceramics tiles and allied products

The company acquired a subsidiary called Nilano Garments (Pvt) Ltd during the year (Note 40.1).

Other than above, 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 2017 were authorised for issue in accordance with the resolution of the Board of Directors on 26 May 2017.

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 otherwise indicated which have been measured 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 2017. 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 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 recognised in profit or loss. Any investment retained is recognised 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%
Nilano Garments (Pvt) Ltd	1984/1985	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 30 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.

Notes to the Financial Statements

(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 Consumable Biological Assets
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. Fair value related disclosures for assets measured at fair value are summarized in the Note 3.17 to the financial statements.

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 fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 3.16.

(iii) Useful life-time of the Property, Plant and equipment
The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty (Note 3.18).

(iv) 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 recognized by the Group. (Refer note 07)

(v) 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. (Refer note 10)

(vi) Fair Value of Financial Instruments
Where the fair values of financial assets and financial liabilities disclosed in the financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates. The valuation of financial instruments is described in more detail in Note 39.

(vii) 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.

(viii) 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).

(ix) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

(x) Assets held for sales and discontinued operations

On 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ("EPCI") and to dispose of the assets thereof. Therefore, the operations of the Company is classified as a disposal group held for sale as at the reporting date.

For more details on the discontinued operation refer to Note 41.

2.4 COMPARATIVE INFORMATION

The accounting policies adopted are consistent with those of the previous financial year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation. Previous year's figures and phrases have been re-arranged due to the reclassification of income and expenses under loss from discontinued operations (Note 41).

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 Other Comprehensive Income. On disposal of a foreign operation, the component of Other Comprehensive Income 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.

Notes to the Financial Statements

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

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

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;

	2017	2016
Local sales and other profits	28%	28%
Qualified export profit	12%	12%
Agricultural profit	10%	10%
Specified profits	12%	15%

Swisstek Aluminium Ltd.
Income tax exemption given for Swisstek Aluminium Ltd has been expired on 01 September 2016 and company is liable to pay tax at a rate of 20% on trade profit and 28% on other income.

Rocell Bathware Limited
Income tax exemption given for Rocell Bathware Ltd has been expired on year of assessment 2015/16 and company liable to pay tax at a rate of 15% on manufacturing profits and 28% on trade profits and other income.

(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 three 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 in respect of 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, Vallibel 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.

Notes to the Financial Statements

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 Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, 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 Profit or Loss 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 Profit or Loss 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 Profit or Loss.

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 3.18.

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.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

Notes to the Financial Statements

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, 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 Profit or Loss.

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 Profit or Loss. 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 Profit or Loss.

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 Profit or Loss.

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 Profit or Loss 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 Profit or Loss.

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 Profit or Loss.

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.

Notes to the Financial Statements

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.

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 Profit or Loss 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 Profit or Loss. 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 Profit or Loss.

The investment in associate is accounted for using the cost method in the separate Financial Statements.

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 Profit or Loss 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 2017 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 Profit or Loss 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.

2.5.18 Non-current assets held for trade and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. Costs to sale are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to distribute will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

  Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Notes to the Financial Statements

Additional disclosures are provided in Note 41. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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 Profit or Loss.

(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 Profit or Loss, 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 and Associated Products, Sanitaryware, Paints, Plantation, Packaging Material, Aluminium Products, 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 more fully described in Note 3.12.

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

Notes to the Financial Statements

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 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. 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

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
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

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 Liability 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 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries. Messers Actuarial Management and Consultants (Private) Limited as at 31 March 2017.

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.

2.10.7 Change in Accounting Policies and Disclosures

Amendment to LKAS 41 & 16 – Harvestable Produce Growing on Bearer Biological Assets

Amendments to LKAS 16 - Property, Plant & Equipment and LKAS 41 – Agriculture, require entity to recognise agricultural produce growing on Bearer Plants at fair value less cost to sell separately from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on Bearer Plants, recognised in profit or loss at the end of each reporting period.

This change in accounting policy was applied prospectively as it is not materially impact the financial statements.

2.11 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

SLFRS 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new

Notes to the Financial Statements

expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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 Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 16 Leases
SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 Evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Pending the comprehensive study, possible impact/effects that would result in initial application of these standards are not yet estimable.

The following amendments and improvements are not expected to have a significant impact on the Group's consolidated financial statements.

LKAS 7 Disclosure Initiative – Amendments to LKAS 7
The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

SLFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to SLFRS 2
The CA Sri Lanka issued amendments to SLFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

03. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 GROSS CARRYING AMOUNTS

	Balance As at 01.04.2016 Rs.	Additions/ Transfers Rs.	Transfers / Reclassification Rs.	Disposals Rs.	Balance As at 31.03.2017 Rs.
At Cost or Valuation					
Land	827,249,052	405,890,050	-	-	1,233,139,102
Building	838,337,803	93,213,029	-	-	931,550,832
Lab Equipment	5,569,141	1,826,000	-	-	7,395,141
Motor Vehicles	162,904,970	39,576,163	-	(26,715,000)	175,766,133
Electricity Distribution	25,575,345	3,727,498	-	-	29,302,843
Office Equipment	242,675,101	26,122,656	-	-	268,797,757
Communication Equipment	11,889,467	95,594	-	-	11,985,061
Furniture & Fittings	370,510,786	31,540,115	(2,785,277)	-	399,265,624
Tools & Implements	122,194,265	9,573,554	-	-	131,767,819
Other Equipment	25,444,165	18,448,612	-	-	43,892,777
Factory Equipment	23,257,991	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	1,428,789,257	80,048,767	-	(1,775,614)	1,507,062,410
Household Item Light	78,830	-	-	-	78,830
Showroom Fixtures & Fittings	601,258,579	186,370,554	(1,136,302)	-	786,492,831
Stores Buildings on Lease hold Land	3,965,135	-	-	-	3,965,135
	4,691,935,934	896,432,592	(3,921,579)	(28,490,614)	5,555,956,333
Assets on Finance Leases					
Motor vehicles	13,883,000	-	-	-	13,883,000
	13,883,000	-	-	-	13,883,000
	4,705,818,934	896,432,592	(3,921,579)	(28,490,614)	5,569,839,333

	Balance As at 01.04.2016 Rs.	Additions Rs.	Transfers Rs.	Disposals	Balance As at 31.03.2017 Rs.
In the Course of Construction					
Capital Work in Progress	302,607,169	762,858,228	(490,542,541)	-	574,922,856
Total Gross Carrying Amount	5,008,426,103	1,659,290,820	(494,464,120)	(28,490,614)	6,144,762,189

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - COMPANY CONTD.

3.2 DEPRECIATION

	Balance As at 01.04.2016 Rs.	Charge for the Year Rs.	Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2017 Rs.
At Cost or valuation					
Building	96,814,180	35,463,182	-	-	132,277,362
Lab Equipment	5,171,300	385,811	-	-	5,557,111
Motor Vehicles	116,815,639	15,403,419	-	(14,215,000)	118,004,058
Electricity Distribution	7,591,157	1,067,097	-	-	8,658,254
Office Equipment	175,585,869	20,256,643	-	-	195,842,512
Communication Equipment	11,038,160	512,884	-	-	11,551,044
Furniture & Fittings	184,070,621	65,292,129	-	-	249,362,750
Tools & Implements	93,032,253	20,687,877	-	-	113,720,130
Other Equipment	14,222,324	4,856,890	-	-	19,079,214
Factory Equipment	23,257,991	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	892,263,542	79,113,770	-	(1,775,614)	969,601,698
Household Item Light	59,092	-	-	-	59,092
Showroom Fixtures & Fittings	182,213,621	41,684,274	-	-	223,897,895
Stores Buildings on Lease hold Land	3,568,628	-	-	-	3,568,628
	1,807,940,424	284,723,976	-	(15,990,614)	2,076,673,786
Assets on Finance Leases					
Motor vehicles	1,250,451	2,776,600	-	-	4,027,051
	1,250,451	2,776,600	-	-	4,027,051
Total Value of Depreciation	1,809,190,875	287,500,576	-	(15,990,614)	2,080,700,837

3.3 NET BOOK VALUES OF PROPERTY PLANT AND EQUIPMENTS

	2017 Rs.	2016 Rs.
At Cost or Valuation		
Land	1,233,139,102	827,249,052
Building	799,273,470	741,523,623
Lab Equipment	1,838,030	397,840
Motor Vehicles	57,762,075	46,089,330
Electricity Distribution	20,644,589	17,984,187
Office Equipment	72,955,245	67,089,232
Communication Equipment	434,017	851,308
Furniture & Fittings	149,902,874	186,440,165
Tools & Implements	18,047,689	29,162,012
Other Equipment	24,813,563	11,221,841
Plant and Machinery	537,460,712	536,525,715
Household Item Light	19,738	19,738
Showroom Fixtures & Fittings	562,594,936	419,044,958
Stores Buildings on Lease hold Land	396,507	396,507
	3,479,282,547	2,883,995,510
Assets on Finance Leases		
Motor Vehicles	9,855,949	12,632,549
	3,489,138,496	2,896,628,059
In the Course of Construction	574,922,856	302,607,170
	4,064,061,352	3,199,235,229

3.4 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs.1,164,266,686/- (2016-Rs.430,688,300/-)

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.1,194,544,103/- (2016-Rs. 1,094,436,620/) which are still in use.

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

3.6 GROSS CARRYING AMOUNTS

	Balance As at 01.04.2016 Rs.	Additions / Transfers Rs.	Effect of Exchange Rates Rs.
At cost or valuation			
Freehold and Clay Mining Land	4,642,248,915	678,112,124	-
Buildings	4,764,871,524	396,074,987	-
Water Supply Scheme	383,818,893	9,134,607	-
Lab Equipment	21,727,523	1,826,000	-
Motor Vehicles	356,933,303	51,870,593	713,178
Electricity Distribution	30,086,845	3,727,498	-
Office Equipment	310,359,417	32,815,630	576,319
Communication Equipment	476,869,973	46,004,754	
Furniture and Fittings	508,946,411	44,788,209	171,527
Tools & Implements	738,147,518	76,462,147	12,868
Sundry Equipment	1,205,058	406,770	-
Other Equipment	41,667,831	19,019,250	-
Factory Equipment	23,257,991	-	-
Moulds	128,844,318	507,125	-
Construction Equipment	24,117,673	818,661	-
Plant and Machinery	11,066,574,845	1,341,252,749	-
Household Item - Light	209,490	-	-
Showroom Fixtures & Fittings	669,451,162	189,294,054	-
Stores Buildings on Lease hold Land	370,140,033	100,807,549	7,379,049
	24,559,478,723	2,992,992,707	8,852,941
Assets on Finance Leases			
Plant & Machinery	17,810,680	2,374,000	-
Leasehold Land	14,600,000	-	-
Motor Vehicles	33,795,457	-	-
Transport & Communication Equipment	59,164,000	4,530,000	-
	125,370,137	6,904,000	-
	24,684,848,860	2,999,826,707	8,852,941

	Balance As at 01.04.2016 Rs.	Additions / Transfers Rs.	Effect of Exchange Rates Rs.
In the Course of Construction			
Capital Work in Progress	647,788,571	2,934,831,240	1,016,217
Total Gross Carrying Amount	25,332,637,431	5,934,657,947	9,869,158

Acquisition of a subsidiary Rs.	Increase / (Decrease) in Revaluation Rs.	Reclassification / Disposals/ Transfers Rs.	Assets held for Sale Rs.	Balance As at 31.03.2017 Rs.
-	334,346,223	61,071,027	(6,487,600)	5,709,290,689
26,544,000	-	-	(75,171,299)	5,112,319,212
-	-	(53,000)	-	392,900,500
-	-	(1,147,135)	(4,028,787)	18,377,601
-	-	(20,874,731)	(3,707,146)	384,935,197
-	-	-	-	33,814,343
-	-	-	(3,686,062)	340,065,304
-	-	1,196,100	(71,119)	523,999,708
-	-	(2,826,452)	(4,118,973)	546,960,722
-	-	(20,040,000)	(4,574,811)	790,007,722
-	-	-	-	1,611,828
-	-	-	(934,985)	59,752,096
-	-	-	-	23,257,991
-	-	-	-	129,351,443
-	-	-	-	24,936,334
-	-	(115,616,356)	(62,808,971)	12,229,402,267
-	-	-	(130,660)	78,830
-	-	(1,136,302)	(7,678,573)	849,930,341
-	-	-	-	478,326,630
26,544,000	334,346,223	(99,426,848)	(173,398,986)	27,649,318,758
-	-	-	-	20,184,680
-	-	-	-	14,600,000
-	-	-	(13,312,457)	20,483,000
-	-	(5,134,000)	-	58,560,000
	-	(5,134,000)	(13,312,457)	113,827,680
26,544,000	334,346,223	(104,560,848)	(186,711,443)	27,763,146,438

Acquisition of a subsidiary Rs.	Increase / (Decrease) in Revaluation Rs.	Reclassification / Disposals/ Transfers Rs.	Assets held for Sale Rs.	Balance As at 31.03.2017 Rs.
-	-	(2,146,415,306)	-	1,437,220,722
26,544,000	334,346,223	(2,250,976,154)	(186,711,443)	29,200,367,160

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

3.7 DEPRECIATION

	Balance As at 01.04.2016 Rs.	Charge for the Year Rs.	Effect of Exchange Rate Rs.
At Cost or Valuation			
Clay Mining Land	-	1,361,000	-
Building	338,500,029	152,415,110	-
Water Supply Scheme	243,864,757	21,930,000	-
Lab Equipment	19,378,488	1,135,415	-
Motor Vehicles	244,343,997	42,332,222	193,555
Electricity Distribution	9,546,141	1,292,672	-
Office Equipment	219,847,153	28,015,204	298,298
Communication Equipment	321,620,798	44,512,498	-
Furniture & Fittings	314,412,344	70,298,822	26,829
Tools & Implements	536,890,229	87,678,349	8,150
Sundry Equipment	1,023,656	11,106	-
Other Equipment	23,882,417	6,083,060	-
Factory Equipment	23,257,991	-	-
Moulds	96,527,194	10,451,576	-
Construction Equipment	21,757,846	1,341,519	-
Plant and Machinery	5,865,219,678	672,421,165	-
Household Item - Light	154,855	13,066	-
Showroom Fixtures & Fittings	212,474,051	48,091,967	-
Stores Buildings on Lease hold Land	42,584,410	26,167,571	648,684
	8,535,286,034	1,215,552,322	1,175,516
Assets on Finance Leases			
Plant & Machinery	5,781,169	2,293,000	-
Leasehold Land	1,461,000	487,000	-
Motor Vehicles	12,625,667	5,427,846	-
Transport & Communication Equipment	46,378,000	348,000	-
	66,245,836	8,555,846	-
Total Value of Depreciation	8,601,531,870	1,224,108,168	1,175,516

Acquisition of a subsidiary	Transfers to revaluation Reserve	Disposals/ Transfers	Assets held for Sale	Balance As at 31.03.2017
Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	1,361,000
-	-	-	(11,867,648)	479,047,491
-	-	(3,000)	-	265,791,757
-	-	(757,868)	(3,335,758)	16,420,277
-	-	(19,026,865)	(3,684,120)	264,158,789
-	-	-	-	10,838,813
-	-	-	(1,958,735)	246,201,919
-	-	(1,763,900)	(50,626)	364,318,770
-	-	(26,764)	(2,800,258)	381,910,972
-	-	(8,852,000)	(3,964,873)	611,759,856
-	-	-	-	1,034,762
-	-	-	(834,312)	29,131,165
-	-	-	-	23,257,991
-	-	-	-	106,978,770
-	-	-	-	23,099,365
-	-	(90,405,711)	(27,014,881)	6,420,220,251
-	-	-	(108,829)	59,092
-	-	-	(1,391,683)	259,174,335
-	-	-	-	69,400,665
-	-	(120,836,108)	(57,011,723)	9,574,166,041
-	-	-	-	8,074,169
-	-	-	-	1,948,000
-	-	-	(11,166,464)	6,887,049
-	-	(5,134,000)	-	41,592,000
-	-	(5,134,000)	(11,166,464)	58,501,218
-	-	(125,970,108)	(68,178,187)	9,632,667,259

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

3.8 NET BOOK VALUES OF PROPERTY PLANT AND EQUIPMENTS

	2017 Rs.	2016 Rs.
At Cost or Valuation		
Freehold and Clay Mining Land	5,707,929,689	4,642,248,915
Building	4,633,271,721	4,426,371,495
Water Supply Scheme	127,108,743	139,954,136
Lab Equipment	1,957,324	2,349,035
Motor Vehicles	120,776,408	112,589,307
Electricity Distribution	22,975,531	20,540,704
Office Equipment	93,863,384	90,512,264
Communication Equipment	159,680,938	155,249,175
Furniture and Fittings	165,049,749	194,534,067
Tools and Implements	178,247,867	201,257,289
Sundry Equipment	577,065	181,403
Other Equipment	30,620,930	17,785,414
Mould	22,372,673	32,317,124
Construction Equipment	1,836,969	2,359,827
Plant and Machinery	5,809,182,017	5,201,355,168
Household Item - Light	19,738	54,635
Showroom Fixtures and Fittings	590,756,006	456,977,111
Stores Buildings on Leasehold Land	408,925,966	327,555,622
	18,075,152,717	16,024,192,690
Assets on Finance Leases		
Plant & Machinery	12,110,511	12,029,511
Leasehold Land	12,652,000	13,139,000
Motor Vehicles	13,595,951	21,169,790
Transport & Communication Equipment	16,968,000	12,786,000
	55,326,462	59,124,301
In the Course of Construction	1,437,220,722	647,788,571
	19,567,699,901	16,731,105,562

3.9 NET BOOK VALUE OF ASSETS

	2017 Rs.	2016 Rs.
Property, Plant and Equipment (Note 3.8)	19,567,699,901	16,731,105,562
Leasehold right to bare land of JEDB/SLSPC Estates (Note 3.12)	109,120,000	112,987,000
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) (Note 3.13)	54,820,000	64,001,000
Bearer Biological Assets (Note 3.14)	2,085,018,000	1,960,187,000
Total	21,816,657,901	18,868,280,562

3.10 During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 4,004,303,948/- (2016- Rs.1,859,401,119/-)

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,851,663,195/- (2016 Rs. 2,956,697,070/-) which are still in use.

3.12 LEASEHOLD RIGHT TO BARE LAND OF JEDB/SLSPC ESTATES

	2017 Rs.	2016 Rs.
Capitalised value		
As at 22.06.1992	204,931,000	204,931,000
Amortisation		
At the beginning of the year	91,944,000	88,078,000
Charge for the year	3,867,000	3,866,000
At the end of the year	95,811,000	91,944,000
Carrying Amount		
At the end of the year	109,120,000	112,987,000

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 22nd 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 Alternative Treatment (SoAT) on right to use land. As per the SoAT right to use land does not permit further revaluation.

