INFINITE POTENTIAL

ROYAL CERAMICS LANKA PLC

Annual Report 2017/18

Rocell
Eternal elegance

INFINITE POTENTIAL

Royal Ceramics is now one of Sri Lanka's most successful manufacturing companies, operating in several fast-growing industry sectors from tile manufacture where we have our roots, to sanitaryware, aluminium, mining, plantations, financial solutions and other services.

We've come a long way since we began as a tile manufacturer with something special to offer. Today, your company is reputed as a diversified conglomerate that excels in many spheres of business; setting industry standards for design, innovation, quality and value in the broadly disparate sectors we have chosen to operate.

This year has not been easy; but we can proudly report that we have weathered the storm, bringing our corporate qualities of perseverance, resilience and strength to the fore, to deliver a positive performance for the year under review, with bright prospects for the year ahead as well.

We go forward with confidence, strong in the knowledge that whatever the future may hold, your company's inherent strength, resilience and stability will keep it vibrant, delivering excellent results through a business model that is designed to realise our infinite potential for sustainable value creation.

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AN OVERVIEW

STEWARDSHIP AND ACCOUNTABILITY

Financial Manufactured Human Natural Intellectual

CHARTING OUR COURSE

REDEFINING QUALITY

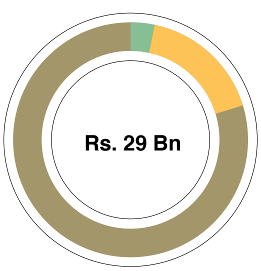
An Overview

ABOUT US

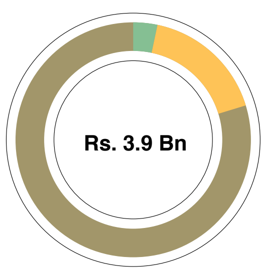
The Royal Ceramics Group is the undisputable market leader in Sri Lanka's tile industry with a presence in over 16 countries and a growing portfolio of diverse strategic businesses. Our state of the art manufacturing facilities produce a range of tiles that set trends in tasteful interiors with a range of designs to cater to every mood. We have a widening presence along the construction sector value chain with strategic investments in other related sectors with presence in the agriculture, industry and services sectors of the economy. Island-wide distribution networks support availability while agile supply chains support operational efficiencies.

A DIVERSE BUSINESS PORTFOLIO

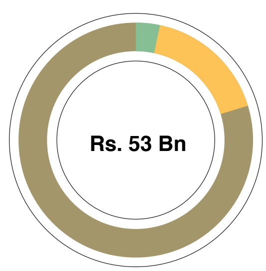
TILES AND ASSOCIATED PRODUCTS	SANITARY AND BATHWARE	ALUMINIUM	PACKAGING	PLANTATIONS	FINANCIAL SERVICES	OTHER
Manufacture and distribution of floor tiles,wall tiles, tile grouts and tile mortar	Manufacture and distribution of bathware and accessories	Extrusion of aluminium profiles	Environmentally friendly packaging	Cultivation and processing of tea, rubber and oil palm.	Our Associate company LB Finance PLC is a leading Non-Bank Financial Institution	Consumer, retail, life style, healthcare and transportation Mining for supply of raw materials



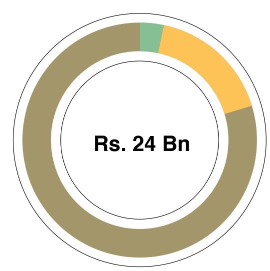
Revenue



Profit



Asset



Liabilities

ECONOMIC IMPACT

Rs. 4,959 Mn
Value to Employees

Rs. 6,017 Mn
Taxes Paid to Government

Rs. 2,771 Mn
Value to Providers of Capital

Rs. 3,529 Mn
Value to Expansion and Growth

Rs. 17 Bn
Total Value Added

ECONOMIC IMPACT

9,605
Direct Employment

Rs. 1,054 Mn
Exports

Rs. 6,727 Mn
Imports

Rs. 11.7 Bn
Market Capitalisation

OUR MARKETS

- Japan
- Singapore
- New Zealand
- Taiwan
- Pakistan
- Nepal
- Oman
- India
- Australia
- Canada
- USA
- Sweden
- England
- Netherlands
- Maldives
- Seychelles

OUR QUEST FOR EXCELLENCE

'Rocell' one of the top 20 best Sri Lankan brands at the Interbrands awards ceremony.

Royal Ceramics Lanka PLC - Silver award in the manufacturing sector at the CA Sri Lanka Annual Report Awards 2017

Lanka Walltiles PLC 'Top Ten Award' CNCI Achiever Awards 2017

Lanka Walltiles PLC - Bronze Award extra large category - CNCI Achievers Awards 2017

Lanka Tiles PLC - Merit Award extra large category CNCI Achiever Awards 2017

GROWTH THROUGH STRATEGIC ACQUISITIONS

1991 – Commenced operation in manufacturing Tile

2002 – Commenced Operations of Royal Porcelain (Pvt) Ltd

2009 – Commenced Operations of Rocell Bathware Ltd

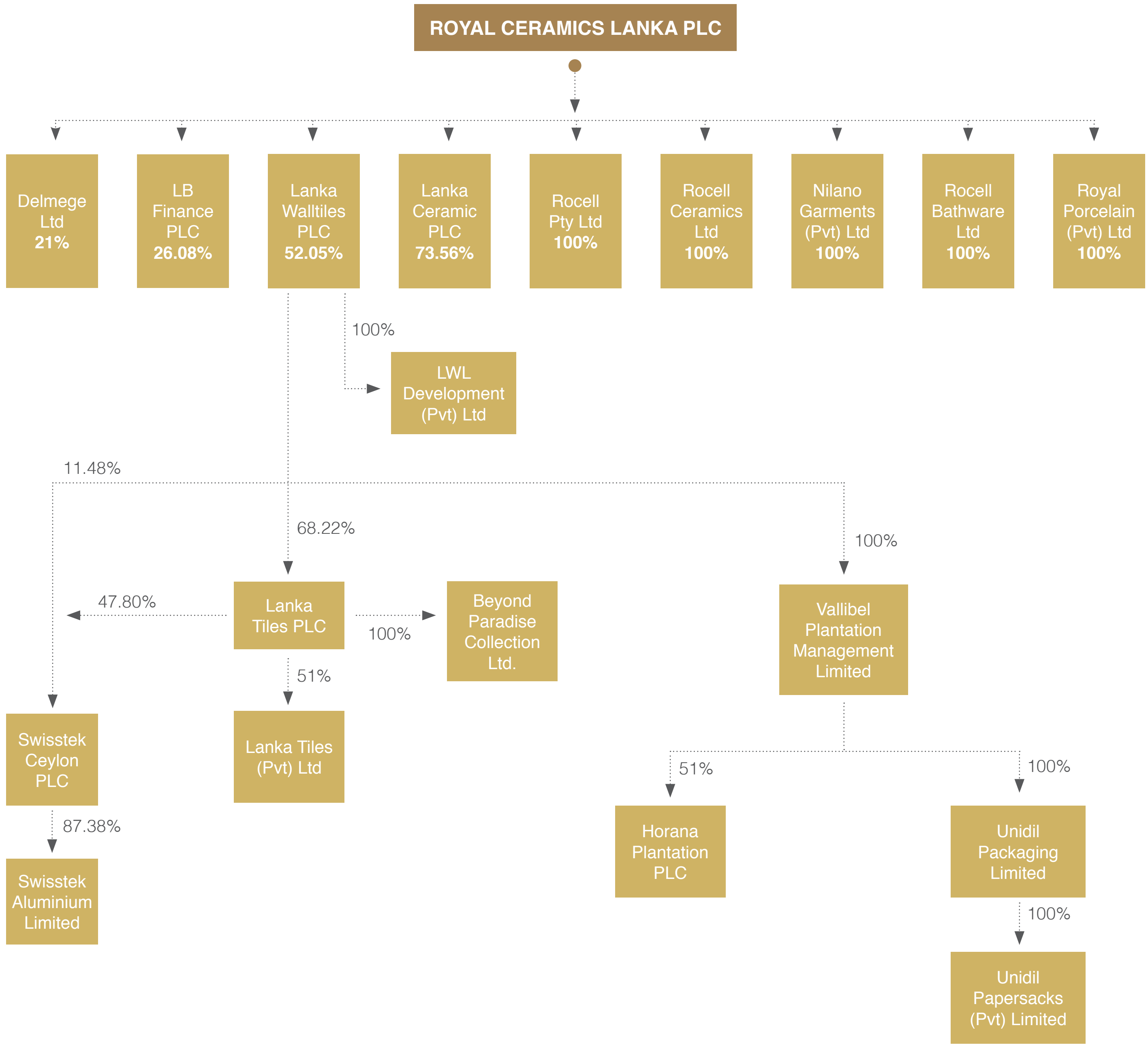
2011 – Acquired 20% stake in Delmege Ltd.