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

3.13 IMMOVABLE JEDB/SLSPC ESTATE ASSETS ON FINANCE LEASES (OTHER THAN RIGHT TO BARE LAND)

	Immature Plantations (Bearer Biological Assets) Rs.	Mature Plantations (Bearer Biological Assets) Rs.	Permanent Land Development Cost Rs.	Buildings Rs.	Plant & Machinery Rs.	Total 2017 Rs.	Total 2016 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	(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	-	153,964,000	3,162,000	44,870,000	6,818,000	208,814,000	199,655,000
Amortization during the year	-	7,160,000	134,000	1,887,000	-	9,181,000	9,159,000
At the end of the year	-	161,124,000	3,296,000	46,757,000	6,818,000	217,995,000	208,814,000
Written Down Value							
As at 31.03.16	-	60,846,000	852,000	2,303,000	-		64,001,000
As at 31.03.17	-	53,686,000	718,000	416,000	-	54,820,000	

In terms of the opinion obtained from the UITF all immovable estate property, plant and equipment under finance leases have been taken into the books of HPPLC retrospective to 22nd June 1992. For this purpose all estate immovable 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 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 (Immature plantations) to Note 3.14 - Bearer Biological assets (Mature Plantations) shown under Note 3.14 and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

3.14 BEARER BIOLOGICAL ASSETS

	Tea Rs	Rubber Rs	Oil Palm Rs	Diversified Rs	Total 2017 Rs	Total 2016 Rs
Immature Plantations						
Cost :						
At the beginning of the year	155,101,000	476,222,000	51,825,000	34,135,000	717,283,000	767,755,000
Additions	52,944,000	87,057,000	26,797,000	27,910,000	194,708,000	187,979,000
Transfers to Mature	(60,605,000)	(187,649,000)	(19,822,000)	(6,008,000)	(274,084,000)	(238,451,000)
Transferred to Income Statement	(743,000)	-	-	-	(743,000)	-
At the end of the year	146,697,000	375,630,000	58,800,000	56,037,000	637,164,000	717,283,000
	-					
Mature Plantations						
Cost :						
At the beginning of the year	637,393,000	945,496,000	30,397,000	25,218,000	1,638,504,000	1,400,053,000
Transfers from Immature	60,605,000	187,649,000	19,822,000	6,008,000	274,084,000	238,451,000
At the end of the year	697,998,000	1,133,145,000	50,219,000	31,226,000	1,912,588,000	1,638,504,000
Accumulated Amortization						
At the beginning of the year	123,544,000	264,890,000	-	7,166,000	395,600,000	337,199,000
Charge for the year	19,122,000	47,275,000	1,520,000	1,217,000	69,134,000	58,401,000
At the end of the year	142,666,000	312,165,000	1,520,000	8,383,000	464,734,000	395,600,000
Written Down Value	555,332,000	820,980,000	48,699,000	22,843,000	1,447,854,000	1,242,904,000
Total Bearer Biological Assets	702,029,000	1,196,610,000	107,499,000	78,880,000	2,085,018,000	1,960,187,000

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 3.12 and 3.13 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 taken 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.

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

3.15 CONSUMABLE BIOLOGICAL ASSETS

	2017 Rs.	2016 Rs.
Immature Plantations		
Cost :		
At the beginning of the year	24,699,000	23,436,000
Additions during the year	14,640,000	5,852,000
Transfers to Mature Plantations	-	(4,589,000)
At the end of the year	39,339,000	24,699,000
Mature Plantations		
Cost :		
At the beginning of the year	371,434,000	326,077,000
Increase due to new plantations	-	4,589,000
Change in Fair Value less costs to sell	79,761,000	40,768,000
At the end of the year	451,195,000	371,434,000
Total Consumable Biological Assets	490,534,000	396,133,000

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 2017 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs.39.339 Mn as at 31st March 2017. 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.Ariyatillake for 2016/17 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

- The prices adopted are net of expenditure
- Discounted rates used by the Valuer are within the range of 13% - 15%.

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 realisation 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.

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.

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	2017	Rs. 406.076Mn	Rs. 451.196 Mn	Rs. 496.315 Mn
Managed Timber	2016	Rs. 284.22Mn	Rs. 371.43 Mn	Rs. 458.64 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	2017	Rs. 465.507 Mn	Rs. 451.196 Mn	Rs. 437.774 Mn
Managed Timber	2016	Rs. 391.41 Mn	Rs. 371.43 Mn	Rs. 363.65 Mn

Borrowing costs amounting to Rs.60.013 Mn (Rs.46.886 Mn in 2015/16) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 11.92% (7.50% in 2015/16).

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

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
1	Royal Ceramics Lanka PLC	Factory at Ehaliyagoda	A49-R1-P29.45	Mr. A.A.M. Fathihu
		Showroom and Cutting Centre Land at Kottawa	A1-R1-P30.72	Mr. A.A.M. Fathihu
		Land at Meegoda Warehouse	A2-R2-P24	Mr. A.A.M. Fathihu
		Land at Nawala for Nawala New Showroom	P24.96	Mr. A.A.M. Fathihu
		Land at Nattandiya	A10	Mr. A.A.M. Fathihu
		Land at Kaluthara	A04-R3-P8.16	Mr. A.A.M. Fathihu
2	Royal Porcelain (Pvt) Ltd	Factory Land at Horana	A13-R3-P27.07	Mr. A.A.M. Fathihu
3	Rocell Bathware Ltd	Factory land at Homagama	A1-R2-P19.60	Mr. A.A.M. Fathihu
		Land at Meegoda Warehouse	R3	Mr. A.A.M. Fathihu
4	Ever paint And Chemical Industries (Pvt) Ltd	Factory land at Hanwella	A1-R3-P22.75	Mr. A.A.M. Fathihu
5	Lanka Walltiles PLC	No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	Mr. Ranjan J Samarakone
		Building	35,990 Square feet	Mr. Ranjan J Samarakone
		Plan No 2205 Situated at Mawathgama and Galagedara Village	A23-R1-P24.16	Mr. Ranjan J Samarakone
		Building	279,361 Square feet	Mr. Ranjan J Samarakone
6	Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone
		Land at Biyagama	2A-00R-15.93P	Mr. Ranjan J Samarakone
		Marawila Silica Land	A13-R0-P02	Mr. Ranjan J Samarakone
		Ball Clay Land at Kalutara	A5-R01-P0.83	Mr. Ranjan J Samarakone
		Factory Building at Ranala	34,722 sqmt	Mr. Ranjan J Samarakone
		Storse at Biyagama	4,429 sqmt	Mr. Ranjan J Samarakone
7	Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D.G.Newton
		Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton
8	Uni Dil Packaging Solutions Ltd.	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton
	(Previously known as Uni Dil Paper Sacks (Pvt) Ltd)	Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton

Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
30-Apr-12	Market based evidence	Rs. 31,534/- per perch	247.150 Mn
30-Apr-12	Market based evidence	Rs. 457,199/- per perch	105.485 Mn
30-Apr-12	Market based evidence	Rs. 119,043/- per perch	46.6 Mn
30-Apr-12	Market based evidence	Rs. 3,491,586/- per perch	87.150 Mn
30-Apr-12	Market based evidence	Rs. 12,500/- per perch	20 Mn
30-Apr-12	Market based evidence	Rs. 15,003/- per perch	11.525 Mn
31-Mar-12	Market based evidence	Rs. 40,000/- per perch	89.088 Mn
1-Apr-12	Market based evidence	Rs. 85,000/- per perch	22.066 Mn
1-Apr-12	Market based evidence	Rs. 90,000/- per perch	10.8 Mn
31-Mar-12	Market based evidence	Rs. 24,689/- per perch	6.487 Mn
31 March 2016	Market based evidence	Rs. 4,000,000/- per perch	808.4 Mn
31 March 2016	Contractor's basis method valuation	Rs.1,000/-to Rs 3,500/- per square feet	87.151 Mn
31 March 2016	Market based evidence	Rs. 150,000/- per perch	561.624 Mn
31 March 2016	Contractor's basis method valuation	Rs.2,000/-to Rs 4,000/- per square feet	716.769Mn
31 March 2016	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	557.357Mn
31 March 2016	Market based evidence	Rs. 850,000/- per perch	285.541Mn
31 March 2016	Market based evidence	Rs. 17,187/- per perch	35.78Mn
31 March 2016	Market based evidence	Rs. 62.50 per perch	0.052Mn
31 March 2016	Contractor's basis method valuation	Rs.7,065 to Rs.40,760 per sqmt	765.399Mn
31 March 2016	Contractor's basis method valuation	Rs.8,152 to Rs.40,760 per sqmt	157.185Mn
31 March 2016	Market based evidence	Rs.70,000/- per perch	102.046 Mn
31 March 2016	Depreciated Replacement cost	Rs.650/- to Rs. 2,000/- per sq.ft	179.254 Mn
31 March 2016	Market based evidence	Rs. 60,000/- per perch	26.1 Mn
31 March 2016	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sq.ft	46.4 mn

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - GROUP CONTD.

3.17 CONTD.

No	Company	Location	Extent	Valuer
9	Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr.K.T.D.Tissera
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr.K.T.D.Tissera
		Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr.K.T.D.Tissera
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr.K.T.D.Tissera
		Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr.K.T.D.Tissera
		Factory Complex, Belummahara, Imbulgoda-Sales center	4,890 sq.ft	Mr.K.T.D.Tissera
		Factory Complex, Belummahara, Imbulgoda-Open Shed	1,600 sq.ft	Mr.K.T.D.Tissera
		Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera
10	Swisstek Aluminium Ltd.	Land at Pahala Dompe, Dompe	A08-R02-P20	Mr. T. J. Tissera
		Building at Pahala Dompe, Dompe		Mr. T. J. Tissera
11	Lanka Ceramic PLC	Mining Land at Owala	25A-2R-15P	Mr.P.B.Kalugalagedera
		Land situated at Owala	1A-1R-02.0P	Mr.P.B.Kalugalagedera
		Factory building & office building at Owala mine	7038 Sq.ft	Mr.P.B.Kalugalagedera
		Mining Land at Meetiyagoda	35A-10R-4.33P	Mr.P.B.Kalugalagedera
		Mining Land at Dediyawala	50A-0R-05.48P	Mr.P.B.Kalugalagedera
		Land situated at Meetiyagoda	7A-2R-28P	Mr.P.B.Kalugalagedera
		Factory building & office building at Meetiyagoda mine	39,512sq.ft	Mr.P.B.Kalugalagedera
12	LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	A48-R03-P17.9	Mr. Ranjan J Samarakone
		Waradala Village,Divulapitiya,Gampha	A4-R01-P15.9	Mr. Ranjan J Samarakone
13	Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	A48-R03-P17.9	Mr. Ranjan J Samarakone
		House	981.Sq.ft	Mr. Ranjan J Samarakone
14	Rocell Ceramics Ltd *	Kiriwattuduwa Estate,Moonamale Watta Road,Kiriwattuduwa,Homagama	33A - 2R - 26.0P.	A.A.M.Fathihu

* The Government has issued the Section 2 Notice to acquire "Kriwattuduwa Estate alias Kathanis Estate" in Kiriwaththduwa (Deed No 469) for a government project. However, the government decision has been challenged and filed a Fundamental Right Application in the Supreme Court, Colombo under the case number 100/2017.

Significant increases (decreses) in estimated price per perch in isolation would result in a significantly higher (lower) fair value.

Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement using Significant unobservable inputs (Level 3) Rs. Mn
31 March 2016	Market based evidence	Rs. 612,245/- per perch	600 Mn
31 March 2016	Market based evidence	Rs. 335,000/- per perch	6.7 Mn
31 March 2016	Depreciated replacement cost	Rs.Nil to Rs. 2,500/- per sq.ft	75 Mn
31 March 2016	Depreciated replacement cost	Rs. 217/- per sq.ft	0.3 Mn
31 March 2016	Investment method	"Rent at Rs.30/- per sq.ft p.m"	63.351Mn
31 March 2016	Investment method	"Rent at Rs.50/- per sq.ft p.m"	21.122Mn
31 March 2016	Investment method	"Rent at Rs.15/- per sq.ft p.m"	2.073Mn
31 March 2016	Investment method	"Rent at Rs.40/- per sq.ft p.m"	17.278Mn
30 March 2016	Market based evidence	Rs. Nil- to Rs. 150,000/- per perch	180 Mn
30 March 2016	Contractors Method of working	Rs. 1,000/- to Rs. 3,000/- per sq.ft	204.397 Mn
31 March 2016	Market based evidence	Rs. 100,000/- to Rs. 250,000/- per acre	4.809 Mn
31 March 2016	Market based evidence	Rs. 400,000/- per acre	0.5 Mn
31 March 2016	Depreciated cost method	Rs. Nil to Rs. 1,000/- per sq.ft	5.157 Mn
31 March 2016	Market based evidence	Rs. 300,000/- to Rs. 1,000,000/- per acre	17.051 Mn
31 March 2016	Market based evidence	Rs. 200,000/- per acre	10.007 Mn
31 March 2016	Market based evidence	Rs. 750,000/- to Rs. 1,750,000/- per acre	12.931Mn
31 March 2016	Depreciated cost method	Rs. 100/- to Rs. 500/- per sq.ft	13.557Mn
31 March 2017	Market based evidence	Rs. 4,500,000/- per Acre	219.88Mn
31 March 2017	Market based evidence	Rs.2,500,000/- per Acre	11Mn
31 March 2017	Market based evidence	Rs. 4,500,000/- per Acre	223.8Mn
31 March 2017	Market based evidence	Rs.4,000/- per sq.ft	3.924Mn
22-Feb-17	Market based evidence	Rs.12,000,000/- per Acre	403.92Mn

Notes to the Financial Statements

3.18 THE USEFUL LIVES OF THE ASSETS ARE ESTIMATED AS FOLLOWS ;

	2017 Years	2016 Years
Non plantation assets		
Clay mining Land	Units of production basis	Units of production basis
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		
(Lower of lease period and economic life)		
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
Mature plantations (oil palm)	20	20
No depreciation is provided for immature plantations.		
Permanent Land Development Cost	40	40

3.19 The carrying amount of revalued assets of the Company would have been included in the Financial Statement had the assets been carried at cost less depreciation as follows;

	Company			
	Cost 2017	Accumulated Depreciation 2017	Net Carrying Amount 2017	Net Carrying Amount 2016
Freehold Land	254,830,730	-	254,830,730	254,830,730
Freehold Building	199,986,603	116,681,562	83,305,041	91,304,505
	454,817,333	116,681,562	338,135,771	346,135,235

	Group			
	Cost 2017	Accumulated Depreciation 2017	Net Carrying Amount 2017	Net Carrying Amount 2016
Freehold and Clay Mining Land	2,316,769,138	2,798,000	2,313,971,138	1,554,973,552
Freehold Building	3,015,194,874	712,738,433	2,302,456,441	2,100,050,402
Lease Property	25,531,420	25,531,420	-	-
	5,357,495,432	741,067,853	4,616,427,579	3,655,023,954

3.20 LEASEHOLD RIGHT OVER MINING LAND

	Group	
	2017 Rs.	2016 Rs.
Cost		
At the beginning of the year	15,880,000	7,800,000
Additions	8,000,000	8,080,000
Disposals	-	-
At the end of the year	23,880,000	15,880,000
Accumulated Amortization		
At the beginning of the year	7,800,000	7,288,500
Charge for the year	-	511,500
Disposals	-	-
At the end of the year	7,800,000	7,800,000
Written Down Value	16,080,000	8,080,000

During the financial year Lanka Ceramic PLC entered into a lease agreement for the lease of a portion of Lot 1 of Katuwangodaovita, Lot 2 of Katuwangoda Paula Wela, Badawelayayaovita and Lot A of Badawelayaye Kumbura depicted in Plan No.3014 for a period of five (05) years, commencing from the 28th April 2016 for a total lease rental of Rs. 8.00 Mn.

Notes to the Financial Statements

04. INVESTMENT PROPERTY

	Group 2017 Rs.	Group 2016 Restated Rs.
At the beginning of the year	238,714,000	239,404,000
Depreciation of Investment Property	(690,000)	(690,000)
At the end of the year	238,024,000	238,714,000

LANKA CERAMICS PLC

As at 31 March 2017, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03 (1R - 1,12 P). The fair value of freehold land and buildings were determined by Mr.B.L.Ariyathilake 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.

4.1 FAIR VALUE OF INVESTMENT PROPERTY

The fair value of freehold land and buildings were determined by P.B Kalugalagedara and Associates an independent professionally qualified valuer (Valuation report dated 31 March 2017). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and Current Open Market Value of land.

Investment Property	Company/Group Fair Value measurement using Significant unobservable inputs (Level 3) 2017 Rs.	Company/Group Fair Value measurement using Significant unobservable inputs (Level 3) 2016 Rs.
Date of valuation	31 March 2017	31 March 2016
Land	617,000,000	452,250,000
Building	89,000,000	75,000,000
Significant unobservable input :		
Price per perch	15,000,000	11,000,000
Price per square feet	Rs. 2,000/- -Rs. 4,000/-	Rs. 2,000/- -Rs. 3,250/

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. (2016 - Rs. 36.37 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.86 Mn.(2016 - Rs. 2.0 Mn.).

4.3 Rental income receivable under the operating lease agreement of investment property as follows.

	Less than 1 year Rs '000	Between 1 year and 5 years Rs '000	Over 5 year rs '000
2016 -17	36,750	147,000	73,500
2015 - 16	36,750	147,000	110,250

05. INVESTMENTS IN SUBSIDIARIES

	Holding 2017 %	Holding 2016 %	Country of incorporation	Cost 2017 Rs.	Cost 2016 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%	100%	Sri Lanka	200,287,700	198,132,251
Rocell (Pty) Ltd	100%	100%	Australia	173,225,687	173,225,687
Nilano Garments (Pvt) Ltd	100%	100%	Sri Lanka	60,000,000	-
Quoted					
Lanka Ceramics PLC	80.3%	76.93%	Sri Lanka	3,007,798,813	2,875,557,285
Lanka Tiles PLC	2.62%	2.62%	Sri Lanka	125,032,515	125,032,515
Lanka Walltile PLC	1.06%	1.06%	Sri Lanka	33,932,044	33,932,044
Swisstek Ceylon PLC	6.88%	-	Sri Lanka	127,065,816	-
Total Quoted & Non-Quoted Investments in Subsidiaries				5,428,242,505	5,106,779,712
Total Gross Carrying Value of Investments				5,428,242,505	5,106,779,712
Impairment made				(270,900,000)	(223,500,000)
Total Net Carrying Value of Investments				5,157,342,505	4,883,279,712

As at 31 March 2017 Market value holding of Lanka Ceramic PLC,Lanka Floor tile PLC,Lanka Wall Tile PLC & Swisstek Ceylon PLC are Rs. 2,770,359,890/-, Rs. 141,625,062/-, Rs.53,955,810/- and Rs.123,499,413/- respectively.

The Company performed its annual impairment test considering the internal and external factors of impairment in March 2017. In view of the negative net asset position resulting from the continuing losses and with the classification as a discontinued operation, the Company has made a full provision for impairment of the investment in Ever Paint and Chemical Industries (Pvt) Ltd.

Notes to the Financial Statements

6. INVESTMENTS IN ASSOCIATES

6.1 COMPANY

	Holding Percentage 2017	2016	Cost 2017 Rs.	Cost 2016 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	2,499,577,145	2,499,577,145
Non-quoted Investments				
Delmege Limited (Formerly know 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 2017	2016	Carrying Value 2017 Rs.	Carrying Value 2016 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	4,879,157,641	4,300,856,069
Non-quoted Investments				
Delmege Limited (Formerly know as Lewis Brown & Company Limited)	21.00%	21.00%	970,067,329	566,195,455
			5,849,224,970	4,867,051,524

Market value of LB Finance PLC as at 31 March 2017 is Rs 4,276,990,669 (2016-Rs 3,792,939,360/-).

6.3 MOVEMENT IN INVESTMENTS IN ASSOCIATES

Movement in Investments in Associates	L. B. Finance PLC 2017 Rs	L. B. Finance PLC 2016 Rs	Delmege Limited 2017 Rs	Delmege Limited 2016 Rs	Total 2017 Rs	Total 2016 Rs
As at the beginning of the year	4,300,856,069	3,617,167,128	566,195,455	605,449,161	4,867,051,524	4,222,616,289
Super Gain Tax Paid	-	(126,287,337)	-	(1,740,945)	-	(128,028,282)
Share of results of associates	1,021,867,684	969,600,379	19,885,733	(37,570,451)	1,041,753,417	932,029,928
Dividends	(438,897,269)	(162,554,544)	-	-	(438,897,269)	(162,554,544)
Share of Other Comprehensive Income	(4,668,843)	2,930,443	383,986,141	57,690	379,317,298	2,988,133
At the end of the year	4,879,157,641	4,300,856,069	970,067,329	566,195,455	5,849,224,970	4,867,051,524

07. INTANGIBLE ASSETS

7.1 GOODWILL

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance at the beginning of the year	-	-	1,066,192,543	1,066,021,342
Goodwill arising on acquisition (Note 40.1)	-	-	38,172,535	-
Impairment	-	-	(71,866,701)	-
Effect of change in exchange rate	-	-	116,400	171,201
Balance at the end of the year	-	-	1,032,614,777	1,066,192,543

Carrying value of Goodwill acquired through business combination as at the reporting date is relevant to Tile & Associated products. During the year the Company has impaired the goodwill acquired through Paint & Allied products fully due to the negative net asset position resulting from the continuing losses and with the classification as a discontinued operation.

7.2 SOFTWARE

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance at the beginning of the year	203,612,256	207,679,861	203,612,256	207,679,861
Incurred during the year	-	12,090,378	-	12,090,378
Amount amortised during the year	(16,856,021)	(16,157,983)	(16,856,020)	(16,157,983)
Balance at the end of the year	186,756,235	203,612,256	186,756,236	203,612,256
Total intangible assets	186,756,235	203,612,256	1,219,371,013	1,269,804,799

08 LONG TERM RECEIVABLES

	Group	
	2017 Rs.	2016 Rs.
Advance Company Tax Receivable	27,285,000	27,285,000
	27,285,000	27,285,000

Notes to the Financial Statements

09. INVENTORIES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Raw Materials	205,622,810	155,635,303	2,007,823,821	1,520,222,077
Spares & Consumables	261,198,170	250,221,276	1,069,552,636	928,015,063
Accessories	-	-	544,682,111	542,104,950
Harvested Crops	-	-	189,715,000	142,645,000
Growing Nurseries	-	-	197,000	197,000
Non-harvested Produce on Bearer Biological Assets	-	-	6,860,000	-
Work in Progress	15,133,408	20,223,197	261,939,761	193,581,285
Finished Goods	730,433,168	835,430,843	4,738,138,546	3,925,419,571
Goods in Transit	578,130	13,877,702	26,929,399	55,871,707
Other Consumables	5,218,797	5,335,417	14,007,906	14,702,100
	1,218,184,483	1,280,723,738	8,859,846,180	7,322,758,753
Less : Provision for Obsolete & Slow Moving Stock	(19,925,027)	(24,695,621)	(195,296,059)	(235,886,779)
	1,198,259,456	1,256,028,117	8,664,550,121	7,086,871,974

10. TRADE AND OTHER RECEIVABLES

10.1 COMPANY

	2017 Rs.	2016 Rs.
Trade debtors - Other	244,562,952	229,937,443
- related parties (Note 10.1.1)	9,693,787	2,149,773
Trade Debtors (Note 10.1.3)	254,256,739	232,087,216
Provision for Bad and Doubtful Debts	(976,985)	(2,384,191)
	253,279,754	229,703,025
Other Receivables - Other	39,396,459	34,874,364
- Related Parties (Note 10.1.2)	147,732,675	279,406,575
	440,408,888	543,983,964

10.1.1 Trade Debtors includes following related party receivables,

	2017 Rs.	2016 Rs.
Rocell Pty Limited	9,492,680	1,858,494
Swisstek Aluminium Limited	117,374	-
Horana Plantations PLC	14,373	-
The Kingsbury PLC	69,360	-
Lanka Ceramic PLC	-	92,356
Pan Asia Banking Corporation PLC	-	132,149
Singhe Hospitals PLC	-	66,774
	9,693,787	2,149,773

10.1.2 Amount due from Related Parties

	Relationship	2017 Rs.	2016 Rs.
Amount due from Related Parties			
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	1,155,463	917,715
Rocell (Pty) Ltd.	Subsidiary	24,019,017	23,177,907
Rocell Ceramics Ltd	Subsidiary	134,991	733,595
Lanka Tiles PLC	Subsidiary	30,141,103	88,299,544
Lanka Walltiles PLC	Subsidiary	19,670,792	20,415,890
Ever Paint and Chemical Industries (Pvt) Ltd	Subsidiary	329,520,981	177,899,040
Lanka Ceramics PLC	Subsidiary	4,500,650	117,905,608
Horana Plantation PLC	Subsidiary	-	1,697,840
Swisstek Aluminium Limited	Subsidiary	25,744,238	24,682,802
Swisstek Ceylon PLC	Subsidiary	2,557,858	200,651
Uni Dil Packaging Limited	Subsidiary	40,492,582	475,983
		477,937,675	456,406,575
Impairment Provision		(330,205,000)	(177,000,000)
		147,732,675	279,406,575

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES CONTD.

10.1.3 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2017, the ageing analysis of trade receivables is as follows:

		Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Debtors
				Less Than 3 Month	3 to 12 Month	More Than One Year		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors	2017	253,279,754	125,246,422	104,243,164	5,029,621	19,737,532	-	(976,985)
	2016	229,703,025	120,736,361	95,197,476	3,447,380	12,705,999	-	(2,384,191)

10.2 GROUP

	2017 Rs.	2016 Rs.
Trade Debtors	2,760,440,282	2,428,542,612
Provision for Bad and Doubtful Debts (Note 10.2.2)	(86,357,841)	(132,840,133)
	2,674,082,441	2,295,702,479
Loans to company officers	47,606,000	47,249,000
Other Receivables	437,683,095	199,959,348
	3,159,371,536	2,542,910,827

10.2.1 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2017, the ageing analysis of trade receivables is as follows:

		Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Debtors
				Less Than 3 Month	3 to 12 Month	More Than One Year		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors	2017	2,674,082,441	2,136,022,830	420,635,819	110,267,777	78,356,856	15,157,000	(86,357,841)
	2016	2,295,702,479	732,882,220	1,458,664,380	84,744,159	152,251,853	-	(132,840,133)

10.2.2 Allowances for Doubtful Debts

	2017 Rs.	2016 Rs.
Balance at the beginning of the year	132,840,133	118,626,145
Amount provided/reversal during the year	(46,482,292)	14,213,988
Balance at the end of the year	86,357,841	132,840,133

11. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Receivables - Other	4,485,953	6,220,693	6,872,239	78,072,092
Advances and Prepayments	362,703,839	349,174,074	957,622,088	1,041,600,434
	367,189,792	355,394,767	964,494,327	1,119,672,526

12 OTHER FINANCIAL ASSETS

COMPANY/GROUP

Investments at fair Value Through Profit or Loss

	No. of Shares		Fair Value	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Quoted				
The Fortress Resorts PLC	336,100	336,100	3,898,760	4,369,300
Aitken Spence PLC	225,000	225,000	12,645,000	16,537,500
Lanka Hospitals Corporation PLC	45,519	45,519	2,799,419	2,321,469
Citrus Leisure PLC	2,768,276	2,768,276	19,377,932	19,101,102
Serendib Hotels PLC	16,000	16,000	369,600	440,000
Softlogic Finance PLC	8	8	248	310
Ascot Holdings PLC	30,000	30,000	690,000	714,000
Waskaduwa Beach Resorts Ltd	1,400,145	1,400,145	4,200,440	4,620,479
			43,981,399	48,104,160
Non-Quoted				
MBSL Insurance	4,666,667	4,666,667	8,666,667	8,666,667
Impairment			(8,666,667)	-
			-	8,666,667
			43,981,389	56,770,827

Notes to the Financial Statements

13. STATED CAPITAL - COMPANY/GROUP

	2017		2016	
	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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Summary				
Revaluation Reserve (Note 14.1)	213,634,264	213,634,264	2,020,248,355	1,367,854,162
Available for sale reserve (Note 14.2)	-	-	3,865,437	7,704,239
Exchange Differences on translation of foreign operations (Note 14.3)	-	-	3,331,413	300,771
	213,634,264	213,634,264	2,027,445,205	1,375,859,172

14.1 REVALUATION RESERVE

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
On: Property, Plant and Equipment				
As at 1 April	213,634,264	213,634,264	1,367,854,162	704,876,970
Revaluation of surplus during the year	-	-	652,394,193	662,977,192
As at 31 March	213,634,264	213,634,264	2,020,248,355	1,367,854,162

The above revaluation surplus consists of net surplus resulting from the revaluation of property, plant and equipment as described in Note 3.17. The unrealised amount cannot be distributed.

14.2 AVAILABLE FOR SALE RESERVE

	Group	
	2017 Rs.	2016 Rs.
As at 1 April	7,704,239	7,102,729
Net change in fair value during the year	(3,838,802)	601,510
As at 31 March	3,865,437	7,704,239

14.3 FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2017	2016
	Rs.	Rs.
As at 1 April	300,771	(4,169,415)
Transferred during the year,net of tax	3,030,642	4,470,186
As at 31 March	3,331,413	300,771

15 INTEREST BEARING LOANS AND BORROWINGS

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Non Current				
Long term loans (Note 15.1)	3,300,490,877	2,886,270,741	6,136,025,423	5,227,779,259
Finance leases (Note 15.2)	6,530,620	9,014,341	111,840,111	120,174,165
	3,307,021,497	2,895,285,082	6,247,865,534	5,347,953,424
Current				
Long term loans (Note 15.1)	606,216,842	608,665,278	1,881,865,928	1,683,705,206
Finance leases (Note 15.2)	2,483,722	2,273,908	16,764,887	19,178,852
Short term loans	66,101,296	568,347,003	2,215,563,421	2,258,605,053
Bank overdrafts (Note 20.2)	359,179,882	285,616,855	2,009,727,257	1,574,705,696
	1,033,981,742	1,464,903,044	6,123,921,493	5,536,194,807
Total	4,341,003,239	4,360,188,126	12,371,787,027	10,884,148,231

Notes to the Financial Statements

15 INTEREST BEARING LOANS AND BORROWINGS CONTD.

15.1 LONG TERM LOANS

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	3,494,936,018	4,035,672,598	6,911,484,465	7,480,019,085
Loans obtained during the year	1,389,142,968	177,347,413	3,325,789,988	1,147,078,428
Exchange gain/loss on USD loans	(304,843)	31,725,445	14,685,695	50,251,445
Transfer to discontinued Operations	-	-	(25,750,000)	-
Repayments during the year	(977,066,424)	(749,809,437)	(2,208,318,797)	(1,765,864,493)
At the end of the year	3,906,707,719	3,494,936,019	8,017,891,351	6,911,484,465
Payable within 1 year	606,216,842	608,665,278	1,881,865,928	1,683,705,206
Payable after 1 year before 5 years	3,300,490,877	2,886,270,741	6,136,025,423	5,227,779,259
	3,906,707,719	3,494,936,019	8,017,891,351	6,911,484,465

15.2 FINANCE LEASES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
JEDB/SLSPC estates (Note 15.3)	-	-	146,386,000	151,614,000
Other finance lease creditors (Note 15.4)	10,418,801	13,601,188	48,146,603	60,127,886
Gross liability	10,418,801	13,601,188	194,532,603	211,741,886
Exchange rate difference	-	-	507,504	-
Finance charges allocated to future periods	(1,404,459)	(2,312,939)	(66,435,109)	(72,389,869)
Net liability	9,014,342	11,288,249	128,604,998	139,352,017
Payable within 1 year	2,483,722	2,273,908	16,764,887	19,178,852
Payable after 1 year before 5 years	6,530,620	9,014,341	111,840,111	120,174,165
Net Liability	9,014,342	11,288,249	128,604,998	139,353,017
Payable within one year	3,182,387	3,182,387		
Payable after one year before five years	7,236,414	10,418,801		
Gross Liability	10,418,801	13,601,188		

15.3 JEDB/SLSPC ESTATES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	-	-	151,614,000	156,840,000
New leases obtained during the year	-	-	13,681,000	13,294,000
Repayments during the year	-	-	(18,909,000)	(18,520,000)
At the end of the year	-	-	146,386,000	151,614,000

15.4 OTHER FINANCIAL LEASE CREDITORS

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	13,601,188	-	60,127,886	60,151,578
New leases obtained during the year	-	15,911,936	12,392,885	32,042,726
Repayments during the year	(3,182,387)	(2,310,748)	(23,522,778)	(32,066,418)
Transfer to discontinued Operations	-	-	(851,390)	-
At the end of the year	10,418,801	13,601,188	48,146,603	60,127,886

15.5 The lease rentals have been amended with effect from 22 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 10 June 2005, freezing the annual lease rental at Rs.7.472 Mn for a period of six years commencing from 22 June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Mn per annum until 21 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 21 June 2008, and thereafter from 22 June 2008, annual lease payment will remain at Rs.5.228 Mn, until 21 June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.86.292 Mn.

15.6 THE NET PRESENT VALUE AS AT DATE IS REPRESENTED BY

		2017 Rs.
Gross Liability	- Overdue Rental/GDP Deflator (Contingent Rent)	-
	- 28 Years @ Rs. 5.228 million per annum	146,384
		146,384
Less : Interest in Suspense		(60,092)
Net Present Value		86,292

15.7 The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 13,681,000/-and the gross liability to make contingent rentals for the remaining 28 years of lease term at the current rate would be estimated to Rs. 383,057,000/- as at 31 March 2017.

Notes to the Financial Statements

15 INTEREST BEARING LOANS AND BORROWINGS CONTD.

15.8 INTEREST BEARING LOANS AND BORROWINGS

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms
Company : Royal Ceramics Lanka PLC		
Commercial Bank of Ceylon PLC	Rs 175 Million	48 equal monthly installments
Commercial Bank of Ceylon PLC	Rs 24 Million	60 equal monthly installments
Commercial Bank of Ceylon PLC	Rs 3.0 Bn	8 years-(first 48 monthly installments of Rs 20Mn each and subsequent 48 monthly installments of Rs 42.5Mn each
Commercial Bank of Ceylon PLC	Rs. 300Mn	60 equal monthly installments with six months grace period commencing from April-2014
Commercial Bank of Ceylon PLC	Rs 109Mn	59 equal monthly installments of Rs. 1,816,700 each and final installment of Rs. 1,814,700
Commercial Bank of Ceylon PLC	Rs 95Mn	59 equal monthly installments of Rs. 1,585,000 each and final installment of Rs. 1,485,000
Commercial Bank of Ceylon PLC	Rs. 200Mn	59 equal monthly installments of Rs. 3,335,000 and a final instalment of Rs. 3,235,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 100Mn	59 equal monthly installments of Rs. 1,667,000 and a final instalment of Rs. 1,647,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	60 equal monthly installments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150Mn	60 equal monthly installments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	AUD 2,407,000	59 equal monthly installments of AUD. 40,100 each and the final installment of AUD 41,100
DFCC Bank PLC	Rs 292Mn	60 equal monthly installment after a grace period of 12 months
Hatton National Bank PLC	Rs. 100Mn	59 equal monthly installments of Rs. 1.67 Mn and the final installment of Rs. 1.47 Mn
Hatton National Bank PLC	Rs. 50Mn	59 equal monthly installments of Rs. 833,400 and a final instalment of Rs. 770,400 after a grace period of 6 months
Hatton National Bank PLC	Rs. 23Mn	59 equal monthly installments of Rs. 383,400 and a final instalment of Rs. 379,400 after a grace period of 6 months
Hatton National Bank PLC	Rs. 07Mn	59 equal monthly installments of Rs. 116,700 and a final instalment of Rs. 114,700 after a grace period of 6 months
Hatton National Bank PLC	Rs. 14Mn	59 equal monthly installments of Rs. 233,330 and a final instalment of Rs. 233,520
Hatton National Bank PLC	Rs. 28.5Mn	60 equal monthly installments of Rs. 475,000
Hatton National Bank PLC	Rs 5.5Mn	59 equal monthly installments of Rs. 91,600 and a final instalment of Rs. 95,600