2012 – Acquired 25.85% stake in LB Finance PLC

2013 – Acquired 76.54% stake in Lanka Ceramic PLC

2014 – Commenced Rocell Pty Ltd in Australia

GROUP STRUCTURE



ABOUT THE REPORT

This is our second integrated report aiming to deliver insights as to how we created value during the financial year ended 31st March 18. We have gone back to our drawing boards and re-worked our reporting processes to make this year's report more transparent, relevant and concise while ensuring that material matters are addressed in sufficient depth.

SCOPE AND BOUNDARY

This report covers the activities of Royal Ceramics Lanka PLC (RCL), subsidiaries and associate companies. Financial and non- financial information presented in the report relate to the Group unless indicated otherwise. The list of Subsidiaries and grouping of the same in to segments for reporting is given on page 6.

REPORTING FRAMEWORKS

We have complied with the requirements set out in the following regulatory and voluntary frameworks:

Regulatory Requirements	Voluntarily Adopted Frameworks For Reporting
• Companies Act No.7 of 2007 • Continued Listing Requirements of the Colombo Stock Exchange • Sri Lanka Accounting & Auditing Standards Act No.15 of 2015 • Sri Lanka Financial Reporting Standards	• Integrated Reporting Framework issued by the International Integrated Reporting Council • Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka December 2017 • Communicating Sustainability issued by the Colombo Stock Exchange • Sustainability Standards issued by the Global Reporting Initiative • Sustainability Development Goals

ASSURANCE

Assurance on the financial statements have been provided by Messrs. Ernst & Young.

For any inquiries on the report, please contact

Mr.Haresh Somashantha

Head of Finance & Treasury
No 20, R A De Mel Mawatha,
Colombo 3

Email: haresh@rcl.lk

Website: www.rocell.com

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

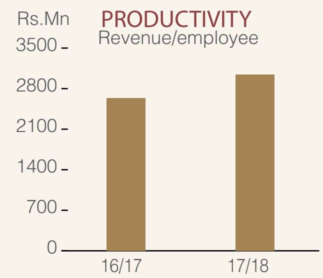
Financial Performance	Unit	2017/18	2016/17 Restated	% variance
Revenue	Rs:Mn	29,090	26,413	10
Gross Profits	Rs:Mn	10,933	10,863	1
Earnings Before Interest and Tax (EBIT)	Rs:Mn	6,736	7,270	(7)
Profit before tax	Rs:Mn	5,373	6,167	(13)
Profits after tax	Rs:Mn	3,851	4,637	(17)
Profits attributable to shareholders	Rs:Mn	2,880	3,375	(15)
Gross profit margin	%	37.58	41.13	(9)
Net profit margin	%	13.24	17.55	(23)
Return on assets (ROA)	%	7.24	10.24	(29)
Return on equity (ROE)	%	13.26	18.1	(27)
Interest cover	Times	5.14	7.76	(34)
Financial Position				
Assets	Rs:Mn	53,158	45,267	17
Capital expenditure	Rs:Mn	3,645	4,004	(9)
Total Debt	Rs:Mn	15,063	12,372	21
Other Liabilities	Rs.Mn	8,888	6,333	40
Total Equity	Rs:Mn	29,207	26,562	10
Debt to Equity	%	51.57	46.58	11
Net assets per share	Rs:	183	163	12
Current ratio	Times	1.31:1	1.47:1	(11)
Quick assets ratio	Times	0.47:1	0.62:1	(24)
Shareholder information				
No of shares in issue	Number	110,789,384	110,789,384	-
Market value per share	Rs:	105.40	119.00	(11)
Dividend per share	Rs:	7.00	9.00	(22)
Earnings per share	Rs:	26.00	30.46	(15)
Market capitalization	Rs:Mn	11,677	13,184	(11)
Dividend payout ratio	%	27	30	(10)
Other				
Number of employees	Number	9,605	10,014	(4)
Average revenue per employee	Rs:Mn	3.03	2.64	16
Average profit per employee	Rs:Mn	0.40	0.46	(11)
Number of showrooms	Number	56	53	6

NON FINANCIAL HIGHLIGHTS

HUMAN CAPITAL
[Refer pages 66 to 71]

RETENTION RATE
85%

INVESTMENT IN TRAINING
13 mn



MANUFACTURED CAPITAL
[Refer pages 61 to 65]

PPE AT START
Rs.21.8bn

INVESTMENTS
Rs.3.6bn

PPE AT CLOSE
Rs.25.8bn

SOCIAL AND RELATIONSHIP CAPITAL
[Refer pages 72 to 74]

NUMBER OF DEALERS AND DISTRIBUTORS
263

TO SUPPLIERS
Rs.22bn

INVESTED IN COMMUNITY
Rs.31 mn

NATURAL CAPITAL
[Refer pages 75 to 79]

EXTENT OF CULTIVATED LAND
7,634HA

ENERGY INTENSITY
COST OF FUEL/ REVENUE
10%

WATER FOOTPRINT
227mn
LITRES OF WATER.

INTELLECTUAL CAPITAL
[Refer pages 80 to 81]

QUALITY ACCREDITATIONS
15

AWARDS
5

CHAIRMAN'S MESSAGE

Rocell is among the country's leading brands with a strong domestic franchise

"

TOTAL ASSETS INCREASED TO RS.53.2 BN AS THE GROUP GREW BY 17% AS WE CONTINUED TO INVEST IN EXPANSION AND UPGRADING OF OUR MANUFACTURING CAPABILITY TO SUPPORT OUR FUTURE GROWTH.

Dear Shareholders,

I am pleased to report that the Royal Ceramics Group has recorded Rs.3.8 bn as profit after tax for the year ended 31st March 2018 reflecting smart strategy and agility in what proved to be a challenging year. Total Assets increased to Rs.53.2 bn as the Group grew by 17% as we continued to invest in expansion and upgrading of our manufacturing capability to support our future growth.

Our Group's vision has been to grow in sectors where we see opportunities for sustained profitability and growth and our investment portfolio reflects this. It is aligned to Sri Lanka's aspirations to move from a lower middle income country to a higher middle income country classification as we move towards a $4000 per capita income. Growth in the country moderated to 3.7% in 2017 due to the poor performance of the agriculture sector attributable to the prolonged drought alternating with floods. The industrial sector growth also moderated due to the knock-on effects of the agriculture sector woes while the services sector demonstrated strong growth supported by the financial services sector and the telecommunications sector. Inflation increased reflecting increases in prices of both food and non-food items. Interest rates increased reflecting tightening liquidity and increasing trade deficits and balance of payments. Exports increased as a competitive exchange rate and GSP+ concessions supported the competitiveness of our exports. Imports increased mainly due to increased fuel prices increasing the trade deficit. Devaluation of the rupee while supporting exports exerted pressure on operating margins as imported raw materials became more expensive.

Our investments in the Tiles, Sanitary ware and Aluminium sectors reflect the opportunities we perceive for growth in these sectors as higher levels of income support improved lifestyles for Sri Lankans. The tiles sector which accounts for 63% of the Group's assets is expected to be a key beneficiary of this trend and demonstrated strong growth in profitability during the preceding five years as profits doubled. We believe that this trend will continue into the future despite a temporary decline in profitability observed during this year, mainly attributable to a decrease in discretionary purchasing power of consumers due to increased inflation, taxes and high interest rates.

Investments in the Finance sector also support our belief that it is the backbone of growth for an economy and that an agile strategy supporting access to finance for aspiring entrepreneurs, salaried employees and self-employed persons will support realization of mutual goals for growth. Here too, we are realizing our vision as evinced by the strong growth of this sector and its growth in profitability.

The Plantation sector benefitted from the upsurge in prices at the Colombo Tea Auctions and also for rubber which supported a return to profitability. Crop diversification strategies will further strengthen the potential of this sector, auguring well for its long term growth and profitability.

POSITIONED FOR GROWTH

Rocell is among the country's leading brands with a strong domestic franchise and the undisputed leader in tiles in the country and geared for growth in local and global markets. Capital expenditure of Rs.2.7 bn during the year has strengthened our position further supporting our growth aspirations. Other sectors are also significant players in their respective sectors and have invested a further Rs. 0.9 bn in positioning for growth. A strong Group balance sheet and capabilities honed over the years support our aspirations.

PROFIT AFTER TAX

Rs.3.8 bn

for the year ended 31st March 2018

TOTAL ASSETS INCREASED TO

Rs.53.2 bn

as the Group grew by 17%

APPRECIATION

I commend the Royal Ceramics Group for the performance delivered as set out in this report. The Board joins me in thanking our business partners who have supported our growth and look forward to realizing our mutual goals. I also wish to thank my fellow Board members for their counsel and guidance in discharging our collective responsibilities. In conclusion, I thank our shareholders for their confidence as pursue our corporate vision.

Dhammika Perera
Chairman

MANAGING DIRECTOR'S REVIEW

Product diversification plays a key role in our plans as we increase our relevance to the customers and broad base our presence across the supply chain.

"

WE BELIEVE THAT WE HAVE CREATED A MORE RESILIENT AND EFFICIENT GROUP AS A RESULT OF OUR EXPERIENCES AND THAT OUR UNDERLYING STRENGTHS WILL SUPPORT OUR GROWTH ASPIRATIONS GOING FORWARD.

GROUP DELIVERED TOP LINE GROWTH OF

10%

The Royal Ceramic Group recorded top line growth of 10% to reach Rs.29 bn in turnover and 17% growth in Total Assets reflecting the strong market positioning of the Group entities and our plans for growth. Profits for the year of Rs.3.85 bn recorded a decline of 16% in comparison with the previous year due to materialization of several downside risks to our forecast of the macroeconomic environment. We believe that we have created a more resilient and efficient Group as a result of our experiences and that our underlying strengths will support our growth aspirations going forward.

STEPPING UP

Increasing imports from low cost producers entering the market, increasing raw material prices due to supply disruptions, inflation and devaluation of the rupee, high energy costs and labour costs which combined to make this year an extremely challenging one particularly for the Tiles sector which accounts for 65% of Group Revenue and assets.

The Group stepped up to the challenge of retaining our position as market leader and trendsetter with product innovation, upgrading technology, streamlining processes and reviewing our sourcing strategies. With four entities producing tiles under the Rocell Brand and Lanka Tiles brand, we shared intelligence and best practice to identify solutions enabling us to curtail the impact of potential threats. We invested a total of Rs 2,536 mn in the sector to add 1,800 sqm new production capacity/day with a focus on manufacturing larger tile sizes driving economies of scale, supporting energy efficiencies and to expand showroom and warehouse network. We also increased our presence at trade fairs and exhibitions overseas to grow our exports which has yielded promising results supported by a more competitive exchange rate, an opportunity we intend to pursue to gain entry into new markets. A strong domestic franchise supported the ranking of 'Rocell' among the country's top 20 brands by Inter Brand, making it the strongest brand in the country.

Sanitaryware delivered top line growth of 3% which reflects subdued economic growth while defending its market share of 40%. Gross margins were maintained which partially offset the increase in interest costs attributable to increased interest rates and borrowings.

"

THE GROUP STEPPED UP TO THE CHALLENGE OF RETAINING OUR POSITION AS MARKET LEADER AND TRENDSETTER WITH PRODUCT INNOVATION, UPGRADING TECHNOLOGY, STREAMLINING PROCESSES AND REVIEWING OUR SOURCING STRATEGIES.

INVESTED A TOTAL OF

Rs 2,536 mn

to add 1,800 sqm new production capacity/day with a focus on manufacturing larger tile sizes driving economies of scale, supporting energy efficiencies and to expand showroom and warehouse network.

Measures taken to drive cost efficiencies throughout the sector are reflected in the lower administration costs which declined by 20% although distribution costs increased by 17%. Net profits for the year declined by 18% to Rs.246 mn. Prospects for this sector's growth are positive as we expand our concept stores and diversify our product range together with an Italian partner to develop a range of modular kitchens.

The Packing Materials sector was also impacted by the increasing cost of raw

MANAGING DIRECTOR'S REVIEW

THE PLANTATIONS SECTOR DELIVERED HEALTHY TOP LINE GROWTH OF 15% AS BOTH TEA AND RUBBER PRICES REMAINED BUOYANT DURING THE YEAR FACILITATING THE TURNAROUND OF THIS SECTOR WHICH RECORDED A PROFIT OF RS,36 MN FOR THE REPORTING YEAR.

materials as paper prices escalated by 50%, which was exacerbated by the devaluation of the rupee, resulting which eroded profit margins. We were unable to pass on the price increase immediately due to contractual obligations which are now normalizing as the contracts come up for renewal. Consequently, profits from this sector declined by 84% to Rs,16 mn compared to Rs.100 mn in the previous year. We expect profitability of this sector to improve during the year that commenced as price revisions and enhanced capacity of over 40% support top line growth and margins. Downside risks include supply issues related to paper as detailed in the sector review. We will also pursue export opportunities in the region to support top line growth leveraging our adherence to quality certifications.

The Plantations sector delivered healthy top line growth of 15% as both tea and rubber prices remained buoyant during the year facilitating the turnaround of this sector which recorded a profit of Rs,36 mn for the reporting year. Cost escalations were largely cushioned by improved profitability. We continued our strategy of crop diversification, increasing the hectares of Oil Palm plantations by 85 hectares during the year and introducing cinnamon and coconut to the low country plantations. Upcoming wage negotiations scheduled for October 2018 remain a concern despite the shift to a revenue based model.

Swisstek Aluminium delivered strong top line growth of 18% supported by strong demand in both the domestic

OUR INVESTMENTS AND PROCESSES NOW REFLECT MORE POSITIVE ACTION TOWARDS ENVIRONMENTAL SUSTAINABILITY.

market and neighbouring markets. We maintained 80% capacity utilization across our facilities and expanded the extrusion capacity by 150% during the year to support our growth aspirations in the South Asian region. Margins were impacted by increased costs of Aluminium in global markets and distribution costs also increased significantly as we pursued a strategy of growth in regional markets and increased the concept stores locally. Profit for the year declined by 22% due to increased distribution costs and interest costs as interest rates and borrowings increased during the year. Prospects for this sector are positive due to market expansion and forecast growth in the construction sector.

Our Associate company LB Finance delivered strong growth and profits supported by increasing interest rates and market presence contributing Rs.1,107 bn to the Group which amounted to 29% of the Group's bottom line. The company's growth trajectory was supported by expansion of their footprint and increased penetration.

POISED FOR SUSTAINABLE GROWTH

Our investments and processes now reflect more positive action towards environmental sustainability. All new investments are expected to enhance energy efficiency and reduce water consumption which are a major concern across our 8 manufacturing facilities. Concepts such as responsible consumption, recycling and re-use are a key focus as they drive significant cost savings across the Group, successfully integrating management of financial capital and natural capital.