Security	Security Amount Rs.Mn	Balance As At 31st March 2017 Rs.Mn
174.9 Mn in mortgage over properties at Baddegadaramulla, Meegoda, No 101, Nawala Road, Nawala and No 472, Highlevel Road Kottawa	175Mn	20.06
Primary mortgage bond for 24Mn over the two LP Gas Tanks	24Mn	6
Corporate guarantee of Royal Porcelain (Pvt) Ltd		
Tripartite agreement between the company /custodian company and bank over a portfolio of 23,009,036 shares of Lanka Ceramics PLC and 7,545,422 shares of LB Finance PLC (Market value as at 15/09/2014 -Rs 3,905 Mn)	3Bn	2440
Primary mortgage bond over Land and Building at No 20, R.A.De Mel Mawatha, Colombo 03.	Rs 300 Mn	104
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 109Mn	72.66
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 95Mn	80.73
Additional mortgage bond over the property at Baddegedaramulla, Meegoda to be executed	Rs 200Mn	153.62
Additional concurrent mortgage bond with HNB bank PLC for Rs 100 Mn over the factory property at Eheliyagoda to be executed by the company. (HNB interest -Rs 350.3Mn our total interest -AUD 2,407,000 or equivalent in LKR and Rs 100Mn	Rs 100Mn	52.79
Additional mortgage bond for Rs 110Mn over the property bearing assessment No 20, R.A De Mel Mawatha, Kollupitiya to be executed.	Rs 150Mn	130.2
Floating primary mortgage bond for Rs 150Mn to be executed over the property bearing assessment No 106, 106/1/1, 106/2/1, 106/3/1, Galle road, Dehiwala.	Rs 150Mn	145
Floating Primary Concurrent Mortgage for AUD 2,407,000 over the property at Eheliyagoda owned by the Company to be executed-(HNB 's interest Rs 350.3M)	AUD 2,407,000	238.203
Land and building bearing assessment No 223, Nawala Road,Narahenpita containing in extent A0-R1-P0 5.4 of Royal Ceramics Lanka PLC (Plan no 3534)	Rs 292.Mn	292
Existing primary mortgage bond For Rs 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon	Rs 100Mn	41.08
Existing primary mortgage bond For Rs 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon	Rs 50Mn	25.83
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 23Mn	13.41
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 23Mn	4.08
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 14Mn	10.96
Corporate Guarantee from Royal Porcelain (Pvt) Ltd	Rs 28.5Mn	25.17
Corporate Guarantee from Royal Porcelain (Pvt) Ltd	Rs 5.5Mn	4.85

Notes to the Financial Statements

15 INTEREST BEARING LOANS AND BORROWINGS CONTD.

15.8 INTEREST BEARING LOANS AND BORROWINGS CONTD.

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms
Hatton National Bank PLC	Rs 12.9Mn	60 equal monthly installments of Rs. 215,000
Hatton National Bank PLC	Rs. 130Mn	59 equal monthly installments of Rs. 2.15Mn each and a final instalment of Rs. 3.15 Mn
Company : Royal Porcelain (Pvt) Ltd		
DFCC Bank PLC	Rs 150Mn	60 equal monthly installments with Eighteen months grace period commencing from Octo-2012
Commercial Bank of Ceylon PLC	Rs 56 Mn	59 equal monthly installments with three months grace period commencing from Dece-2012
Commercial Bank of Ceylon PLC	Rs 67Mn	59 equal monthly installments with three months grace period commencing from February-2013
Commercial Bank of Ceylon PLC	Rs.48Mn	60 equal monthly installments with six months grace period commencing from April-2014
Commercial Bank of Ceylon PLC	Rs 67Mn	60 equal monthly installments with six months grace period commencing from June-2014
Commercial Bank of Ceylon PLC	Rs 200Mn	60 equal monthly installments with six months grace period commencing from May-2014
Commercial Bank of Ceylon PLC	Rs 48.56Mn	60 equal monthly installments commencing from April-2014
Commercial Bank of Ceylon PLC	Rs 53Mn	60 equal monthly installments commencing from March-2014
Commercial Bank of Ceylon PLC	Rs 37Mn	59 equal monthly installments of Rs 615,000 and a final instalment of Rs 715,000 following the grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 28Mn	59 equal monthly installments of Rs 466,700 and a final instalment of Rs 464,700 commencing from 25th August 2015
Hatton National Bank PLC	Rs 300Mn	60 equal monthly installments of Rs 5,000,000 plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs 200Mn	59 equal monthly installments of Rs 3.33Mn each and final installment of Rs 3.53 Mn plus interest commencing after a grace period of six months.
Company : Rocell Bathware Limited		
Hatton National Bank PLC	Rs.160 Million	54 equal monthly installments
Hatton National Bank PLC	Rs.70 Million	54 instalment with grace period of 06 months

Security	Security Amount Rs.Mn	Balance As At 31st March 2017 Rs.Mn
Corporate Guarantee from Royal Porcelain (Pvt) Ltd	Rs 12.9Mn	11.61
Tripartite agreement between Royal Ceramics Lanka PLC,HNB and share brokering company along with irrevocable power of attorney over 1,000,000 Nos company shares of Lanka Ceramics PLC	Rs 130Mn	34.38
		3906.707
Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 150Mn	12.49
Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein.	Rs 150Mn	
Mortgage over line Sorting Palertizer Machine Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 56Mn	7.38
Mortgage over Tile Printing Machine Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 67Mn	12
Mortgage over Glazed Polishing Line Corporate Guarantee from Royal Ceramics Lanka PLC	Rs.48Mn	19.2
Mortgage over Digital Ceramic Printing Machine Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 67Mn	29.09
Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Ltd	Rs 200Mn	82.75
Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks	Rs.48.6Mn	19.4
Mortgage over the Nano coating line , Unloading Polishing Machine, Batching and mill Feeding Machine and Air Compressor Corporate Guarantee from Royal Ceramics Lanka PLC	Rs.53Mn	20.32
Primary Mortgage over the Automatic easy Line Sorting Line Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 37Mn	18.59
Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 28Mn	18.66
Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 300Mn	295
Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 200Mn	196.67
		731.55
Primary Mortgage bond for Rs 250Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed.	Rs 160 Mn	53.33
Corporate guarantee from Royal Ceramics Lanka PLC	Rs 160 Mn	
Concurrent Mortgage bond for Rs 250Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda.	Rs 70 Mn	31.11
Corporate guarantee from Royal Ceramics Lanka PLC	Rs 70Mn	

Notes to the Financial Statements

15 INTEREST BEARING LOANS AND BORROWINGS CONTD.

15.8 INTEREST BEARING LOANS AND BORROWINGS CONTD.

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms
Hatton National Bank PLC	Rs 20 Mn	64 equal monthly installment
Commercial Bank of Ceylon PLC	Rs. 25 Million	53 equal monthly installments
Commercial Bank of Ceylon PLC	Rs 210Mn	60 equal monthly installment of Rs 3,500,000 with a grace period of six months
Commercial Bank of Ceylon PLC	Rs 57.7Mn	59 equal monthly installment of Rs 961,600 and a final installment of Rs 965,600.00
Commercial Bank of Ceylon PLC	Rs 70Mn	59 equal monthly installment of Rs 1,165,000 and a final installment of Rs 1,265,000.00
Pan Asia Bank	Rs 200Mn	60 equal monthly installment with a grace period of six months
Peoples Bank	Rs 160Mn	59 equal monthly installments of Rs 2.7Mn each and final installment of Rs .7 Mn after a grace period of six months.
Company : Rocell (Pty) Ltd		
Commercial Bank of Ceylon PLC	AUD 1,175,000	60 equal monthly installment
Company : Lanka Ceramic PLC		
Hatton National Bank PLC	Rs 500 Million	8 annual installments
Company : Lanka Walltiles PLC		
Hatton National Bank PLC	Rs. 300 Million	60 monthly installments
Hatton National Bank PLC	USD 1.8 Mn	60 monthly installments
Commercial Bank of Ceylon PLC	Rs. 584 Million	60 monthly installments
Commercial Bank of Ceylon PLC	Rs. 80 Million	60 monthly installments
DFCC Bank	Rs. 200 Million	60 monthly installments
Company : Lanka Tiles PLC		
DFCC Bank	Rs. 150 Mn	48 monthly installments
DFCC Bank	Rs. 165 Mn	84 monthly installments

Security	Security Amount Rs.Mn	Balance As At 31st March 2017 Rs.Mn
Concurrent Mortgage bond for Rs 250Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda.	Rs 20 Mn	17.33
Corporate guarantee of Royal Ceramics Lanka PLC	Rs 20 Mn	
Primary Mortgage bond over Water closet casting machine for 25Mn	Rs 25 Mn	20.37
Primary mortgage bond over the shuttle Kiln burner machine for Rs 210 Mn	Rs 210 Mn	197.56
Primary Mortgage bond over Water Closet casting Machine,stock tank propeller dissolver and modification to the existing glazing cell for Rs 57.7Mn	Rs 57.7 Mn	54.49
Corporate Guarantee of Royal Ceramics Lanka PLC	Rs 70 Mn	42.67
Mortgage bond for Rs 400Mn of force sale value of machinery as per bank's special valuation	Rs 200 Mn	164.59
Corporate Guarantee of Royal Ceramics Lanka PLC	Rs 200 Mn	36.05
		617.5
Corporate Guarantee of Royal Ceramics Lanka PLC	AUD 1,175,000	**100.55**
		100.55
Mortgage for Rs, 500 Mn over Lanka Walltiles PLC shares held monthly in the custodial account with HNB	Rs 500 Million	247.71
		247.71
Primary mortgage bond for Rs. 390 million over the project assets comprising land, building and machinery at Meepe.	Rs. 390 Million	45
Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.	USD 1.8 Mn	87.729
Tripartite agreement for Rs.392.8 Mn between Bank, Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC	Rs. 584 Million	398.94
Primary Mortgage bond for Rs.80Mn over the ceramic printer	Rs. 80 Million	26.64
Primary mortgage over movable machinery at Meepe	Rs. 200 Million	30
		588.309
A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million	Rs. 300 Mn	37.5
A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million	Rs. 300 Mn	53.036

Notes to the Financial Statements

15 INTEREST BEARING LOANS AND BORROWINGS CONTD.

15.8 INTEREST BEARING LOANS AND BORROWINGS CONTD.

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms
DFCC Bank	Rs. 287.712 Mn (USD 3 Mn)	85 monthly installments
DFCC Bank	Rs. 80 Mn	59 monthly installments
Company : Uni-Dil Packaging Limited		
HSBC	USD 310,000	US$ 7,380.95 monthly installments
HSBC	USD 310,000	US$ 7,380.95 monthly installments
Standard Chartered Bank	USD 2,500,000	Monthly installment
Company : Horana Plantations PLC		
Hatton National Bank PLC	550 Mn	72 monthly installments
Indian Bank	Rs. 75 Mn	54 monthly installments
Hatton National Bank PLC	Rs. 100 Mn	60 monthly installments
Hatton National Bank PLC	Rs. 130.114 Mn	60 monthly installments
Sri Lanka Tea Board	Rs 33 Mn	48 monthly installments
Company : Swisstek (Ceylon) PLC		
Bank of Ceylon	Rs. 25.817 Mn	58 monthly installments
Company : Swisstek Aluminum Limited		
DFCC Bank	Rs. 290 Mn	78 monthly installments
	Rs.50 Mn	60 monthly installments
	Rs.10 Mn	60 monthly installments
	Rs.193.032 Mn	60 monthly installments
Hatton National Bank PLC	Rs.80 MN	48 monthly installments
Company : Vallibel Plantation Management Limited		
Commercial Bank of Ceylon PLC	Rs. 144.79 Mn	60 monthly installments
Total Long Term Loans - Group		

Security	Security Amount Rs.Mn	Balance As At 31st March 2017 Rs.Mn
A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million	Rs. 300 Mn	40.067
A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million	Rs. 300 Mn	37.037
		167.64
Mortgage bond for USD 310,000 over Moveable machinery	USD 310,000	17.15
Mortgage bond for USD 310,000 over Moveable machinery & vehicle	USD 310,000	30.672
Mortgage bond for USD 310,000 over Moveable machinery & Vehicle	USD 310,000	298.484
		346.306
Primary mortgage for 150 million over the leasehold rights of Frocester Estate	Rs. 150 Mn	667.7
Primary mortgage over leasehold rights of Tillicoultry Estate		8.4
Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla		76.54
Primary mortgage over leasehold rights of Bambarakelly Estate		95.418
		33
		881.058
Mortgage over immovable property at Balummahara, Imbulgoda		33.938
		33.938
Primary mortgage over land and building and machinery of LKR 500 Mn		70.641
		13.14
		5.506
Movable Machinery		193.032
Simple Receipt		65.06
		347.379
12,750,000 shares of Horana Plantation PLC		51.19
		51.19
		8017.891

Notes to the Financial Statements

16 RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	192,730,570	171,683,467	1,004,604,869	963,368,345
Interest cost	20,236,710	16,309,929	104,415,045	94,502,566
Current service cost	16,320,717	14,552,340	74,424,390	73,766,394
Benefits Paid	(27,409,095)	(6,274,694)	(119,784,257)	(87,733,547)
Actuarial (gain)/loss	6,822,185	(3,540,472)	(64,293,501)	(39,298,889)
Transfer to discontinued Operations	-	-	(1,999,488)	-
At the end of the year	208,701,087	192,730,570	997,367,058	1,004,604,869

16.1 MATURITY PROFILE OF THE DEFINED BENEFIT OBLIGATION

Future Working Life Time

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Within the next 12 months	41,072,650	49,910,432	160,937,176	138,055,866
Between 1-2 Years	48,289,398	40,471,654	182,263,033	174,557,182
Between 2-5 Years	56,200,957	46,044,855	234,564,375	258,438,938
Over 5 Years	63,138,081	56,303,629	419,602,474	433,552,883
Total	208,701,086	192,730,570	997,367,058	1,004,604,869
Weighted Average duration (years)	4.68	4.42		

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	Group
	Rs.	Rs.
Discount Rate as at 31 March 2017		
Effect on DBO due to decrease in the discount rate by 1%	9,089,580	62,884,032
Effect on DBO due to increase in the discount rate by 1%	(8,377,614)	(55,839,750)
Salary Escalation Rate as at 31 March 2017		
Effect on DBO due to decrease in salary escalation rate by 1%	(9,353,328)	(46,053,115)
Effect on DBO due to increase in salary escalation rate by 1%	9,985,446	49,838,405

	Company Rs.	Group Rs.
Discount Rate as at 31 March 2016		
Effect on DBO due to decrease in the discount rate by 1%	8,043,136	69,597,232
Effect on DBO due to increase in the discount rate by 1%	(7,404,355)	(61,274,307)
Salary Escalation Rate as at 31 March 2016		
Effect on DBO due to decrease in salary escalation rate by 1%	(8,063,142)	(49,556,120)
Effect on DBO due to increase in salary escalation rate by 1%	8,633,799	53,945,061

16.3 PRINCIPLE ASSUMPTIONS USED FOR ACTUARIAL VALUATION

Royal Ceramics Lanka PLC/Rocell Bathware Ltd/ Royal Porcelain (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 2016 and 31 March 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2017	2016
Discount rate assumed	13.1% p.a	10.5% p.a
Future salary increase rate	12.5% p.a	10.0% p.a
Staff Turn Over	15.0% p.a	15.0% p.a

The demographic assumption underlying the valuation is retirement aged Male 55 years and female 50 years.

The weighted average duration of the defined benefit plan obligation of Royal Ceramics Lanka PLC at the end of the reporting period is 4.68 years (2016 - 4.42 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 2017.

The principal assumptions used are as follows:

		2017	2016
Discount rate (per annum)		13.0%	10.5%
Salary scale (per annum)	- Executives	10.0%	10.0%
	- Non Executives	7.5%	7.5%
Retirement Age		55 Years	55 Years

Notes to the Financial Statements

16 RETIREMENT BENEFIT OBLIGATIONS CONTD.

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2017 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

		2017	2016
Discount rate (per annum)		12.0%	10.5%
Salary scale (per annum)	- Executives	12.5%	12.5%
	- Non Executives	10%	10%
Retirement Age		55 Years	55 Years

Rates of turnover at selected ages as follows;

Executive and staff

Age	20	25	30	35	40	45	50
Turnover	10%	10%	10%	5%	3%	1%	1%

Lanka Tiles PLC

The defined benefit liability as of 31 March 2017 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

Principal actuarial assumptions are as follows

	2017	2016
Discount rate (per annum)	12.0%	10.5%
Future salary increases - Executives	12.5%	12.5%
- Non Executive	10.0%	10.0%

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the actuarial valuation. GA 1983 mortality table issued by the Society of Actuaries USA was taken as the base for the valuation.

Horana Plantations PLC

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2017 by Messrs. Actuarial 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

		2017	2016
Rate of interest		12.0%	11.0% per annum
Future salary increases	Workers	15.0%	15.0% every 2 years beyond
	Staff	12.5%	12.5% per annum
	Head Office Staff	10.0%	8.0% per annum beyond
Retirement age			
	Workers	60	60 years
	Staff	60	60 years
	Head Office Staff	55	55 years
Daily wage rate			
	Tea	Rs.500.00	Rs.450.00
	Rubber	Rs.500.01	Rs.450.00

Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solutions Ltd of the defined benefit plan gratuity as at 31 March 2017.

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate p.a	12%	10%
Future salary increases	12%	10%
Staff turnover factor	9%	8%
Retirement age (Years)	55	55

Notes to the Financial Statements

16 RETIREMENT BENEFIT OBLIGATIONS CONTD.

Swisstek (Ceylon)PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2017.

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate p.a	12.00%	10.50%
Future salary increases	12.5%	12.5%

Swisstek Aluminum Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2017.