Social aspects of sustainability are well integrated within the Group as evinced by our record on harmonious relations with active trade union across the manufacturing operations. The Plantations sector's efforts to uplift the lives of their employees who are resident on the estates under the Green and Gold Housing initiative merits special mention as these are largely ignored in annual wage negotiations which are dominated by perceptions of a colonial legacy which we have worked hard to change.

As a Group, we continue to invest in expanding our capacity and invested a total of Rs.3.6 bn during the year across our sectors to deliver sustained growth. Our capacity expansion is supported by increased market presence with an increasing presence overseas as we expand our exports. Strong domestic brands underpinned by international certifications on quality and sustainable practices support our ventures in to new export markets, competing globally to deliver growth. Product diversification plays a key role in our plans as we increase our relevance to the customers and broad base our presence across the supply chain.

ACKNOWLEDGEMENTS

I wish to thank the Board for their strategic vision and counsel which has been a guiding force through the year. Our business partners have shared our growth journey and I extend my sincere appreciation of their contribution as they play a vital role in our supply chain. The results set out in this report are largely attributable to the synchronized performance of 9,605 employees across the Group and I take this opportunity to thank them for their commitment and hard work. It has been my privilege to work with you and I look forward to your continued support in the future as we drive sustainable growth and profitability to deliver value to our stakeholders.

Aravinda Perera
Managing Director

BOARD OF DIRECTORS

1. MR. G A R D PRASANNA
2. MS. NIRUJA RAJESWARI THAMBIAYAH
3. MR. L N DE S WIJEYERATNE
4. MR. L T SAMARAWICKRAMA
5. MR. DHAMMIKA PERERA
6. MR. ARAVINDA PERERA
7. MR. THARANA THORADENIYA
8. MR. A M WEERASINGHE
9. MR. HARSHA AMARASEKERA
10. MR. R N ASIRWATHAM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8
9
10

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 and Hydropower generation.

He has nearly thirty years 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, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Singer (Sri Lanka) 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 and Hospital Industry and has been a Landed Proprietor. In addition to the above, he is also the Chairman of the Swisstek (Ceylon) PLC, Swisstek Aluminium Ltd., Singhe Hospitals PLC and Weerasinghe Property Development (Pvt) Ltd., TradeHuts (Pvt) Ltd., Weerasinghe Gems (Pvt) Ltd., , and Deputy Chairman of Lanka Tiles PLC., Lanka Ceramic PLC., Lanka Walltiles PLC

MR. ARAVINDA PERERA

Managing Director

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.

He is the Chairman of Singer Finance Lanka PLC. He is also a director of Pan Asia Banking Corporation PLC and further to the Directorships, he Chairs the Audit committees of Hayleys PLC, Hayleys Industrial Solutions Private Ltd, Hayleys Advantis Ltd and Fentons Ltd.

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 Post 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

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.

He sits on the Boards of several public quoted and privately held companies, including Lanka Ceramic 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 industry, having specialized in Hotel designs and development, he has been responsible for the careful planning and execution of Amaya Resorts & Spas refurbishment programmes and development of Amaya properties.

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 Deputy Chairman 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 is the Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka and the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka. He is also a 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, Aitken Spence PLC, Aitken Spence Hotels PLC, Ceylon Agro Industries Limited, Browns Beach Hotels PLC, 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 has wide experience in various businesses and also in business management. He is the Chairman of Pan Asia Banking Corporation PLC and also the Managing Director of Wise Property Solutions (Pvt) Ltd. Further, he serves as Director on the Boards of La Fortresse Private (Pvt) Limited, Hayley's Global Beverages (Pvt) Limited and Delmege Group of Companies.

MRS. NIRUJA THAMBIAYAH

Mrs. 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, Renuka City Hotels PLC and Renuka Consultants & Services Ltd. She is a Non-Executive Director of Royal Ceramics Lanka PLC 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.

THE CORPORATE MANAGEMENT

1. MS. WASANTHA SARATHCHANDRA - Group Financial Controller
2. MR. ARAVINDA SIRINATHA - Head of Sales Administration
3. MR. SUDEEPTHA SENEVIRATNE - Head of Brands
4. MR. KUMUDU KEERTHIRATHNA - Head of Eheliyagoda Factory Complex
5. MR. ROHAN MENDIS - Senior Export Manager
6. MR. ANURA JAYATISSA - Head of Bathware Factory Complex
7. MS. THILINI GUNERATNE - Chief Internal Auditor
8. MR. UPUL DISANAYAKE - Senior Manager - Logistics
9. MR. DHAMMIKA RANAWEERA - Head of Horana Factory Complex

10. **MR. SIDATH RODRIGO** - Head of Retail
11. **MR. SHAMMIKA DE SILVA** - Head of Warehouse Operation
12. **MR. NALIN FERNANDO** - Head of IT
13. **MR. NEIL BOGAHALANDE** - Head of Human Resources
14. **MR. HARESH SOMASHANTHA** - Head of Finance & Treasury
15. **MR. ARAVINDA PERERA** - Managing Director
16. **MR. THARANA THORADENIYA** - Director Marketing and Business Development
17. **MR. NANDAJITH SOMARATNE** - General Manager Manufacturing

DRIVE TO INNOVATE

Charting Our Course

HOW WE CREATE VALUE

CAPITAL USED DURING THE YEAR

FINANCIAL CAPITAL
Refer Page 55

MANUFACTURED CAPITAL
Refer Page 61

SOCIAL AND RELATIONSHIP CAPITAL
Customers I Suppliers I Dealers
Refer Page 72

HUMAN CAPITAL
Refer Page 66

INTELLECTUAL CAPITAL
Refer Page 80

NATURAL CAPITAL
Refer Page 75

HOW WE ADD VALUE

OUR CORE BUSINESS MANUFACTURE AND SALE OF TILES

Design for inspired interiors

Product Development and Product Portfolio Management

Source Raw materials

Lanka Ceramic PLC | External Suppliers

Produce

Own Facilities | Contract Manufacture

Warehousing

Own | Outsourced

Distribution

Own Stores | Franchisees and Dealers

Marketing

Influencers | Customers | Tenders

MANAGING OUR STRATEGIC INVESTMENTS

PLANTATIONS

TILE GROUTS

SANITARYWARE

PACKAGING

ALUMINIUM EXTRUSIONS

OTHERS

Corporate Governance

Risk Management

Corporate Values, Ethics and Culture

VALUE CREATED FOR STAKEHOLDERS

SHAREHOLDERS

ROE
13.26%

DIVIDEND PER SHARE
Rs.7/-

EARNINGS PER SHARE
Rs.26/-

CUSTOMERS

10.6 mn sqm of Tiles.	**3 Mn** kg of Tea	**0.8 mn Kg** of rubber	**4,510 MT** of Aluminium	**18,955 MT** of environmentally friendly packaging materials.	**173,000** pieces of Sanitary ware

SUPPLIERS

- Amount paid to local suppliers was Rs 15,537 Mn
- Payments to international suppliers of Rs. 6,727 Mn

EMPLOYEES

- Salaries and Wages of Rs 4,959 Mn
- Investment in training Rs 13 Mn

COMMUNITIES

- Direct and indirect Employment opportunities
- Trainings for tile layers
- CSR spend of Rs. 31 Mn

GOVERNMENT

- Taxes (Direct and Indirect) Rs.6,017 Mn
- Supporting growth of the construction sector
- Supporting growth of exports

IMPACTS

Reforestation

Rs. 1,054 Mn
Earned from exports

17,919 MT
Waste Disposed

108 Mn litres
Waste water treated and discharged

ENGAGING STAKEHOLDERS

Understanding shareholder concerns is key to driving sustainable business growth. While many stakeholder concerns remain common, managing conflicting concerns in an equitable manner is key to our ability to create sustainable value.

CUSTOMERS	INFLUENCERS	FRANCHISEES, DISTRIBUTORS AND DEALERS	INVESTORS
We engage with retail customers through our outlets and large customers through a dedicated sales force	Architects influence design trends for large scale and high net-worth customers while tilers and fabricators influence retail customers.	Architects influence design trends for large scale and high net-worth customers while tilers influence retail customers .	We engage with investors through formal mechanisms which are typically signed off by the Board
How we engage: • Our own retail stores • Visits to large customers • Trade exhibitions and fairs • Customer feedback	How we engage: • Ongoing engagement with Sri Lanka Institute of Architects • Register of architects • Tilers clubs • Discounts to architects and tilers	How we engage: • Dedicated teams to handle distribution networks • Regular assessments on performance and feedback	How we engage: • Quarterly financial statements • Press releases • Annual report • Annual general Meeting • CSE announcements
Concerns: • Aesthetic appeal • Product quality • Price • Availability • Accessibility	Concerns: • Aesthetic appeal • Range • Product information • Product quality • Price • Availability	Concerns: • Incentives and rewards • Customer demand • Marketing communications • Logistics • Support for growth	Concerns: • Earnings and dividends • Growth prospects • Environment and social impact • Governance • Share price and liquidity
Managing concerns: • Product quality certification • Product quality assurance processes • Driving cost efficiencies • Managing price and volume growth • Island-wide presence	Managing concerns: • Presence at trade exhibitions and fairs • Discounts for registered architects and tile club members • Developing new designs catering to design trends • Product quality certification and assurance processes • Managing price and volume growth • Island-wide presence	• Managing concerns: • Advertising and marketing communications to create demand • Product innovation to drive customer demand • Dedicated teams to support availability and product information • Capacity building support	Managing concerns: • Defended market leadership • Implementation of strategy • Enhanced manufacturing capacity • Corporate governance • Risk management
Refer social and relationship capital report on page 72	Refer social and relationship capital report on page 72	Refer social and relationship capital report on page 72	

EMPLOYEES	SUPPLIERS	REGULATORS	COMMUNITY
Managing employee relationships is key to drive productivity and growth	Large scale suppliers are assessed for environmental and social performance while local entrepreneurs provide ancillary services	We interact with government agencies to ensure compliance with regulatory requirements and facilitate reviews	We recognize that our actions impact the communities we operate in
How we engage: • An open-door policy • Formal performance appraisals, • Regular meetings with unions • Communication of company performance	How we engage: • Supplier assessment and feedback • Managing relationships • Visits	How we engage: • Filing returns • Facilitating visits	How we engage: • Recruit from local communities where skills are available • Entertain grievances from community • Strategic philanthropy
Concerns: • Remuneration • Employee benefits • Conducive workplace • Training and Development • Career progression	Concerns: • Increased business • Transparent procurement processes • Timely payments • Constructive feedback	Concerns: • Compliance with regulations • Timely filing of returns • Timely payments	Concerns: • Employment opportunities • Socio economic progress • Environment related issues • Support for community needs
Managing concerns: • Benchmarked remuneration and benefits to industry stats • Fair and transparent performance appraisal system • Established new collective agreement • Employee engagement initiatives	Managing concerns: • Established procurement processes • Quality assurance processes to provide constructive feedback • Ensured timely payments	Managing concerns: • Ongoing processes to ensure regulatory compliance • Engaging with regulators to seek clarification • Providing feedback on new regulations	Managing concerns: • Recruit from local communities where possible • Provide opportunities for local entrepreneurs where possible • Managing environmental impacts in compliance with CEA requirements • Engage in strategic philanthropy
Refer social and relationship capital report on page 72	Refer social and relationship capital report on page 72	Refer social and relationship capital report page 72	

MANAGING MATERIAL ISSUES, RISKS AND OPPORTUNITIES

Material issues are identified considering the factors listed alongside and prioritized in accordance to their impacts to stakeholders and the businesses operations of the Group. These issues together form our risk universe/material issues and becomes a reference source to determine our principal risks which are those with a relatively high level of impact. Material issues are actively managed through risk transferring, mitigating and other management mechanisms and are also monitored to identify potential escalation of impact and are listed within the three categories of the G4 guidelines, economic, environment and social as given below.

Principal risks are those ranked by the Board or Management as such after considering their impact on the Group together with the processes in place to mitigate the impacts. Typically, these are reviewed frequently and reported to the Board as part of the Group risk management process.

As a Group with diverse business interests, we have a number of material issues which need to be managed as given below.

Addressing material issues presents opportunities to differentiate our businesses as we listen to our stakeholders and re-imagine our products and processes.

Economic

- Market Share
- Brand image
- Competition
- Changing consumer preferences
- Product quality
- Availability of product
- Pricing
- Innovation
- Technology
- Availability of raw materials
- Responsible consumption
- Weather patterns
- Product packaging
- Investment on infrastructure and capacity
- Procurement practices
- Anti -corruption
- Anti- competitive behavior

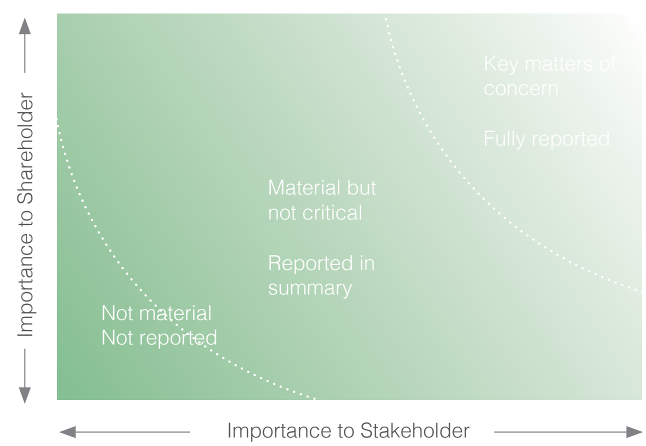
Environmental

- Product packaging
- Compliance
- Energy
- Materials
- Carbon emissions
- Effluents and Waste
- Bio diversity
- Supplier assessments

Social

- Health and Safety: customers and employees
- Relationships with stakeholders
- Labour relations
- Training and education
- Diversity and equal opportunity
- Collective bargaining
- Child labour
- Local communities
- Product labelling
- Customer privacy

DETERMINANTS OF MATERIAL CONCERNS
Mega industry trends
Consumer preferences
Stakeholder concerns
Economic variables
Regulatory environments
Environmental concerns
Social factors



GRI Index references

Economic	
GRI 201: Economic Performance	Page 7
GRI 202: Market Presence	Page 7
GRI 203: Indirect Economic Impacts	Page 7
GRI 204: Procurement Practices	Page 73
Environmental	
GRI 301: Materials	page 77
GRI 302: Energy	page 78
GRI 303: Water	page 78
GRI 305: Emissions	page 79
GRI 306: Effluents and Waste	page 79
GRI 307: Environmental Compliance	page 81
GRI 308: Supplier Environmental Assessment	page 77
Social	
GRI 401: Employment	page 66 and page 67
GRI 403: Occupational Health and Safety	page 69
GRI 404: Training and Education	page 69
GRI 407: Freedom of Association and collective bargaining	page 68
GRI 413: Local Communities	page 74

PRINCIPAL RISKS

Risk management is an integral part of our business operations driven by the Audit committee and Group Management committee. The risk management framework includes the internal controls, policies, Business code of conduct, reporting procedures and mechanisms to monitor risks. A company-wide evaluation was undertaken on the risks of bribery and corruption and findings was used in the formulation of policies and practices. The risk plan is prepared by the Audit committee under the supervision of the Managing Director and risks are reviewed regularly. Business risk assessments and risk audits were conducted to evaluate the adequacy of internal controls and identify any emerging risks.

> THE RISK PLAN IS PREPARED BY THE AUDIT COMMITTEE UNDER THE SUPERVISION OF THE MANAGING DIRECTOR AND RISKS ARE REVIEWED REGULARLY.

Risks are continually evaluated by divisional managers and corporate risk assessment programmes that take place every month. Risk appetites are predetermined under three levels including an acceptable level, cautious to conservative level and risk averse. Mitigation strategies depend on the severity of the risk. In addition, we ensure employees are informed of the risk management framework through training programmes and continuous reminders by divisional / factory managers.