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate p.a	13.10%	11.72%
Future salary increases	13%	15%
Retirement age (Years)	55	55

17. OTHER NON CURRENT LIABILITIES

	Group	
	2017 Rs.	2016 Rs.
Capital grants (Note 17.1)	138,189,000	134,299,000
Refundable Deposit	15,000,000	15,000,000
	153,189,000	149,299,000

17.1 CAPITAL GRANTS

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received (to date) Rs.'000	Balance as at 01.04.2016 Rs.'000	Received during the year Rs.'000	Amortised during the year Rs.'000	Balance 31.03.2017 Rs.'000
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	701	167	288	(31)	424
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	3,976	890	-	4,866
Plantation development project/ Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	19,619	-	(790)	18,829
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	31,457	-	(1,120)	30,337
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	317	-	(12)	305
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	15,833	-	(501)	15,332
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	-	-	-	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,745	-	(116)	3,629
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	8,266	-	(252)	8,014
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	46,694	50,602	7,448	(1,887)	56,163
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	211	-	(51)	160
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	Rate applicable to cinnamon mature plantations, after become mature (6.67% p.a)	76	106	24	-	130
Total			168,097	134,299	8,650	(4,760)	138,189

Notes to the Financial Statements

18. TRADE AND OTHER PAYABLES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Creditors (Note 18.2)	109,276,169	137,437,400	1,052,991,636	825,441,134
Payables - Other	100,497,636	190,427,163	156,480,900	246,188,139
Sundry Creditors Including Accrued Expenses	207,216,604	111,044,088	1,073,474,966	911,090,193
Payable to Related Parties (Note 18.1)	1,398,054,556	707,741,405	16,296,975	-
	1,815,044,965	1,146,650,056	2,299,244,477	1,982,719,466

18.1 PAYABLE TO RELATED PARTIES

	Relationship	Company		Group	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Royal Porcelain (Pvt) Ltd	Subsidiary	1,119,467,867	578,268,912	-	-
Rocell Bathware Ltd	Subsidiary	261,093,586	129,472,493	-	-
Nilano Garments (Pvt) Ltd	Subsidiary	1,196,128	-	-	-
Vallibel One Ltd	Parent	16,296,975	-	16,296,975	-
		1,398,054,556	707,741,405	16,296,975	-

18.2 TRADE CREDITORS INCLUDES FOLLOWING RELATED PARTY PAYABLES,

	Relationship	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Lanka Ceramics PLC	Subsidiary	3,008,157	2,791,469	-	-
Unidil Packaging Limited	Subsidiary	11,660	3,087,871	-	-
Unidil Packaging Solution Ltd	Subsidiary	5,377,084	-	-	-
Swisstek Ceylon PLC	Subsidiary	1,396,660	251,956	-	-
Lanka Walltiles PLC	Subsidiary	63,038	473,211	-	-
Ever Paint & Chemical Industries (Private) Limited	Subsidiary	530,068	374,103	-	-
Horana Plantations PLC	Subsidiary	15,402	7,490	-	-
Lanka Tiles PLC	Subsidiary	81,648	-	-	-
Delmege Forsyth Co. Ltd	Group Company	37,217	-	-	-
Grip Delmege (Pvt) Ltd	Group Company	14,589	-	-	-
Hayleys Agriculture Holding Limited	Group Company	-	-	19,464,000	6,586,000
Hayleys Agro Fertilizer (Private) Limited	Group Company	-	-	18,477,000	8,482,000
Hayleys Agro Products (Private) Limited	Group Company	-	-	88,000	72,000
Agro Technica Limited	Group Company	-	-	-	-
Puritas (Private) Limited	Group Company	-	-	-	-
		10,535,523	6,986,100	38,029,000	15,140,000

19 OTHER CURRENT LIABILITIES

	Company 2017 Rs.	Company 2016 Rs.	Group 2017 Rs.	Group 2016 Rs.
Provisions	104,136,472	55,887,560	203,609,258	82,816,382
Advances	568,556,621	671,898,509	568,583,662	672,011,917
Other	58,685,002	46,015,351	132,855,945	53,189,090
	731,378,095	773,801,420	905,048,865	808,017,389

Notes to the Financial Statements

20. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

20.1 FAVOURABLE CASH & CASH EQUIVALENT BALANCES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash & Bank Balances	300,093,303	215,336,308	699,415,699	1,412,176,769
Short term bank deposits	-	-	1,188,376,000	910,227,000
	300,093,303	215,336,308	1,887,791,699	2,322,403,769
Cash & Bank Balances attributable to discontinued operations	-	-	655,424	-

20.2 UNFAVOURABLE CASH & CASH EQUIVALENT BALANCES

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Bank Overdraft	(359,179,882)	(285,616,855)	(2,009,727,257)	(1,574,705,696)
Bank Overdraft attributable to discontinued operations	-	-	(622,132)	-
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(59,086,579)	(70,280,547)	(121,902,266)	747,698,073

21 REVENUE

21.1 SUMMARY

		Company		Group	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Sales	- Export	151,380,305	100,880,127	846,950,038	1,484,938,197
	- Local	4,133,355,964	3,642,221,214	28,449,046,200	25,577,700,236
Gross		4,284,736,269	3,743,101,341	29,295,996,238	27,062,638,433
Less: Sales Taxes	- Value Added Tax	(459,831,672)	(337,563,157)	(2,883,149,807)	(2,280,549,266)
		3,824,904,597	3,405,538,184	26,412,846,431	24,782,089,167

21.2 GOODS AND SERVICES ANALYSIS

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Sale of Goods	3,824,904,597	3,405,538,184	26,412,846,431	24,782,089,167

22. OTHER OPERATING INCOME AND EXPENSES

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Income from Investments with Related Parties - Non Quoted	1,124,457,762	1,131,362,390	-	-
Dividends on long-term & current investments	435,038	2,773,028	435,038	2,773,028
Net Profit on financial Assets at fair value through profit or loss	-	-	-	-
Profit on Disposal of Short Term Investments	-	11,061,799	-	11,061,799
Rental Income and Service Charge - Related Parties	384,940,840	339,329,177	-	-
Technical Fee Income - Related Parties	293,893,954	171,123,941	-	-
Sales Commission - Related Party	8,313,504	6,615,288	-	-
Sales Commission - Others	-	-	2,683,498	11,236,732
Rent Income - Related Parties	2,804,600	3,208,600	-	-
Rent Income - Others	20,000	27,000	25,875,000	31,283,000
Profit/(Loss) on Disposal of Property, Plant & Equipment	(9,786,833)	13,777,064	(12,410,480)	(23,719,458)
Sundry Income	3,665,383	118,014	97,743,105	121,351,921
Amortisation of capital and revenue grants	-	-	4,760,000	4,953,000
Reversal of Debtor Impairment	-	-	5,623,000	-
Change in fair value of consumable biological assets	-	-	89,187,000	40,768,000
	1,808,744,248	1,679,396,301	213,896,161	199,708,022

22.1 OTHER OPERATING EXPENSES

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Net loss on financial Assets at fair value through profit or loss	12,789,436	9,580,211	12,789,436	9,580,211
Technical Fee Expense - Related Parties	45,468,937	-	45,468,937	-
Impairment of long term investment	47,400,000	223,000,000	71,866,701	-
	105,658,373	232,580,211	130,125,074	9,580,211

Notes to the Financial Statements

23. FINANCE COST AND INCOME

23.1 FINANCE COST

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Interest Expense on Overdrafts	27,695,717	14,285,743	174,851,244	99,363,888
Interest Expense on Loans & Borrowings	358,331,221	345,811,769	972,278,581	736,386,231
Finance Charges on Lease Liabilities	908,479	685,997	16,713,039	15,626,247
Less : Capitalisation of borrowing costs on immature plantations	-	-	(60,013,000)	(46,886,000)
	386,935,417	360,783,509	1,103,829,864	804,490,366

23.2 FINANCE INCOME

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Interest Income	776,863	25,963	152,283,356	68,818,196
	776,863	25,963	152,283,356	68,818,196

24. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Stated after Charging /(Crediting)

	Company		Group	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Included in Cost of Sales				
Depreciation	108,729,443	95,588,431	1,008,238,666	971,351,210
Employee Benefits including the following	342,806,464	302,143,837	3,147,401,154	2,957,357,647
- Defined Benefit Plan Costs -Gratuity	3,270,968	13,310,413	117,852,777	121,858,403
- Defined Contribution Plan Costs - EPF & ETF	25,243,632	22,072,134	235,751,934	212,142,540
Export duty rebate	-	(520,496)	-	4,248,609
Operating lease rentals	-	-	838,000	838,000
Amortisation of leasehold rights over mining land	-	-	-	511,000
Included in Administrative Expenses				
Depreciation	23,914,832	34,472,311	71,955,423	65,641,864
Employee Benefits including the following	265,622,906	189,563,489	617,057,071	458,043,227
- Defined Benefit Plan Costs -Gratuity	16,064,344	10,772,015	39,366,344	35,463,675
- Defined Contribution Plan Costs - EPF & ETF	18,376,437	16,460,233	41,896,437	36,547,564
Auditors' Fees and Expenses	1,440,000	1,442,392	10,066,418	10,325,144
Loss on translation of foreign currency	17,289,021	26,516,030	9,901,096	53,785,460
Donations	-	500,000	-	500,000
Amortisation of intangible assets	16,856,021	16,157,983	16,856,021	16,157,983
Included in Selling and Distribution Costs				
Depreciation	154,856,301	124,691,223	226,785,367	211,547,485
Employee Benefits including the following	472,647,682	436,078,968	742,392,700	591,009,624
- Defined Benefit Plan Costs -Gratuity	17,222,115	6,779,841	21,620,314	10,946,881
- Defined Contribution Plan Costs - EPF & ETF	33,411,551	29,104,880	44,281,551	38,026,182

Notes to the Financial Statements

25 INCOME TAX EXPENSE

25.1 THE MAJOR COMPONENTS OF INCOME TAX EXPENSE FOR THE YEARS ENDED 31 MARCH ARE AS FOLLOWS :

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax charge	-	-	986,721,439	811,838,790
Dividend Tax	-	-	101,827,996	68,230,653
Under/(Over) Provision of current taxes in respect of prior years	-	-	5,083,265	173,222,000
	-	-	1,093,632,700	1,053,291,443
Deferred Income Tax				
Deferred Tax Charge/(Reversal) (Note 25.5)	130,700,624	(15,315,335)	248,212,393	162,183,540
Deferred Tax on Un distributable Associate Profit	-	-	(7,308,645)	(23,395,165)
Income tax expense reported in the statement of profit or loss	130,700,624	(15,315,335)	1,334,536,448	1,192,079,818
Statement of Changes in Equity				
Deferred Income Tax related to items charged or credited directly to equity :				
Deferred Tax effect on Employee Benefits	(1,867,011)	974,552	12,635,224	4,703,578
Net gain on revaluation of buildings	-	-	-	210,965,690
Income tax expense reported in equity	(1,867,011)	974,552	12,635,224	215,669,268

25.2 A RECONCILIATION BETWEEN TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT MULTIPLIED BY THE STATUTORY TAX RATE IS AS FOLLOWS :

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Accounting Profit (Profit before Taxation)	1,489,817,515	1,177,680,241	5,987,155,979	5,347,338,593
Share of results of associates	-	-	(1,041,753,417)	(932,029,929)
	1,489,817,515	1,177,680,241	4,945,402,562	4,415,308,664
Exempt Profit	(1,124,892,800)	(1,134,135,418)	(1,214,641,917)	(1,548,199,909)
Non deductible expenses	584,292,163	742,867,952	2,005,573,720	19,603,201,535
Deductible expenses	(521,261,985)	(537,480,597)	(2,332,219,672)	(2,193,279,122)
Tax losses utilized	(151,044,725)	(88,267,809)	(442,803,725)	(376,733,756)
Interest Income	776,863	25,963	124,766,863	25,963
Rent Income	2,824,600	3,235,600	25,875,000	27,000
Qualifying Payment Relief	(316,681,881)	(164,428,634)	(432,367,882)	(265,421,634)
Taxable Income	(36,170,250)	(502,702)	2,679,584,949	19,634,928,741
Income Tax on Profit of the local sales @ 28%	-	-	905,241,308	778,302,248
Income Tax on Profit of the local sales @ 20%	-	-	20,266,000	-
Income Tax on Profit of the local sales @ 15%	-	-	39,398,476	-
Income Tax on Profit of the export sales @ 12%	-	-	21,815,655	33,536,542
Dividend Tax @ 10%	-	-	101,827,996	68,230,653
Deferred Tax on Un distributable Associate Profit	-	-	(7,308,645)	(23,395,165)
Charge/(Reversal) of Deferred Tax (Note 25.5)	130,700,624	(15,315,335)	248,212,393	162,183,540
Adjustment of taxes in respect of prior years	-	-	5,083,265	173,222,000
	130,700,624	(15,315,335)	1,334,536,448	1,192,079,818

Notes to the Financial Statements

25 INCOME TAX EXPENSE CONTD.

25.3 DEFERRED TAX ASSETS

Statement of Financial Position

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	323,692,088	309,351,305	336,220,088	361,701,305
Transferred from Deferred Tax Liability	-	-	(1,992,000)	-
Charge/(Reversal) for the year	(130,700,624)	15,315,335	(129,044,624)	(16,504,665)
Deferred Tax release on components of other comprehensive Income	1,867,011	(974,552)	1,851,011	(8,976,552)
At the end of the year	194,858,475	323,692,088	207,034,475	336,220,088
The closing net deferred tax liability relate to the following;				
Capital allowances for tax purposes	(308,614,035)	(261,975,105)	(329,010,035)	(319,407,105)
Revaluation Reserve	-	-	(3,610,000)	(22,987,000)
Defined Benefit Obligation	57,114,724	53,051,098	57,498,724	55,245,098
Provision	-	-	-	835,000
Unutilized tax losses	446,357,786	532,616,095	482,155,786	622,534,095
	194,858,475	323,692,088	207,034,475	336,220,088

25.4 DEFERRED TAX LIABILITY

Statement of Financial Position

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At the beginning of the year	-	-	1,082,522,076	753,546,160
Transferred from Deferred Tax asset	-	-	(1,992,000)	-
On acquisition of subsidiary	-	-	4,892,498	-
Recognised in Profit or loss	-	-	111,861,124	122,283,710
Recognised in other comprehensive income	-	-	14,486,235	206,692,205
At the end of the year	-	-	1,211,769,933	1,082,522,075
The closing net deferred tax liability relate to the following;				
Capital allowances for tax purposes	-	-	1,469,678,108	1,323,757,830
Revaluation surplus	-	-	227,201,498	202,932,000
Defined Benefit Obligation	-	-	(157,411,673)	(148,514,400)
Unutilized tax losses	-	-	(298,545,000)	(265,476,000)
Deferred Taxation on Un distributable Associate Profit	-	-	-	7,308,645
Provisions	-	-	(29,153,000)	(37,486,000)
	-	-	1,211,769,933	1,082,522,075

25.5 STATEMENT OF PROFIT OR LOSS

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	46,638,930	9,592,827	155,073,209	189,148,992
Defined Benefit Obligation	(2,196,615)	(7,009,170)	(14,226,124)	(12,827,460)
Provision	-	-	(391,000)	(12,755,000)
Unutilized tax losses	86,258,309	(17,898,991)	107,756,309	(1,382,991)
	130,700,624	(15,315,334)	248,212,394	162,183,541
Deferred Tax on Un distributable Associate Profit	-	-	(7,308,645)	(23,395,165)
Share of Associate Company Deferred Tax	-	-	-	33,314,360
Total Deferred Tax Charge/(Reversal) for the year	130,700,624	(15,315,334)	240,903,749	172,102,736

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%.

The Deferred Tax asset arising from unused tax losses has been recognised up to the extend that it is probable that future taxable temporary differences available against which the unused tax loss can be utilised.

Royal Ceramics Distributors (Private) Limited which is a fully owned subsidiary of Royal Ceramics Lanka PLC has a tax loss of Rs.238,405/- (2016-Rs.165,752/-) 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.

Swisstek Aluminium Ltd

Income tax exemption given for the Swisstek Aluminium Ltd has been expired on 01st September 2016 and company is liable to pay tax at a rate of 20% on trade profit and 28% on other income.

Horana Plantations PLC

In terms of Section 16 of the Inland Revenue Amendment Act No.10 of 2006,and subsequent amendments thereto, "Profits from any Agricultural Undertaking " is liable for income tax at 10%, commencing from 01 April 2011. Manufacturing profit and other income are liable for income tax at 28%.

25.6 CARRIED FORWARD TAX LOSSES OF THE COMPANY AS FOLLOWS

	Company	
	2017 Rs.	2016 Rs.
Tax loss brought forward	1,782,066,431	1,870,187,646
Utilised during the year	(151,044,725)	(88,121,215)
Tax loss carried forward	1,631,021,706	1,782,066,431

25.7 As of 31.03.2017, Lanka Ceramics PLC has carried forward tax losses amounting to Rs. 465 Mn (2016 - Rs 494 Mn). The company has recognised a deferred tax asset on such tax losses and provision on retirement benefit obligation up to deferred tax liability as at the reporting date as the recoverability of deferred tax asset in excess of the deferred tax liability is uncertain. The net unrecognised tax asset as of the reporting date amounting to Rs. 114.89 Mn (2016 - Rs. 122.6 Mn).

Notes to the Financial Statements

25 INCOME TAX EXPENSE CONTD.

25.8 Net deferred tax assets amounting to Rs. 6.53 Mn has been recognised in full as at 31st March 2017 (2016 - Rs 1.9 Mn which was 50% of the Net Deferred Tax Asset) in Swisstek (Ceylon) PLC since it is probable that the future taxable profit will be available against which the unused tax losses can be used.

25.9 Net deferred tax assets amounting to Rs. 11.82 Mn have been recognised as 31st March 2017 (2016 - Rs 9.8 Mn) in Uni Dil Packaging Solution Ltd., (formerly known as Unidil Paper Sacks (Pvt) Ltd.) based on recoverability as assessed by the management. Deferred tax assets have been recognised in respect of the unused tax assets, to the extent that it is probable, that future taxable profit will be available against which the unused tax losses can be used.

25.10 Deferred tax asset amounting to Rs 0.35 Mn have been recognised as 31st March 2017 (2016 - Rs 0.7 Mn) in Vallibel Plantation Management Ltd., based on recoverability as assessed by the management. Deferred tax asset have been recognised in respect of the unused tax losses, to the extent that it is probably that future taxable profit will be available against which the unused tax losses can be used.

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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Amount Used as the Numerator:				
Net Profit for the year attributable to equity holders of the parent	1,359,116,891	1,192,995,575	3,231,003,554	2,934,333,240
	1,359,116,891	1,192,995,575	3,231,003,554	2,934,333,240

	Company		Group	
	2017 Number	2016 Number	2017 Number	2016 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. SUPER GAIN TAX

As per the provision of part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Company was liable for Super Gain tax of Rs. 14.51 Million which was fully settled during the previous year.

Accordingly, to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence he expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on " Accounting for Super Gain Tax" issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

Accordingly, the resulting super gain tax was recorded as an adjustment to the opening Retained Earnings reported in the Statement of Changes in Equity as of 01st April 2015. As per the Accounting Provision of SoAT, the said adjustment did not result a restatement to the Statement of Financial Position as of 01 April 2015.

28. DIVIDEND PER SHARE

	Company/Group	
	2017	2016
	Rs.	Rs.
1st Interim Dividends for 2016/17	553,946,920	-
Final Dividends for 2015/2016	443,157,536	-
1st Interim Dividends for 2015/16	-	221,578,768
2nd Interim Dividends for 2015/16	-	221,578,768
Final Dividends for 2014/2015	-	221,578,768
Total Gross Dividends	997,104,456	664,736,304
No of shares	110,789,384	110,789,384
Total Dividend per Share	9.00	6.00

29 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	Packaging Material	Finance	Other
Sanitary Ware	Plantation	Aluminium	

The following tables present revenue and profit and certain assets and liability information regarding the company's business segments:

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.