THE PRINCIPLE RISKS IN 2017/18

	Impact	How we managed
Strategic risks		
Economic growth	Demand for tiles was impacted by subdued economic growth and construction activity.	Extended our footprint in export markets such as in India, Australia and Maldives. Developed product designs that cater to varied customer ranges from middle income to high income. Extended focus on products that have an aesthetic appeal such as porcelain tiles that catering to niche customers
Global economic and industry trend	Global growth, prices and consumption trends impact costs, demand for exports and selling prices. The increasing tea and rubber prices strongly supported growth in the agricultural sector.	Strategic plans are continually reviewed and adjusted in line with global trends and opportunities.
Uncertain government policies	Changing interest rate, exchange rate and tax policies impact profitability.	Reviewing new information available regarding policy changes Engaging with chambers and panels on industry recommendations

	Impact	How we managed
Adverse weather conditions, diseases, forest fires and other natural forces.	Agricultural crop losses continued in 2017 due to severe weather conditions.	Forest health inspections, industry pest and disease surveys.
Competition primarily from low priced importers	Loss of market share Price pressure	Focus on cost management and productivity enhancements. Set up OEM manufacturing bases in India to leverage on comparatively lower costs.
Innovation risks such as new markets, products and technologies	Loss of customers	Research and development Launch of new products and product designs. Use new technology
Raw material / energy prices	Rising costs of energy Ban on import of glyphosate which is used as fertilizers for cultivation. Increasing costs of paper imports. Shortage of silica sand.	Widened number of suppliers both regionally and globally. During the year, we added several new suppliers in the tile and sanitary ware sectors. Implemented measures to monitor and reduce energy consumption.
Reputation	Brand image	There were no incidents of non – compliance to regulations or severe people related incidents during the year that impair reputation.
Operational risks		
People related risks	Employee turnover Trade union action Shortage of skilled labour	Good relationships with trade unions. Enhancing employee welfare by initiating programmes that extend to local communities. Evaluate employee satisfaction through survey.
Production process	Environmental risks Production shut-downs Machine breakdowns and repairs.	Routine maintenance checks Stringent evaluation of supplier prior to any purchase of machinery.
Information security	Cyber attacks	Systems are continually updated.
Health and safety	Accidents, injuries and fatalities impact employee satisfaction and affect production.	Health and safety policies Awareness among factory employees through training programmes
Legal and compliance risks		
Regulatory compliance		No incidence of non -compliance reported during the year.
Other environmental risks	Compliance with environmental licenses such as CEA.	Environmental certifications such as Green Label certificate for business practices and sustainable building materials, WRAP (Worldwide Responsible Accredited Production) certificate of Unidil and rainforest alliance certification for tea and rubber estates. Environmental policies and procedures are regularly reviewed by the management.

STRATEGY

"

OUR INVESTMENTS IN THE TILES, SANITARY WARE AND ALUMINIUM SECTORS REFLECT THE OPPORTUNITIES WE PERCEIVE FOR GROWTH IN THESE SECTORS AS HIGHER LEVELS OF INCOME SUPPORT IMPROVED LIFESTYLES FOR SRI LANKANS.

GROWTH

Key Performance Indicators

- Revenue growth
- Capacity expansion

EFFICIENT PRODUCTION

Key Performance Indicators

- Gross profit margins
- Employee productivity
- Capacity utilisation

RESPONSIBLE PRODUCTION

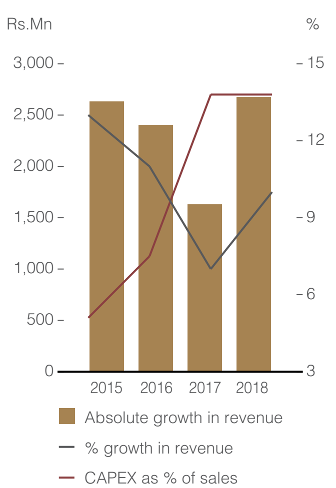
Key Performance Indicators

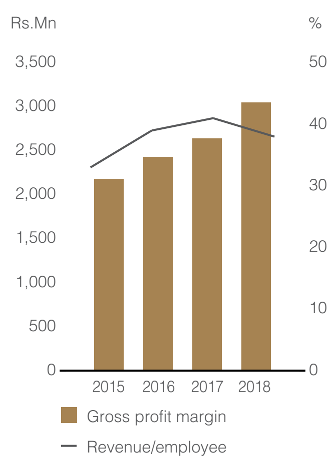
- Energy intensity
- Materials recycled

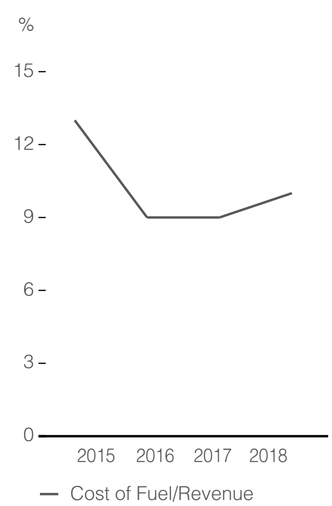
FINANCIAL STABILITY AND RETURNS

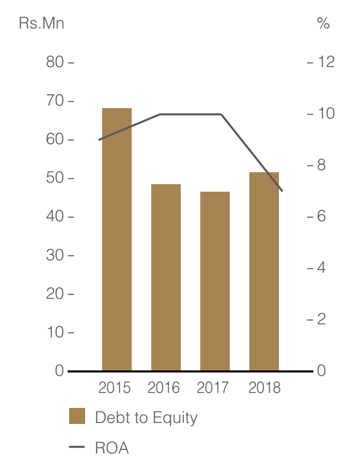
Key Performance Indicators

- ROA
- Debt to Equity
- Interest cover









OUR KEY INITIATIVES IN 2017/18

GROWTH	EFFICIENT PRODUCTION	RESPONSIBLE PRODUCTION	FINANCIAL STABILITY AND RETURNS
• Enhanced product quality • Brand image • New products • Expanded manufacturing capacity • Expanded storage and distribution capacity.	• Diversified suppliers across regions and geographies. • Employee engagement and invested in enhancing employee welfare. • Implemented productivity enhancement tools such as TPM which provided cost savings of Rs 542mn in 2017/18.	• Installed capacitor banks at factories. • Routine maintenance of machinery. • Obtained new certifications related to environmental protection. • Safe disposal of effluents and waste.	• Revenue growth. • Invested in capacity expansions and OEM manufacturing. • Cost management initiatives.

CHALLENGES

GROWTH	EFFICIENT PRODUCTION	RESPONSIBLE PRODUCTION	FINANCIAL STABILITY AND RETURNS
• Severe competition from local tile importers. • Subdued economic growth and construction activity. • Declining tile consumption.	• Lack of skilled labour • Wage hikes • Increasing raw material cost due to exchange rate depreciation, increasing costs of paper imports and shortage of raw material supplies such as silica sand.	• Increasing risks of climate action.	• Subdued economic growth in Sri Lanka. • Increasing costs of production. • Rising interest rates • Adverse weather conditions.


Rocell

SEIZING INITIATIVE

Stewardship and Accountability

OPERATING ENVIRONMENT

ECONOMIC GROWTH SUBDUED TO

3.11%

from 4.47% last year

INTEREST RATES (SLFR) INCREASED TO

8.75%

from 8.5% in 2016

ANNUAL INFLATION INCREASED TO

6.6%

4.% in 2016

EXCHANGE RATE DEPRECIATION AGAINST USD NARROWED TO

2.0%

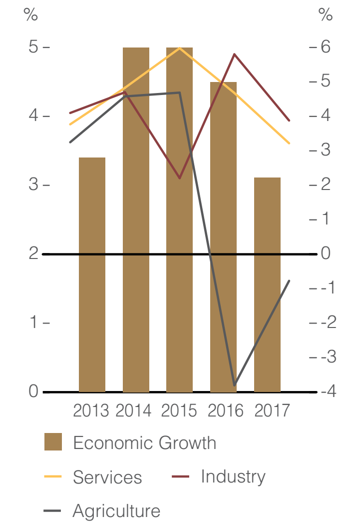
(6.1% in 2016)

Inclement weather conditions and stringent government policies continued to moderate growth in the economy. Inflation continued to increase with rising cost of food as cultivation was adversely impacted by weather conditions. Pressures on discretionary income were further exacerbated by increasing consumption related taxes. Rising interest rates continued to dampen demand for housing as housing loans became more expensive while also dampening growth of the construction sector. Services sector was impacted with the declining activity in transportation, real estate and financial services sectors. Although the agri sector was impacted by inclement weather condition, the impact was negated by the favourable performance of the tea and rubber subsectors. External trade improved during the year with exports increasing by 15% in 2017 reflective of free trade agreements and trade concessions such as GSP + which provided a conducive environment for external trade activity. Devaluation of the Sri Lankan rupee during the financial year was 2.0% which made exports more competitive but also made imported inputs more expensive for a number of businesses across the Group.

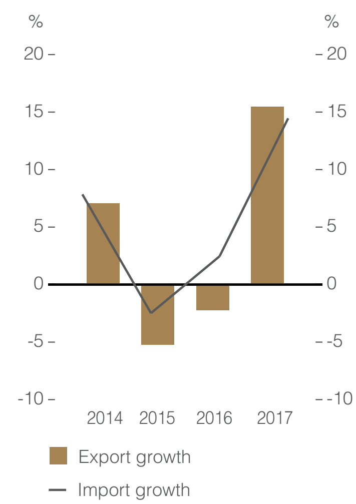
GLOBAL ECONOMY

Economic activity strengthened by 3.7% in 2017 (3.2% in 2016) driven by a pickup in investments and stronger manufacturing activity with increasing demand. World trade in volume of goods improved by 4.7% compared to 2.5% last year. Europe, US, Russia and Asia were among the strongest in growth momentum supported by favourable tax policies in the US, recovery of commodity prices and increasing manufacturing output in Asia. Growth projections to 2018 remain strong at 3.9% although risk factors such as geopolitical conditions, rising interest rates and core inflation pose a downside risk.

ECONOMIC PERFORMANCE



EXTERNAL TRADE ACTIVITY



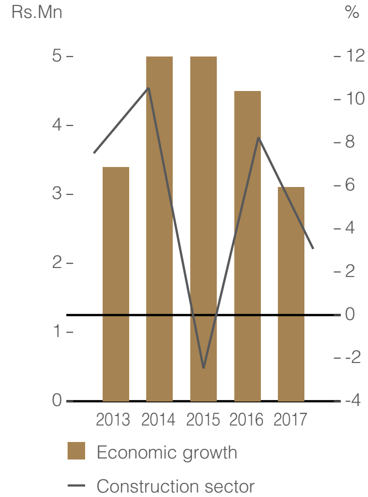
TILES AND SANITARY WARE SECTOR

Consumption

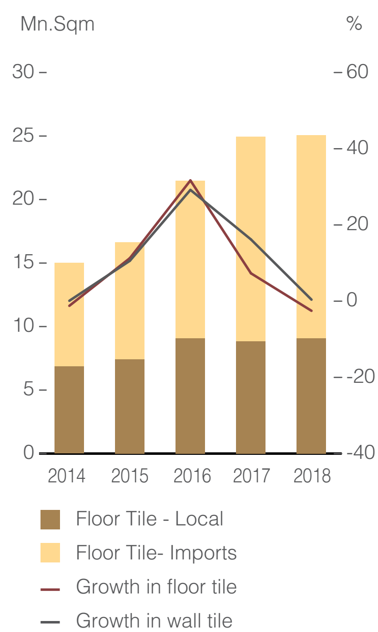
The demand for tiles moderated during the year as construction activity moderated due to tightening economic conditions. The number of housing approvals during the 1st half of the year 2017 declined by (12%) compared to 8% last year although real estate sector benefited from an influx of foreign direct investments, government approval for luxury mixed use development projects and increasing urbanization. Other building approvals in Greater Colombo decelerated at a faster pace of (21%) in 2017. Although urbanization, increasing demand for office space and strong tourism activity served as catalysts for construction activity, the impact was muted by the deceleration of economic growth and stringent government policies that unfavourably impacted affordability and accessibility to financing arrangements. The re-introduction of 15% VAT on condominium sales in Budget 2018 further impacted construction of high rise apartments.

Supply of tiles remained in 2017/18 in line with last year. Comparatively lower cost of production resultant from scale of production in importing countries led to low priced tiles entering the Sri Lankan market. The impact of the lack of anti-dumping laws in Sri Lanka was even more evident with intense price competition in the local market challenging growth of local manufacturers. An increase in local tile production by 3% combined to exert significant pressure on price.

SUBDUED ECONOMIC GROWTH AND CONSTRUCTION ACTIVITY

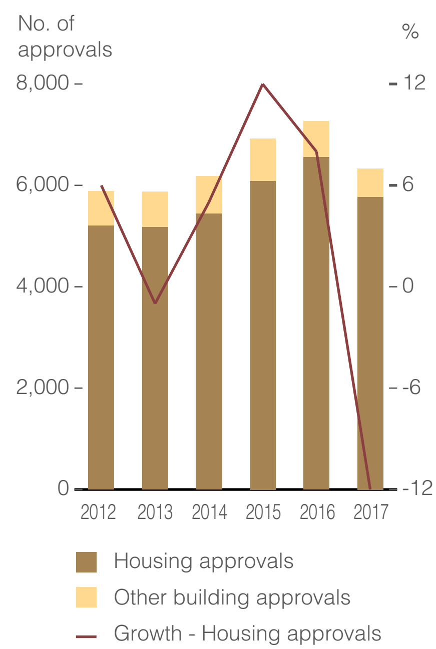


TILE MARKET



> SUPPLY OF TILES REMAINED IN 2017/18 REMAINED IN LINE WITH LAST YEAR. COMPARATIVELY LOWER COST OF PRODUCTION IN IMPORTING COUNTRIES LED TO LOW PRICED TILES ENTERING THE SRI LANKAN MARKET.

BUILDING APPROVALS IN GREATER COLOMBO 1ST HALF OF THE YEAR

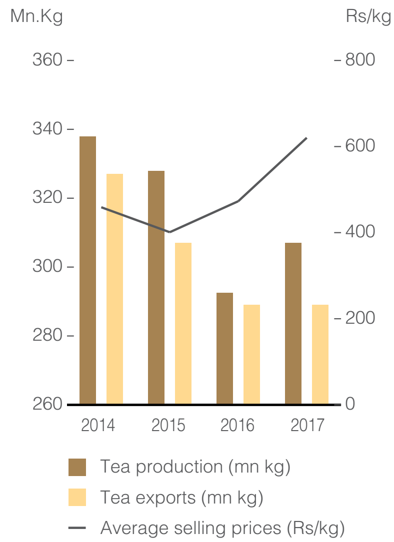


PLANTATION SECTOR

Over the last three years, crop cultivations have continuously been impacted by inclement weather conditions that led to crop losses. However, 2017 witnessed a turnaround in crop cultivations with tea and rubber production increasing by 5% and 5.1%. Despite the growth in cultivation, planters continued to face pressure with increasing labour costs and the complex issues arising from the ban of glyphosate, a broad spectrum weedicide.

Price of Tea increased by 31% in 2017 to Rs 620/kg driven by the shortage of black tea supply in global markets. F.O.B. prices of tea exports rose to Rs 807 per kg compared to Rs 639/kg last year driving a 26% growth in export revenues. Tea exports remained in line with last year and accounted for 93% of tea production in 2017. Geopolitical tensions and fluctuating oil prices adversely impacted key export regions such as Russia, Iraq and Middle East.