Notes to the Financial Statements

29 SEGMENT INFORMATION CONTD.

	Tiles & Associated Items		Sanitaryware		Paints and Allied Products		Plantation		Packaging Material	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue										
Sales to external customers	17,477,412,663	16,986,148,546	1,974,941,590	1,578,465,557	-	-	1,945,860,931	1,798,733,530	2,175,430,659	2,258,568,867
Inter-Segment Sales	-	-	1,249,478	-	-		1,417,069	1,096,470	218,928,006	188,155,309
Total Revenue	17,477,412,663	16,986,148,546	1,976,191,068	1,578,465,557	-	-	1,947,278,000	1,799,830,000	2,394,358,665	2,446,724,176
Results										
Gross Profit	8,462,317,990	7,769,964,025	838,814,047	630,432,955	-	-	115,828,000	1,615,000	350,763,930	363,004,331
Other Income	262,961,518	157,997,070	6,247,145	14,722,145	-	-	43,940,000	45,815,000	71,027,090	65,053,897
Distribution Expenses	(2,768,672,154)	(2,656,669,177)	(354,825,234)	(306,477,232)	-	-	-	-	(90,514,921)	(80,761,311)
Administrative Expenses	(1,212,386,625)	(1,073,929,218)	(49,248,000)	(26,491,396)	-	-	(94,436,000)	(88,386,000)	(125,071,767)	(68,540,611)
Other Operating Expenses	(58,258,373)	(9,580,211)	-	-	-	-	-	-	-	-
Finance Costs	(768,952,426)	(579,577,495)	(63,483,526)	(37,682,400)	-	-	(96,868,000)	(48,539,000)	(77,902,585)	(61,093,046)
Finance Income	168,873,054	69,412,745	235,391	81,517	-	-	129,000	488,000	-	-
Share of Associate Company's Profit	-	-	-	-	-	-	-	-	-	-
Net Profit before Income Tax	4,085,882,984	3,677,617,739	377,739,823	274,585,589	-	-	(31,407,000)	(89,007,000)	128,301,747	217,663,260
Income Tax Expense	(1,071,691,507)	(1,079,856,671)	(76,399,262)	(16,169,195)	-	-	(2,063,000)	2,906,000	(28,106,158)	(44,857,739)
Net Profit After Tax from Continuing Operations	**3,014,191,477**	**2,597,761,068**	**301,340,561**	**258,416,394**	**-**	**-**	**(33,470,000)**	**(86,101,000)**	**100,195,589**	**172,805,521**
As at 31st March										
Assets and Liabilities										
Segment Assets	37,944,446,138	34,612,389,076	4,072,543,525	3,265,298,901	-	316,942,269	3,966,100,000	3,719,218,000	2,658,108,331	2,129,132,762
Total assets	**37,944,446,138**	**34,612,389,076**	**4,072,543,525**	**3,265,298,901**	**-**	**316,942,269**	**3,966,100,000**	**3,719,218,000**	**2,658,108,331**	**2,129,132,762**
Segment liabilities	14,684,211,416	13,690,708,859	1,139,250,823	600,640,830	-	449,847,267	2,258,207,000	2,093,094,000	1,357,263,052	898,651,010
Total Liabilities	**14,684,211,416**	**13,690,708,859**	**1,139,250,823**	**600,640,830**	**-**	**449,847,267**	**2,258,207,000**	**2,093,094,000**	**1,357,263,052**	**898,651,010**
Other Segment Information										
Total cost incurred during the period to acquire										
Property, Plant & Equipment	2,537,952,577	1,323,151,226	527,568,513	118,103,367	-	-	206,381,000	205,803,000	413,944,280	86,821,082
Depreciation & Amortisation	937,174,717	890,300,196	104,040,604	100,416,531	-	-	132,615,000	131,956,000	65,117,386	54,415,957
Provisions for retirement benefit liability	87,228,097	75,114,018	4,571,696	3,454,161	-	-	73,291,000	76,633,000	7,953,308	7,178,070

Aluminium Products		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,825,101,760	2,160,187,277	-	-	16,863,205	2,748,765	26,415,610,808	24,784,852,542	(2,764,377)	-	26,412,846,431	24,782,089,167
(692,760)	28,694,723	-	-	265,966,974	233,784,854	486,868,767	451,731,356	(486,868,767)	(454,494,730)	-	-
2,824,409,000	2,188,882,000	-	-	282,830,179	236,533,619	26,902,479,575	25,236,583,898	(489,633,144)	(454,494,730)	26,412,846,431	24,782,089,167
942,078,000	690,035,000	-	-	152,953,575	89,016,515	10,862,755,543	9,544,067,827	-	-	10,862,755,542	9,544,067,827
4,388,000	(1,083,000)	-	-	37,491,124	39,442,403	426,054,877	321,947,515	(212,158,716)	(122,239,493)	213,896,161	199,708,022
(338,526,000)	(232,110,000)	-	-	(30,021,877)	(7,765,673)	(3,582,560,186)	(3,283,783,393)	103,826,891	85,076,048	(3,478,733,295)	(3,198,707,345)
(155,290,000)	(157,671,000)	-	-	(52,992,057)	(36,990,678)	(1,689,424,449)	(1,452,008,903)	118,580,185	67,501,445	(1,570,844,264)	(1,384,507,459)
-	-	-	-	-	-	(58,258,373)	(9,580,211)	(71,866,701)	-	(130,125,074)	(9,580,211)
(88,008,000)	(49,724,000)	-	-	(37,584,282)	(30,659,425)	(1,132,798,819)	(807,275,366)	28,968,955	2,785,000	(1,103,829,864)	(804,490,366)
-	-	-	-	5,723,623	1,620,934	174,961,068	71,603,196	(22,677,712)	(2,785,000)	152,283,356	68,818,196
-	-	1,021,867,684	969,600,379	19,885,733	(37,570,451)	1,041,753,417	932,029,929	-	-	1,041,753,417	932,029,929
364,642,000	249,447,000	1,021,867,684	969,600,379	95,455,839	17,093,625	6,042,483,078	5,317,003,594	(55,327,099)	30,338,000	5,987,155,979	5,347,338,593
(38,981,000)	1,181,000	-	-	(14,333,128)	(10,447,762)	(1,231,574,055)	(1,147,244,367)	(102,962,393)	(44,835,450)	(1,334,536,448)	(1,192,079,818)
325,661,000	**250,628,000**	**1,021,867,684**	**969,600,379**	**81,122,711**	**6,645,863**	**4,810,909,023**	**4,169,756,227**	**(158,289,492)**	**(14,497,450)**	**4,652,619,531**	**4,155,258,775**
2,712,829,000	1,619,174,000	-	-	1,155,099,181	1,279,921,827	52,509,126,175	46,942,076,834	(7,709,753,507)	(7,769,038,802)	44,799,372,668	39,173,038,033
2,712,829,000	**1,619,174,000**	**-**	**-**	**1,155,099,181**	**1,279,921,827**	**52,509,126,175**	**46,942,076,834**	**(7,709,753,507)**	**(7,769,038,802)**	**44,799,372,668**	**39,173,038,033**
1,569,242,000	714,154,000	-	-	321,331,360	511,955,161	21,329,505,651	18,959,051,126	(2,624,461,839)	(2,244,807,119)	18,705,043,812	16,714,244,006
1,569,242,000	**714,154,000**	**-**	**-**	**321,331,360**	**511,955,161**	**21,329,505,651**	**18,959,051,126**	**(2,624,461,839)**	**(2,244,807,119)**	**18,705,043,812**	**16,714,244,006**
289,484,000	106,827,000	-	-	27,503,648	20,696,231	4,002,834,018	1,861,401,906	1,469,930	-	4,004,303,948	1,865,253,119
64,187,000	57,483,000	-	-	12,892,913	14,171,046	1,316,027,620	1,248,742,731	7,807,857	-	1,323,835,477	1,264,698,542
3,523,000	4,067,000	-	-	1,613,814	1,364,685	178,180,915	167,810,934	658,520	-	178,839,435	168,268,959

Notes to the Financial Statements

29 SEGMENT INFORMATION CONTD.

Reconciliations of reportable segment revenues, Profit or loss ,assets and liabilities and other material items.

	2017 Rs.	2016 Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	4,810,909,023	4,169,756,226
Dividend Tax on Intercompany dividend Income	(101,826,436)	(68,230,616)
Deferred Tax effect on Associate undistributable Profit	7,308,645	23,395,165
Impairment Provision for Ever Paint	(71,866,701)	-
Inter-segment elimination	8,095,000	30,338,000
Group Net Profit for the year	4,652,619,531	4,155,258,775
Reconciliation of assets		
Segment assets	52,509,126,175	46,942,076,834
Assets of discontinued operations	137,815,270	-
Investment in subsidiaries (elimination)	(7,442,707,231)	(7,221,037,072)
Inter company balances (elimination)	(3,091,149,287)	(2,252,115,764)
Share of associate company's accumulated profit net of dividend received (elimination)	2,686,287,740	1,704,114,034
Group assets	44,799,372,667	39,173,038,032
Reconciliation of Liabilities		
Segment Liabilities	21,329,505,651	18,959,051,126
Liabilities of discontinued operations	137,943,723	-
Deferred Tax effect on Associate undistributable Profit	-	7,308,645
Inter company balances (elimination)	(2,762,405,562)	(2,252,115,765)
Group Liabilities	18,705,043,812	16,714,244,006

30. 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

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above mentioned companies amounting to Rs. 100 Mn & at the reporting date total guaranteed value is Rs. 20.5 Mn.

b) 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. 46,988,405/- 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.

c) HORANA PLANATATION PLC

Horana Plantations PLC, several cases and disputes are pending against the company in labour Tribunal and Courts. All these cases are being vigorously contested / prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Capital grant received from the Ceylon Electricity Board (CEB) 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.(Refer Note 15.5 to the Financial Statements)

d) LANKA CERAMIC PLC

As at the reporting date, the Lanka Ceramic PLC has received assessments issued by the Department of Labour in respect of Surcharge on Employees' Provident Fund Contribution totalling Rs.1,823,098.72 for the period commencing 2000/January to 2015/March. The Company has appealed against the assessments. However company has made the provision amounting Rs. 423,518.59 in the financial statement.

There are no other material contingent liabilities as at the reporting date.

31. CAPITAL COMMITMENTS

31.1 CAPITAL COMMITMENTS

There were no significant capital commitments as at the reporting date in the Company and Group except as detailed below.

a). 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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Contracted but not provided for	554,289,045	146,474,436	699,162,714	505,519,115
	554,289,045	146,474,436	699,162,714	505,519,115

No provision has been made in these Financial Statements in this regard as at 31st March 2017

Lease commitments

b). Lanka Tiles PLC is committed to pay Rs. 375,000/- & Rs. 2,300,471/- respectively as rent per month for the use of buildings situated in Rajagiriya and Nawala.

c). Horana Plantation PLC has commitments under operating lease rentals on Dumbara Estate as given below;

1	- 10 years (per annum)	Rs. 0.552 million
11	- 20 years (per annum)	Rs. 0.698 million
21	- 30 years (per annum)	Rs. 0.838 million

Finance lease rentals payable to the Secretary to the Treasury;
22.06.2015 to 21.06.2045 (per annum) Rs. 5.228 million

Notes to the Financial Statements

32. EVENTS AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, the Directors have recommended a payment of final dividend of Rs. 4/- per share for the year ended 31 March 2017 on 23 May 2017.

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.

33. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 15.8

Royal Ceramics Lanka PLC/Rocell Bathware Ltd/ Royal Porcelain (Pvt) Ltd/ Ever Paint and Chemical Industries (Pvt) Ltd
Bank overdrafts and Short term loans are secured primarily over stocks in Trade and over book debts.

Lanka Tiles PLC
Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging Solutions Ltd
Import Loans are secured by Primary on mortgage bond over land and building for Rs. 30 million at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for Rs. 60 million for the banking facilities of Hongkong & Shanghai Banking corporation.

Uni Dil Packaging Ltd
Import loans are secured by Primary on mortgage bond over immovable property for Rs. 110 Mn and Primary mortgage bond over stock and book debts for Rs.145 Mn for banking facilities of Hatton National Bank PLC

Import loans are secured by Primary on mortgage bond over immovable property for Rs. 70 Mn and Primary mortgage bond over stock and book debts for Rs.40 Mn for banking facilities of Standard Chartered Bank.

Import loans are secured by Primary mortgage bond over stock and book debts for Rs.40 Mn for banking facilities of DFCC Bank.

Horana Plantations PLC
The following securities were offered for bank overdraft facilities .

Financial Institution	Type of Securities		Rate of Interest	Facility Available Rs'000
Seylan Bank PLC	Primary Mortgage for	- Rs. 3.50 Million	13.55% p.a.	10,000
	Secondary Mortgage for	- Rs. 2.45 Million	(AWPLR+2%)	
	"Tertiary Mortgage for	- Rs.30.00 Million over leasehold rights of Mahanilu Estate		
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.		12.11% p.a. (AWPLR+0.75%)	200,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.		12.11% p.a (AWPLR+0.75%)	100,000
				310,000

Lanka Walltiles PLC

Hatton National Bank Rs. 100 Mn bank overdraft is secured primarily on register primary floating mortgage bond for Rs.390 Mn over the project assets comprising of land, building and machinery at Meepe.

Lanka Ceramics PLC

Company's bank overdraft amounting to Rs. 25 Mn and letter of Guarantee of Rs.5 Mn of Hatton National Bank PLC is secured primarily on registered primary floating mortgage bond for Rs.72 Mn over immovable property at 696, Galle Road, Colombo 03.

Swisstek Aluminium Ltd

Company's bank borrowings is secured primarily on inventories amounting to Rs. 500 Mn together with and insurance policy over the inventories.

34. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

34.1 TRANSACTIONS WITH THE RELATED ENTITIES

	Parent		Subsidiaries		Associates and other	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Nature of Transaction						
Statement of Profit or Loss						
Sale of Goods	-	-	62,103,212	26,610,460	-	-
Purchase of Goods/Services	-	-	(245,285,390)	(123,951,407)	-	-
Rendering of Services	-	-	1,118,193,710	383,303,971	-	-
Dividend Income	-	-	685,560,496	853,412,666	438,897,269	162,554,544
Dividend Payments	(536,023,400)	(339,015,600)	-	-	-	-
Technical Fee	(45,468,937)	-	338,092,669	193,824,057	-	-
Investments made by the Company	-	-	(321,462,794)	(115,681,700)	-	-
Reimbursement of Expenses net of fund Transfer	29,171,962	-	(2,602,311,191)	(1,135,603,002)	-	-
Impairment of Investment	-		(47,400,000)	(177,000,000)	-	-
Statement of Financial Position						
Balance outstanding as at end of the year						
Trade Debtors	-	-	9,624,427	1,950,850	-	-
Due from Related Parties	-	-	147,732,675	279,406,575	-	-
Due to Related Parties	(16,296,975)	-	(1,381,757,581)	(707,741,405)	-	-
Trade Creditor	-	-	(10,483,717)	(6,986,100)	-	-

Notes to the Financial Statements

34. RELATED PARTY DISCLOSURES CONTD.

34.1 TRANSACTIONS WITH THE RELATED ENTITIES CONTD.

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 Ceramics PLC, Lanka WallTiles PLC, Lanka Tiles PLC,Swisstek Ceylon PLC, Swisstek aluminium Ltd, Horana Plantation PLC, Uni-Dil Packaging Ltd, Uni Dil Papersacks (Private) Limited, LWL Development (Private) Limited, Beyond Paradise Collection Limited, Rocell Pty Limited and Nilano Garments (Pvt) Ltd.

Associates of the Group include L. B. Finance PLC and Delmege 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.

34.2 TRANSACTION WITH KEY MANAGEMENT PERSONNEL (*)

34.2.1 Compensation to Key Management Personnel

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Nature of Transaction				
Short term Employee Benefits	119,749,847	110,872,184	239,425,847	269,468,909
Post Employment Benefits	15,321,169	14,293,294	39,970,169	36,759,294
	135,071,016	125,165,478	279,396,016	306,228,203

34.2.2 Other Transactions with Key Management Personnel

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Rent Expenses	7,848,800	7,731,250	7,848,800	7,731,250
Transport Expenses	1,338,100	1,339,250	1,338,100	1,339,250
Sales	1,239,775	53,476	4,429,230	465,229

(*) Key management personnel include the Board of Directors of the Company and its parent entity.

34.2.3 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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Sale of Goods/Services	10,686,757	7,114,107	16,745,879	8,824,950
Purchase of Goods/Services	2,861,854	4,493,712	18,982,334	6,922,906
Dividend Income	337,500	786,100	337,500	786,100

b) Statement of Financial Position

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance outsatnding as at end of the year				
Cash and Cash equivalents	31,082,757	78,577,374	33,730,198	82,081,294
Trade Debtors	69,360	198,923	419,803	2,237,255

** 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.

Chemanex PLC, Douglas & Sons (Pvt) Ltd, Link Natural Products (Pvt) Ltd, Sampath Bank PLC, The Fortress Resorts PLC, Culture Club Resorts (Pvt) Ltd, Haycarb PLC, Pan Asia Banking Corporation PLC, Singhe Hospitals PLC, Aitken Spence PLC, Dankotuwa Porcelain PLC, Hayleys PLC, The Kingsbury PLC, Delmege Forsyth & Co. (Shipping) Ltd, LB Finance PLC, Dankotuwa porcelain PLC, Hayleys Fabric PLC, Thalawakele Plantation PLC.

35. 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.

Notes to the Financial Statements

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 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 exchange rate	Change in Profit before tax	Change in exchange rate	Change in Profit before tax
2017	100 (1%)	Rs. 43.4 Mn	100 (1%)	Rs. 117.4 Mn
2016	100 (1%)	Rs. 43.6 Mn	100 (1%)	Rs. 97.2 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 foreign exchange 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 exchange rate	Change in Profit before tax	Change in exchange rate	Change in Profit before tax
2017	5%	Rs. 9.4 Mn	5%	Rs. 49.2 Mn
2016	5%	Rs. 14.4 Mn	5%	Rs. 45.9 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 unlisted equity securities at fair value was Rs. 8,666,667/-. A change in 5% of the valuation performed could have an impact on approximately 0.02% on the Groups profit before tax and 0.05% on the Company profit before tax

At the reporting date, the exposure to listed equity securities at fair value was Rs. 44.0 Mn (2016 - 48.1 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 5.2 Mn (2016 - 3.9 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 maximum exposure to credit risk at the reporting date of trade and other receivables is disclosed in Note 10.

As At 31 March 2017	On Demand Rs	Less Than 3 Months Rs	3 to 12 Months Rs	1 to 5 Years Rs	Over 5 Years	Total Rs
Company						
Interest-Bearing Loans And Borrowings	359,179,882	223,733,348	490,764,830	4,299,127,946	-	5,372,806,006
Trade And Other Payables	-	1,815,044,965	-	-	-	1,815,044,965
	359,179,882	2,038,778,313	490,764,830	4,299,127,946	-	7,187,850,971
Group						
Interest-Bearing Loans And Borrowings	2,009,727,562	2,702,099,039	1,452,704,404	7,024,229,992	214,829,181	13,403,590,178
Trade And Other Payables	-	2,299,297,477	-	-	-	2,299,297,477
	2,009,727,562	5,001,396,516	1,452,704,404	7,024,229,992	214,829,181	15,702,887,655

As At 31 March 2016	On Demand Rs	Less Than 3 Months Rs	3 To 12 Months Rs	1 To 5 Years Rs	Over 5 Years	Total Rs
Company						
Interest-Bearing Loans And Borrowings	285,616,855	739,108,845	492,569,719	3,763,870,607	-	5,281,166,025
Trade And Other Payables	-	1,146,650,056	-	-	-	1,146,650,056
	285,616,855	1,885,758,901	492,569,719	3,763,870,607	-	6,427,816,082
Group						
Interest-Bearing Loans And Borrowings	1,340,007,696	2,924,072,725	1,323,040,602	6,072,849,567	145,155,540	11,805,126,131
Trade And Other Payables	-	1,997,719,466	-	-	-	1,997,719,466
	1,340,007,696	4,921,792,191	1,323,040,602	6,072,849,567	145,155,540	13,802,845,597

Notes to the Financial Statements

36. 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 payables less cash and cash equivalents.

	Company		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Interest Bearing Borrowings	4,341,003,239	4,360,188,127	12,371,787,027	10,884,148,231
Trade and Other payables	1,815,044,965	1,146,650,056	2,299,244,477	1,982,719,466
Less: Cash and Cash Equivalents	(300,093,303)	(215,336,308)	(699,415,699)	(1,412,176,769)
Net Debt	5,855,954,901	5,291,501,875	13,971,615,805	11,454,690,928
Equity	8,026,864,220	7,658,614,236	26,094,328,856	22,458,794,026
Gearing ratio	42%	41%	35%	34%

37 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	Location	2017	2016
Lanka Ceramic PLC	Sri Lanka	Colombo 03	19.70%	23.07%
Lanka Walltile PLC	Sri Lanka	Colombo 05	49.00%	51.10%
Lanka Tiles PLC	Sri Lanka	Colombo 05	62.60%	64.03%
Vallibel Plantation Limited	Sri Lanka	Colombo 10	49.09%	51.18%
Swisstek (Ceylon) PLC	Sri Lanka	Colombo 05	69.39%	77.19%
Swisstek Aluminium Limited	Sri Lanka	Dompe	73.25%	80.07%
Horana Plantation PLC	Sri Lanka	Colombo 10	74.04%	75.10%
Uni Dil Packaging Limited	Sri Lanka	Dekatana	49.09%	51.18%
Uni Dil Packaging Solutions Limited	Sri Lanka	Dekatana	49.09%	51.18%
LWL Development (Private) Limited	Sri Lanka	Colombo 05	49.00%	51.10%
Beyond Paradise Collection Limited	Sri Lanka	Colombo 05	62.60%	64.03%

Accumulated Balances of Material Non - Controlling Interest	2017 Rs. 000's	2016 Rs. 000's
Lanka Ceramic PLC	164,250	177,169
Lanka Walltile PLC	2,214,705	2,117,027
Lanka Tiles PLC	3,769,465	3,436,764
Vallibel Plantation Limited	138,204	127,158
Swisstek (Ceylon) PLC	752,745	791,416
Swisstek Aluminium Limited	837,697	724,642
Horana Plantation PLC	1,056,034	1,034,695
Uni Dil Packaging Limited	563,930	556,189
Uni Dil Packaging Solutions Limited	74,671	73,615
LWL Development (Private) Limited	23,337	(434)
Beyond Paradise Collection Limited	30,736	(2,185)
Less - Cross investments	(1,355,468)	(1,433,443)
Add - Attributed Goodwill	193,308	226,379
Accumulated Material Non- Controlling Interest	8,463,614	7,828,991

Profit allocated to Material Non - Controlling Interest	2017 Rs. 000's	2016 Rs. 000's
Lanka Ceramic PLC	10,548	8,325
Lanka Walltile PLC	243,264	198,510
Lanka Tiles PLC	632,620	666,735
Vallibel Plantation Limited	(3,626)	(7,025)
Swisstek (Ceylon) PLC	67,033	38,562
Swisstek Aluminium Limited	220,580	224,967
Horana Plantation PLC	14,951	(58,490)
Uni Dil Packaging Limited	45,832	82,635
Uni Dil Packaging Solutions Limited	4,105	5,813
LWL Development (Private) Limited	(9,252)	(434)
Beyond Paradise Collection Limited	12	(2,185)
Accumulated Material Non- Controlling Interest	1,226,066	1,157,412

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Notes to the Financial Statements

37 MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of profit or loss for year ended 31 March 2017:

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's
Summarised statement of profit or loss for year ended 31 March 2017:				
Revenue	282,830	3,345,337	5,176,372	8,651
Cost of sales	(129,876)	(2,013,574)	(2,860,809)	-
Administrative expenses	(52,992)	(210,028)	(381,312)	(3,024)
Finance costs	(37,584)	(105,269)	(31,749)	(8,083)
Profit before tax	320,214	944,672	1,397,280	34,452
Income tax	(14,333)	(171,908)	(359,002)	(1,363)
Profit for the year from continuing operations	305,881	772,764	1,038,278	33,089
Total comprehensive income	305,801	786,035	1,051,993	33,089
Attributable to non-controlling interests	10,532	249,768	641,205	(3,626)
Dividends paid to non-controlling interests	47,280	150,471	116,046	-
Summarised statement of profit or loss for year ended 31 March 2016:				
Revenue	236,534	3,209,561	5,541,368	4,649
Cost of sales	(147,517)	(2,053,751)	(3,087,000)	-
Administrative expenses	(36,991)	(201,519)	(413,891)	(4,184)
Finance costs	(30,659)	(112,023)	(26,518)	(8,192)
Profit before tax	301,212	801,381	1,447,341	41,814
Income tax	(10,448)	(158,002)	(399,448)	(495)
Profit for the year from continuing operations	290,764	643,379	1,047,893	41,319
Total comprehensive income	309,532	1,580,324	1,330,056	41,319
Attributable to non-controlling interests	12,655	677,274	847,393	(7,025)
Dividends paid to non-controlling interests	62,289	150,504	108,310	-
Summarised statement of financial position as at 31 March 2017:				
Current Assets	105,903	1,899,320	3,869,300	3,437
Non- Current Assets	1,049,200	4,599,846	3,917,636	346,761
Current Liabilities	106,167	1,211,412	1,140,651	48,684
Non- Current Liabilities	215,167	768,181	624,405	19,990
Total equity	833,769	4,519,575	6,021,880	281,524
Attributable to:				
Equity holders of parent	802,171	2,930,189	2,445,741	313,376
Non-controlling interest	31,598	1,589,386	3,576,139	(31,852)
	833,769	4,519,575	6,021,880	281,524

Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Horana Plantation PLC Rs. 000's	Unidil Packaging Limited Rs. 000's	Unidil Packaging Solutions Limited Rs. 000's	LWL Development (Private) Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's
607,948	2,824,409	1,947,278	2,026,154	438,233	-	-
(451,062)	(1,882,331)	(1,831,450)	(1,706,397)	(407,227)	-	-
(32,170)	(155,290)	(100,063)	(109,697)	(7,093)	(19,251)	(413)
(19,997)	(88,008)	(88,785)	(69,739)	(8,164)	-	-
157,336	364,642	(29,589)	126,764	9,819	(18,298)	187
(29,768)	(38,981)	(700)	(26,511)	(1,595)	(267)	(168)
127,568	325,661	(30,289)	100,253	8,224	(18,565)	19
127,982	328,548	(3,194)	102,382	8,281	48,473	52,515
67,320	222,695	35,012	46,877	4,133	23,598	32,873
25,040	5,832	-	-	-	-	-
505,406	2,188,882	1,799,830	2,238,868	336,486	-	-
(387,474)	(1,498,847)	(1,798,215)	(1,896,891)	(315,459)	-	-
(32,398)	(157,671)	(88,851)	(42,546)	(4,568)	(850)	(3,413)
(14,974)	(49,724)	(40,347)	(60,766)	(327)	-	-
100,524	249,447	(81,280)	225,310	13,780	(850)	(3,413)
(50,567)	1,181	3,401	(42,436)	(2,422)	-	-
49,957	250,628	(77,879)	182,874	11,358	(850)	(3,413)
250,354	318,952	(34,033)	213,716	30,548	(850)	(3,413)
193,250	279,673	(25,560)	98,421	15,636	(434)	(2,185)
5,573	-	6,125	-	-	-	-
236,327	1,749,855	372,996	1,009,336	477,056	4,188	600
1,136,870	962,974	3,242,907	1,002,615	169,101	290,710	223,800
247,778	1,275,256	705,106	508,122	492,309	247,275	175,298
40,590	293,986	1,484,427	355,091	1,741	-	-
1,084,827	1,143,587	1,426,369	1,148,738	152,107	47,623	49,102
491,525	305,890	370,335	659,480	77,436	24,287	18,366
593,302	837,697	1,056,034	489,259	74,671	23,337	30,736
1,084,827	1,143,587	1,426,369	1,148,739	152,107	47,624	49,102

Notes to the Financial Statements

37 MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Vallibel Plantation Mgt Limited Rs. 000's
Summarised statement of financial position as at 31 March 2016:				
Current Assets	252,698	1,778,436	3,555,361	3,970
Non- Current Assets	1,027,224	4,598,073	3,707,693	348,123
Current Liabilities	251,595	1,227,794	1,051,847	52,469
Non- Current Liabilities	260,360	1,005,677	843,439	51,190
Total equity	767,968	4,143,038	5,367,765	248,435
Attributable to:				
Equity holders of parent	746,145	2,678,076	2,128,743	298,580
Non-controlling interest	21,823	1,464,962	3,239,022	(50,145)
	767,968	4,143,038	5,367,765	248,435
Summarised cash flow information for year ending 31 March 2017:				
Operating Cash Flow	68,432	657,648	179,626	(5,094)
Investing Cash Flow	215,509	95,899	(230,226)	36,270
Financing Cash Flow	(442,059)	(810,689)	(629,195)	(31,200)
Net increase / (decrease) in cash and cash equivalents	(158,118)	(57,142)	(679,795)	(24)
Summarised cash flow information for year ending 31 March 2016:				
Operating Cash Flow	128,093	1,088,394	1,534,857	(18,480)
Investing Cash Flow	223,600	37,533	(134,949)	49,541
Financing Cash Flow	(182,721)	(763,785)	(488,462)	(31,200)
Net increase / (decrease) in cash and cash equivalents	168,972	362,142	911,446	(139)

	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Horana Plantation PLC	Unidil Packaging Limited	Unidil Packaging Solutions Limited	LWL Development (Private) Limited	Beyond Paradise Collection Limited
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
	182,804	881,473	292,681	1,075,283	241,203	-	-
	1,080,937	737,701	3,074,444	640,319	172,328	153,034	171,303
	229,417	635,410	611,541	508,052	268,297	153,884	174,717
	9,049	122,522	1,377,894	120,894	1,409	-	-
	1,025,276	861,243	1,377,690	1,086,657	143,826	(850)	(3,413)
	411,232	136,601	342,995	604,083	70,211	(416)	(1,228)
	614,044	724,642	1,034,695	482,574	73,615	(434)	(2,185)
	1,025,276	861,243	1,377,690	1,086,657	143,826	(850)	(3,413)
	77,707	(221,903)	48,364	94,254	(100,542)	71,151	-
	(35,285)	(289,439)	(211,221)	(402,460)	(11,484)	(70,637)	-
	(39,695)	477,322	117,781	249,709	100,248	-	-
	2,727	(34,020)	(45,076)	(58,498)	(11,778)	514	-
	77,344	(30,670)	111,492	56,037	10,678	153,035	171,304
	(21,019)	(103,636)	(205,507)	(91,078)	(96)	(153,034)	(171,303)
	(54,166)	173,892	25,632	70,811	(4,824)	-	-
	2,159	39,586	(68,383)	35,770	5,758	-	-

Notes to the Financial Statements

38. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmege Limited	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue / Operating Income	11,291,156,332	9,461,418,665	7,414,953,764	7,182,347,344
Cost of sales / Operating Expenses	(4,389,212,331)	(3,543,351,585)	(5,536,361,985)	(5,439,983,505)
Other Income and Gains	-	-	121,298,674	66,240,302
Administrative expenses	-	-	(637,592,583)	(734,917,945)
Selling and Distribution Costs	-	-	(717,602,989)	(707,386,160)
Other Operating Expenses	-	-	-	(227,023,036)
Finance costs	-	-	(492,528,754)	(327,148,143)
Tax on Financial Services	(1,027,100,778)	(593,451,554)	-	-
Profit before tax	5,874,843,223	5,324,615,526	152,166,127	(187,871,143)
Income tax Expenses	(1,956,638,912)	(1,606,822,662)	(51,363,136)	(26,678,144)
Profit for the year	3,918,204,311	3,717,792,864	100,802,991	(214,549,287)
Other Comprehensive income	(17,901,006)	11,236,361	2,054,564,412	274,715
Total Comprehensive income	3,900,303,305	3,729,029,225	2,155,367,403	(214,274,572)
Group share of profit for the year	1,021,867,684	969,600,379	19,885,733	(37,570,451)
Group share of Total comprehensive income for the year	1,017,199,102	972,530,822	403,871,874	(37,512,761)

	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Current Assets	55,462,986,377	48,253,738,764	4,823,579,611	4,672,842,003
Non- Current Assets	47,300,048,713	36,262,897,968	4,805,380,987	2,745,597,026
Current Liabilities	56,592,077,833	50,333,797,277	5,475,801,506	5,216,615,643
Non- Current Liabilities	33,661,277,686	23,703,520,265	650,110,137	848,852,483
Total Equity	12,509,679,571	10,479,319,190	3,503,048,955	1,352,970,902
Group's Carrying amount of the investments	4,879,157,641	4,300,856,069	970,067,329	566,195,455
Group Share of Contingent liabilities	19,776,643	53,469,518	-	-
Capital and other commitments	239,493,895	279,210,693	-	-

39 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 minimizing 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

Management 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..

Notes to the Financial Statements

39 FAIR VALUE MEASUREMENT CONTD.

39.1 ASSETS MEASURED AT FAIR VALUE:

As at 31 March	Notes	2017 Fair Value Measurement Using Quoted prices in active markets Level 1 Rs.	Significant observable inputs Level 2 Rs.	Significant unobservable inputs Level 3 Rs.	Total Fair Value Rs.
Other Financial Assets	12.				
Investments at fair value through profit or loss		43,981,389	-	-	43,981,389
		43,981,389	-	-	43,981,389
Property, Plant & Equipment	3.6				
Freehold and Clay Mining Land		-	-	5,254,615,689	5,254,615,689
Buildings		-	-	5,566,994,212	5,566,994,212
Consumable Biological Assets		-	-	490,534,000	490,534,000
	3.15	-	-	11,312,143,901	11,312,143,901

There were no transfers into and transfers out of the hierarchy levels during 2016 & 2017.

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.

39.2 ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED:

As at 31 March	Notes	2017 Fair Value Measurement Using Quoted prices in active markets Level 1 Rs.	Significant observable inputs Level 2 Rs.	Significant unobservable inputs Level 3 Rs.	Total Fair Value Rs.
Investment property	4.1				
Investment property		-	-	706,000,000	706,000,000

Details of valuation methodologies and assumptions are disclosed in the relevant footnote to the financial statements.

39.3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT CARRIED AT FAIR VALUE

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

Assets

Trade and Other Receivables,Amounts Due From Related Parties and Cash and short-term deposits

Liabilities

Trade and Other Payables and Amount Due to Related Parties

Majority of the Interest-bearing loans and borrowings balances comprise floating rate instruments therefore fair value of the value due to banks approximate to the carrying value as at the reporting date.

2016			
Fair Value Measurement Using			Total Fair Value
Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Rs.	Rs.	Rs.	Rs.
48,104,160	-	-	48,104,160
48,104,160	-	-	48,104,160
-	-	4,642,248,915	4,642,248,915
-	-	4,764,871,524	4,764,871,524
-	-	396,133,000	396,133,000
-	-	9,803,253,439	9,803,253,439

	2016			
	Fair Value Measurement Using			Total Fair Value
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
	Rs.	Rs.	Rs.	Rs.
-	-	-	527,250,000	527,250,000

Notes to the Financial Statements

40 BUSINESS COMBINATIONS AND ACQUISITION OF NON CONTROLLING INTEREST

40.1 ACQUISITION IN 2017

Acquisition of Nilano Garments (Pvt) Ltd

On 1st August 2016, the company has acquired 100% of the voting shares of Nilano Garments (Pvt) Ltd incorporated and domiciled in Sri Lanka currently engages in the business of manufacturing of value added tiles & retail and wholesale trading of ceramic tiles and allied products.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Nilano Garments (Pvt) Ltd as at the date of acquisition were;

	Fair Value as at 01.08.2016 Rs.
Assets	
Property, Plant & Equipment	26,544,000
Other Non Financial Assets	5,377,025
Cash and Cash Equivalents	772
	31,921,797
Liabilities	
Trade and Other Payables	5,201,833
Deferred Tax Liability	4,892,498
	10,094,332
Total Identifiable Net Assets Acquired	21,827,465
Goodwill Arising on Acquisition (Note 07)	38,172,535
Purchase Consideration Paid	**60,000,000**
Cash and Cash Equivalents of Subsidiary Acquired	772
Net Cash Out flow on Acquisition of subsidiary	**59,999,228**

As at acquisition date, the property, plant and equipment includes a building (on a Leasehold Land) and the fair value of the building amounting to Rs. 26,544,000/- was determined by Mr. A.A.M. Fathihu, an independent incorporated valuer in reference to market based evidence (valuation report date 7th October 2016).

Significant unobservable input :

Price per square feet is Rs. 2,100/-

Significant increases (decrease) in estimated price per square feet in isolation would result in a significantly higher (lower) fair value.

From the date of acquisition, Nilano Garments (Pvt) Ltd contributed Rs. 2,764,377/- of revenue and Rs. 11,276,801/- to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been Rs. 4,738,932/- and profit before tax from continuing operations for the Group would have been Rs. 19,331,658/-.

40.2 ACQUISITION OF ADDITIONAL INTEREST

In Lanka Ceramics PLC

On 5th August 2016, the Group acquired an additional 3.37% interest in the voting shares of Lanka Ceramics PLC, increasing its ownership interest to 80.3%. Cash consideration of Rs. 132,241,529/- was paid to the non-controlling shareholders. The carrying value of the net assets of Lanka Ceramics PLC (excluding goodwill on the original acquisition) was 5,761,053,169/-. Following is a schedule of additional interest acquired in Lanka Ceramics PLC.

In Swisstek Ceylon PLC

On 8th February 2017, the Group acquired an additional 6.88% interest in the voting shares of Swisstek Ceylon PLC, increasing its effective ownership interest to 30.61%. Cash consideration of Rs. 127,065,816/- was paid to the non-controlling shareholders. The carrying value of the net assets of Swisstek Ceylon PLC (excluding goodwill on the original acquisition) was Rs. 1,066,587,535/-. Following is a schedule of additional interest acquired in Swisstek Ceylon PLC.

	Lanka Ceramics PLC Rs.	Swisstek Ceylon PLC Rs.	Total Rs.
Cash consideration paid to non-controlling shareholders	(132,241,529)	(127,065,816)	(259,307,345)
Carrying value of the additional interest	223,922,847	127,170,732	351,093,579
Difference recognised in retained earnings	91,681,317	104,917	91,786,234

Notes to the Financial Statements

41 DISCONTINUED OPERATIONS

On 25th July 2016, the Board of Directors took a decision to cease the operations of Ever Paint and Chemical Industries (Private) Limited ("EPCI") and to dispose of the assets thereof. Further, the company is available for immediate sale in its current condition and the actions to complete the sale were initiated and expected to be completed within one year from the reporting date. EPCI is a fully owned subsidiary of Royal Ceramics Lanka PLC and it was engaged in the business of manufacturing and marketing of paints and allied products. With EPCI being classified as discontinued operations, the paint and allied products segment is no longer presented in the segment note. The results of EPCI for the year is presented below:

	2017 Rs.	2016 Rs.
Net Revenue	24,814,745	122,661,094
Cost of Sales	(35,159,348)	(109,742,685)
Operating Income	(10,344,603)	12,918,409
Other Operating Income	12,480,219	1,362,720
Distribution Expenses	(29,199,525)	(44,707,008)
Administrative Expenses	(12,378,507)	(14,830,268)
Finance Expenses	(24,626,803)	(18,257,606)
Other Expenses	(131,480,477)	-
Loss for the year from discontinued operations (Attributable to the parent)	(195,549,696)	(63,513,753)

The major classes of assets and liabilities of EPCI is classified as held for sale as at the end of the year:

	2017 Rs.
Assets	
Property, Plant & Equipment	75,143,049
Inventories	37,000,685
Trade and Other Receivables	25,016,112
Cash and Cash Equivalents	655,424
Assets Held for Sale	137,815,270
Liabilities	
Trade and Other Payables	(14,442,266)
Interest Bearing Loans & Borrowings	(121,501,969)
Retirement Benefit Liability	(1,999,488)
Liabilities Directly Associated with the Assets Held for Sale	(137,943,723)
Net Liability Directly Associated with Disposal Group	(128,453)

The net cash flows incurred by EPCI is as follows:

	2017 Rs.	2016 Rs.
Operating	108,427,402	31,786,162
Investing	2,461,459	(2,701,213)
Financing	(27,650,537)	(33,885,318)
Net cash (outflow)/inflow	83,238,324	(4,800,369)

Earnings Per Share

	2017 Rs.	2016 Rs.
Basic, profit/(loss) for the year from discontinued operations	(1.77)	(0.57)

Interest-bearing liabilities comprise a floating rate bank loan of Rs. 25,750,000/- having an EIR of AWPLR plus 1% that is repayable in full on 30 June 2018.

Write-down of Assets held for sale

Following the classification, a write-down of Rs. 131,480,477/- was recognised at the end of reporting period to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations in the statement of profit or loss.

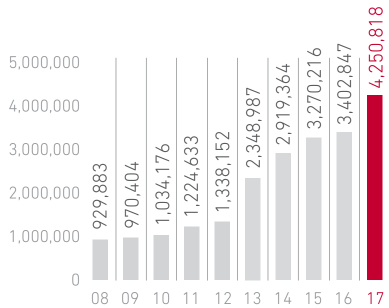
Ten Year Summary-Company

Trading results (RS.'000)	SLFRS						SLAS			
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net Turnover	3,824,905	3,405,538	2,649,933	2,413,817	2,296,295	2,178,913	2,180,608	1,529,017	1,435,112	1,484,123
Other Income	1,808,744	1,679,396	1,256,470	1,435,441	1,425,346	2,128,946	1,431,648	876,799	481,761	202,217
Profit before interest	1,876,753	1,538,464	1,012,158	1,187,850	1,283,316	2,104,973	1,540,223	879,642	441,083	356,391
Interest	(386,935)	(360,784)	(376,515)	(518,989)	(364,554)	(834,642)	(72,735)	(132,419)	(215,386)	(207,114)
Profit After Interest Before Tax	1,489,818	1,177,680	635,642	668,861	918,762	1,270,331	1,467,488	747,223	225,697	149,277
Tax Reversal/Expense	(130,701)	15,315	143,881	185,780	67,724	(15,716)	(93,663)	(36,611)	(20,011)	(27,310)
After Tax Profit from Discontinued Operations	-	-		-	31,386	-	-	-	-	-
Net Profit	1,359,117	1,192,996	779,524	854,641	1,017,873	1,254,614	1,373,825	710,612	205,686	121,966

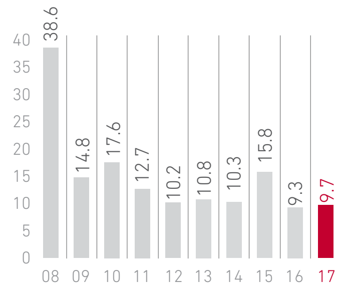
Statement of Financial Position (RS.'000)	SLFRS						SLAS			
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Stated Capital	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	814,726	814,726	814,726
Capital Reserve	213,634	213,634	213,634	213,634	213,634	-	-	365,714	367,343	418,388
Retained Earnings	6,444,557	6,076,307	5,545,481	5,205,381	4,354,879	3,558,585	2,747,129	1,150,357	576,602	430,660
Shareholders Funds	8,026,864	7,658,614	7,127,789	6,787,689	5,937,187	4,927,259	4,115,802	2,330,797	1,758,671	1,663,775
Fixed Assets	4,250,818	3,402,847	3,270,216	2,919,364	2,348,987	1,338,152	1,224,633	1,034,176	970,404	929,883
Investments	8,320,280	8,046,217	8,153,536	7,830,693	4,616,800	4,602,552	1,430,000	1,603,941	1,264,888	1,772,020
Other Financial Assets	43,981	56,771	131,735	197,210	196,470	192,395	183,962			
Current Assets	2,402,416	2,459,179	2,215,855	1,929,083	2,049,797	2,062,624	3,679,820	1,460,429	1,766,129	919,250
Current Liabilities	(3,625,785)	(3,485,306)	(3,333,914)	(2,394,873)	(2,048,728)	(2,085,282)	(1,941,945)	(1,446,404)	(1,722,431)	(1,300,811)
Non Current Liabilities	(3,515,723)	(3,088,016)	(3,487,254)	(3,859,125)	(1,226,138)	(1,183,183)	(460,667)	(321,345)	(520,319)	(656,568)
Total Equity	8,026,864	7,658,614	7,127,789	6,787,689	5,937,187	4,927,259	4,115,802	2,330,797	1,785,671	1,663,775

Ratios and Statistics	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Ordinary Dividends (Rs.'000)	997,104	664,736	443,158	-	221,579	443,158	276,973	138,487	110,789	55,395
Dividend per Share (Rs)	9	6.00	4.00	-	2.00	4.00	2.50	1.25	1.00	0.50
Dividend Payout Ratio(%)	73	56	57	-	22	35	20	19	54	45
Earnings Per Share (Rs.)	12.27	10.77	7.04	7.71	9.19	11.32	12.40	6.41	1.86	1.10
Market value per share-closing(Rs.)	119	100.10	111.00	79.30	99.50	115.00	157.00	113.00	27.50	42.50
Market value per share-Highest(Rs.)	125.30	137.00	125.00	112.00	118.50	167.50	335.00	116.50	51.00	45.00
Price Earnings Ratio(Times)	9.70	9.30	15.77	10.29	10.83	10.16	12.66	17.62	14.81	38.61
Net Assets Per Share(Rs.)	72.45	69.13	64.34	61.27	53.59	44.47	37.15	21.04	15.87	15.02
Return on Equity(%)	17	16	11	13	17	25	33	30	12	7

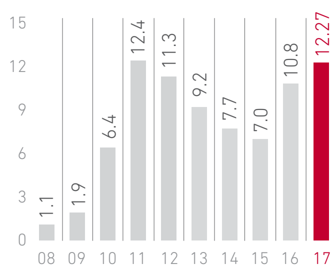
Fixed Assets



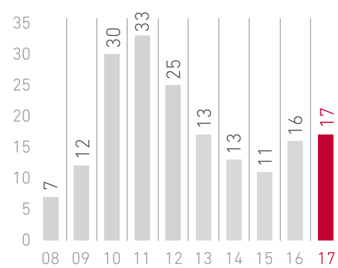
Price Earnings Ratio (Times)



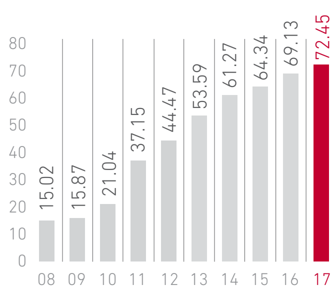
Earnings Per Share (Rs.)



Return on Equity (%)

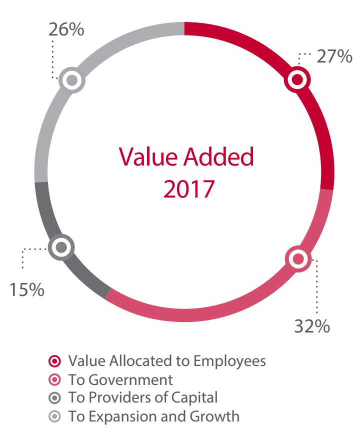


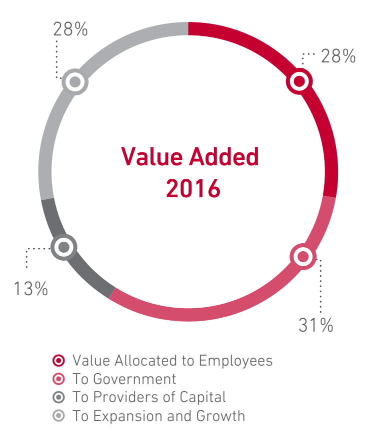
Net Assets Per Share (Rs.)



Group Value Added Statement

	2017			2016		
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Turnover	29,295,996				27,185,299	
Finance & Other Income	366,180				269,889	
Share of Associate Company's profit	1,562,177				1,355,949	
	31,224,353				28,810,949	
Less: Cost of Material & Services bought in	(14,844,716)				(14,298,063)	
	16,379,637				14,512,886	
Value Allocated to Employees						
Salaries and Wages and Other Benefits		4,506,851	27%		4,006,411	28%
To Government						
Super Gain Tax	-			263,542		
Income Tax	1,854,960			1,615,811		
VAT/NBT	3,333,572	5,188,532	32%	2,689,959	4,569,312	31%
To Providers of Capital						
Dividends	1,330,580			991,087		
Finance Cost	1,128,457	2,459,037	15%	822,748	1,813,835	13%
To Expansion and Growth						
Retained in Business	2,918,238			2,874,099		
Depreciation	1,306,979	4,225,217	26%	1,249,229	4,123,328	28%
		16,379,637	100%		14,512,886	100%





Share Information

SHARE DISTRIBUTION

SHAREHOLDING AS AT 31ST MARCH 2017

There were 10,895 registered shareholders as at 31st March 2017, distributed as follows:

Number of Shares Held		Number of Shareholders	Number of Shares	% Shareholding
1	- 1,000	9,708	2,048,294	1.85
1,001	- 10,000	956	3,161,899	2.85
10,001	- 100,000	185	5,441,375	4.91
100,001	- 1,000,000	38	10,059,408	9.08
1,000,000	Over	8	90,078,408	81.31
Total		10,895	110,789,384	100.00

42.50% of shares were held by Public as at 31st March 2017

Category Shareholders	Number of Shareholders	No of Shares	Total Holding %
Local Individuals	10,452	10,798,091	9.75
Local Institutions	318	87,322,895	78.82
Foreign Individuals	112	949,211	0.85
Foreign Institutions	13	11,719,187	10.58
	10,895	110,789,384	100

Share prices for the year	2016/17		2015/16	
	Date	Price	Date	Price
Highest during the year	03.10.2016 and 30.09.2016	126.00	27.07.2015	137.00
Lowest during the year	01.04.2016	100.20	10.03.2016	95.10
As at end of the year		119		100.1

Share Information

TWENTY MAJOR SHAREHOLDERS

NO	Name	Number of shares as at 31.3.2017	% of Issued Capital	Number of shares as at 31.3.2016	% of Issued Capital
1	Vallibel One PLC	62,002,600	55.964	56,502,600	51.000
2	Employees Provident Fund	15,277,998	13.790	15,505,052	13.995
3	HSBC Intl Nom Ltd - Bbh- Grandeur Peak Emerging Markets Opportunities FUND	3,593,775	3.244	3,593,775	3.244
4	Pershing Llc S/A Averbach Grauson & Co	2,944,983	2.658	21,281	0.019
5	HSBC Intl Nom Ltd-Mscd-Briarwood Capital Partners LP	1,972,748	1.781	-	-
6	National Savings Bank	1,834,159	1.656	1,834,159	1.656
7	HSBC Intl Nom Ltd -BBH Grandeur Peak Global Reach Fund	1,352,145	1.220	1,460,600	1.318
8	BNYMSANV Re - Compass Asia Partners, L.P.	1,100,000	0.993	1,100,000	0.993
9	Employees Trust Fund Board	828,880	0.748	1,963,880	1.773
10	Mr. A. M. Weerasinghe	749,928	0.677	749,928	0.677
11	AIA Insurance Lanka PLC A/C No. 7	700,379	0.632	455,385	0.411
12	Mercantile Investments and Finance PLC	550,000	0.496	550,000	0.496
13	Mrs. S. N. Fernando	527,410	0.476	478,888	0.432
14	Amaya Leisure PLC	521,600	0.471	521,600	0.471
15	Mas Capital (Private) Limited	473,095	0.427	803,639	0.725
16	Bank of Ceylon No 2 A/C	469,410	0.424	469,410	0.424
17	Mr. D. L. B. C. Perera & Mrs. I. V. Kariyakarawana	411,662	0.372	508,667	0.459
18	Mellon Bank N.A-Commonwealth of Massachusetts	314,901	0.284	314,901	0.284
19	HSBC Intl Nom Ltd-BBH-Grandeur Peak Global Micro Cap Fund	267,000	0.241	267,000	0.241
20	First Capital Limited	217,375	0.196	217,375	0.196
		96,110,048	86.750	87,318,140	78.815
	Others	14,679,336	13.250	23,471,244	21.185
	Total	110,789,384	100.000	110,789,384	100.000

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 nonoccurrence of one or more future events.

CURRENT RATIO
Current assets divided by current liabilities

DIFFERED 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
Profit attributable to Equityholders 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)

GRI Index

GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Page Number (or Link)	External Assurance
STRATEGY AND ANALYSIS		
G4-1	10-11, 12-15	-
ORGANIZATIONAL PROFILE		
G4-3	Inner back cover	-
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G4-5	Inner back cover	
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G4-7	Inner back cover	
G4-8	44-63	
G4-9	6-7	
G4-10	29-33	
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G4-13	No significant changes	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	100	
G4-18	27-43	
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G4-20	27-43	
G4-21	27-43	
G4-22	No restatements	
G4-23	No significant changes	
STAKEHOLDER ENGAGEMENT		
G4-24	23-26	
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SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	"Page Number (or Link)	"Identified Omission(s) In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted."	"Reason(s) for Omission(s) In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission."	"Explanation for Omission(s) In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted."	"External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report."
CATEGORY: ECONOMIC					
MATERIAL ASPECT: ECONOMIC PERFORMANCE					
G4-EC1	200				
CATEGORY: ENVIRONMENTAL					
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MATERIAL ASPECT: LOCAL COMMUNITIES					
G4-SO1	35-36				
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Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Seventh (27th) Annual General Meeting of Royal Ceramics Lanka PLC will be held at The Kingsbury, 48, Janadhipathi Mawatha, Colombo on the 30th day of June 2017 at 09.00a.m for the following purposes:

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 2017 and the Report of the Auditors thereon.

2. To declare a Dividend as recommended by the Directors.

3. To re-elect Mr. L T Samarawickrama, who retires by rotation in terms of the Articles of Association, as a Director of the Company

4. To pass the ordinary resolution set out below to re- appoint Mr. R N Asirwatham who is 74 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 74 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"

5. To re-elect Mr. M Y A Perera, who retires in terms of the Articles of Association, as a Director of the Company

6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine payments for the year 2017/2018 and upto the date of the next Annual General Meeting for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board
ROYAL CERAMICS LANKA PLC

ADwyesl

P W Corporate Secretarial (Pvt) Ltd
Secretaries

At Colombo

26 May 2017

NOTES:

1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to 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.

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 9.00am on 28th June 2017

Form of Proxy

*I/We...holder of

NIC No ....of .... being

a *Shareholder /Shareholders of Royal Ceramics Lanka PLC, do hereby appoint .... holder of NIC

No .... of .... or failing him/her

Mr. Dhammika Perera	or failing him
Mr. A M Weerasinghe	or failing him
Mr. M Y A Perera	or failing him
Mr. T G Thoradeniya	or failing him
Mr. L T Samarawickrama	or failing him
Mr. G A R D Prasanna	or failing him
Mr. R N Asirwatham	or failing him
Mr. S H Amarasekera	or failing him
Ms. N R Thambiayah	or failing her
Mr. L N De S Wijeyeratne	

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 30th June 2017 at 09.00 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1.	To declare a Dividend as recommended by the Directors.		
2.	To re-elect Mr. L T Samarawickrama, who retires by rotation in terms of the Articles of Association, as a Director of the Company.		
3.	To pass the ordinary resolution set out below to re-appoint Mr. R N Asirwatham who is 74 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 74 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"		
4.	To re-elect Mr. M Y A Perera, who retires in terms of the Articles of Association, as a Director of the Company		
5.	To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.		
6.	To authorize the Directors to determine payments for the year 2017/2018 and upto the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147).		

Signed this.............. day of .... Two Thousand and Seventeen

....
Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –
   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid the completed Form of Proxy shall be deposited at the Registered Office of the Company situated at No. 10, R. A. de Mel Mawatha, Colombo 3, by 9.00 a.m on 28th June 2017.

Corporate Information

NAME OF THE COMPANY

Royal Ceramics Lanka PLC

LEGAL FORM

A Public Quoted Company with limited liability 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. M.Y.A. Perera
Managing Director (Appointed on 14.03.2017)

Mr. T.G. Thoradeniya
Director Marketing & Business Development

Mr. L.T. Samarawickrama
Mr. G.A.R.D. Prasanna
Mr. R.N. Asirwatham
Mr. S.H. Amarasekara
Ms. N.R. Thambiayah
Mr. L.N. De S. Wijeratne
Mr. W.D.N.H. Perera
(Resigned w.e.f. 07.03.2017)

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 and its subsidiaries
Nilano Garments (Pvt) Ltd
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
Photography by Taprobane Street

Rocell
Eternal elegance