TEA INDUSTRY



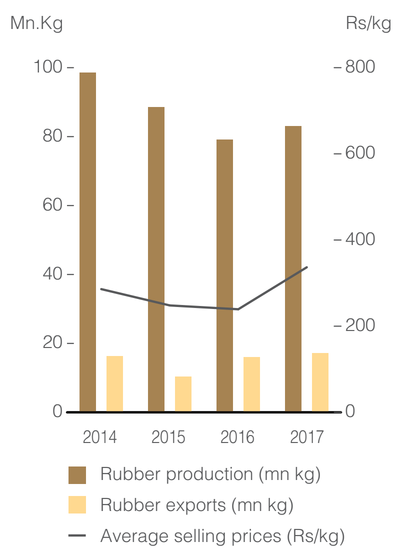
> PRICE OF TEA INCREASED BY 31% IN 2017 TO RS 620/KG DRIVEN BY THE SHORTAGE OF BLACK TEA SUPPLY IN GLOBAL MARKETS. F.O.B. PRICES OF TEA EXPORTS ROSE TO RS 807 PER KG COMPARED TO RS 639/KG LAST YEAR DRIVING A 26% GROWTH IN EXPORT REVENUES.

RUBBER PRICES INCREASED BY

40%

Rs 336/kg in 2017

RUBBER INDUSTRY



Rubber prices at Sri Lankan auctions continued to be volatile in line with global trends. Despite the volatility, average rubber prices increased by 40% to Rs 336/kg in 2017 recovering from weakening prices over the last three years. Price growth was driven by increasing prices of alternative products such as synthetic rubber which accounts for 53% of global rubber consumption due to an increase in oil prices. Increasing domestic requirements for rubber led to exports being minimal. Exports increased by 18% to USD 39 mn with US and Germany being prime export destinations.

ALUMINIUM

Consumption

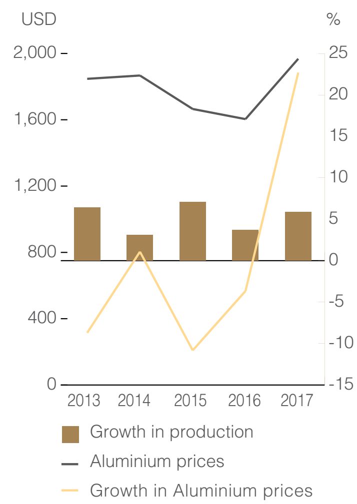
Demand for aluminium is driven by construction sector growth with over 10,000 Aluminium fabricators in Sri Lanka catering to residential, industrial and commercial markets. Supply of Aluminium extrusions are driven by both imports and local production. Aluminium production increased by 5.9% to 63 mn MT with China accounting for a significant 50% share of global production with new areas of production have emerged including Arabian Gulf and Ice land while traditional countries such as China are seeing less growth in production capacity due to Bauxite mine discoveries and new locations for production.

Aluminium prices 2017 increased by 22% in 2017 reversing the declining trend over the last two years due to planned production cuts by the Chinese government to minimize environmental impacts and tensions between US and China with the advent of anti dumping laws and trade barriers imposed by United States.

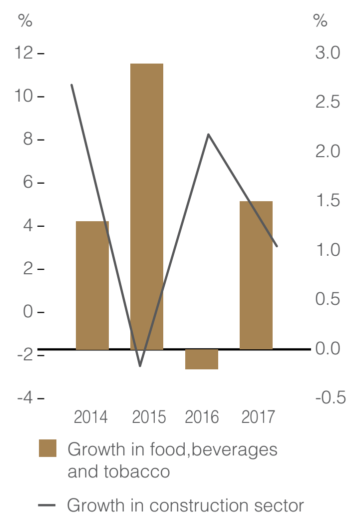
PACKING MATERIALS

Demand for packing materials improved during the year driven by improving export activity, growth in the FMCG sector and construction activity. Global growth improved by 3.7% in 2017 which supported an increase in demand across key export categories such as tea, rubber and garments. Exports improved by 15% in 2017/18 compared to (2.2%) decline in 2016 supporting an increase in demand for corrugated packaging. However, the sector continued to be challenged by rising paper prices being a key raw material for the manufacture of corrugated packaging.

GLOBAL ALUMINIUM INDUSTRY



DRIVERS OF DEMAND



BUSINESS LINE REVIEWS

TILES AND ASSOCIATED PRODUCTS

The Royal Ceramics Group is the undisputed market leader in the tile sector with a market share of 35% for floor tiles and 40% for wall tiles.

Both porcelain and ceramic tiles are manufactured in four factories by Royal Ceramics which are continuously upgraded through continuous investments. We have also invested in OEM manufacturing bases in India to leverage lower production costs in India while increasing our tile supply through imports, strengthening our competitive positioning in the domestic and export markets. A broad presence across the value chain further enhances our ability to compete.

OUR PRESENCE ALONG THE VALUE CHAIN

FINANCIAL CAPITAL

	17/18	16/17
Revenue (Rs Bn)	18.7	17.4
PAT (Rs Bn)	2.3	3.0
Total Assets (Rs Bn)	33.4	27.2
Total Liabilities (Rs Bn)	19.2	14.6
ROA (%)	7	11

MANUFACTURING CAPITAL

	17/18	16/17
PPE (NBV) (Rs Bn)	12.1	9.2
Capex (Rs Mn)	2,775	2,538
Depreciation (Rs Mn)	1,014	937
Capacity Utilization (%)	95	95
Locations	04	04

HUMAN CAPITAL

	17/18	16/17
Employees	2,706	2,617
Remuneration (Rs Mn)	2,693	2,535
Employee Productivity (SQM/employee)	4,626	4,526
No of new recruits	467	213

NATURAL CAPITAL

	17/18
Materials (Mt)	181,574
Energy (Mn KwH)	47.2
Water (Mn litres)	129
Waste water (Mn litres)	94
Waste (MT)	14,433

SOCIAL AND RELATIONSHIP CAPITAL

	17/18
Distributors	59
Dealers	71
Franchisees	42
Tiler Club Members	4,000
Suppliers	1,655

INTELLECTUAL CAPITAL

	Locations Certified
ISO 14001	4
ISO 9001	4
CE certification	2
Green Label certification	4
OHSAS 18001	1

PERFORMANCE

Delivery on Strategic Goals

Growth		Efficient Production		Responsible Production		Financial Stability and Returns	
Revenue	7.5%	GP Margin	45%	Energy Intensity	14%	ROA	6.7
Capacity Annual	12.1M	Capacity Utilization	90%	Materials Recycled	99%	Interest	Rs. 905 Mn
Interest Cover (x)	5.7						

BUSINESS LINE REVIEWS - TILES AND ASSOCIATED PRODUCTS

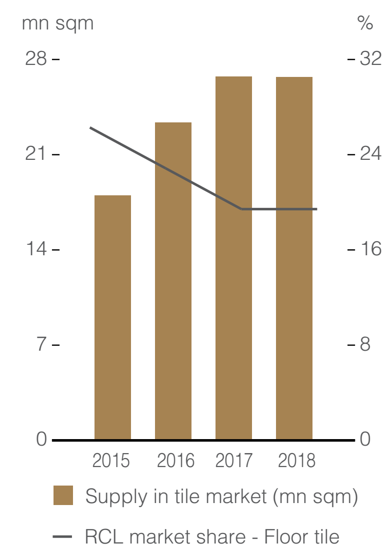
> WE CONTINUE TO PARTICIPATE IN TRADE FAIRS AND EXHIBITIONS IN CHINA, SPAIN AND USA TO PROMOTE OUR BRAND TO INTERNATIONAL MARKETS.

Revenue from tiles and associated products increased by 7% in 2017 to Rs 18.7 Bn due to a strong domestic franchise, a higher demand for valued added products such as larger format porcelain tiles and strengthening of distribution networks. A challenging environment with weakening construction activity, rising interest rates and subdued economic growth posed significant challenges, adversely impacting demand and exerting pressure on price and margins. We continue to defend market share against importers by enhancing the aesthetic appeal of our products with strict adherence to high quality standards, extending our opportunities in the value- added market segment. Additionally, initiatives including promotions and discounts offered to member of Tilers clubs, extending warehousing space and strengthening distributor networks helped sustain sales volumes in line with last year. During the year, the size of the floor tile market remained in line with 25 mn sqm for the year while the wall tile market declined by (2.7%) to 5.5 mn sqft.

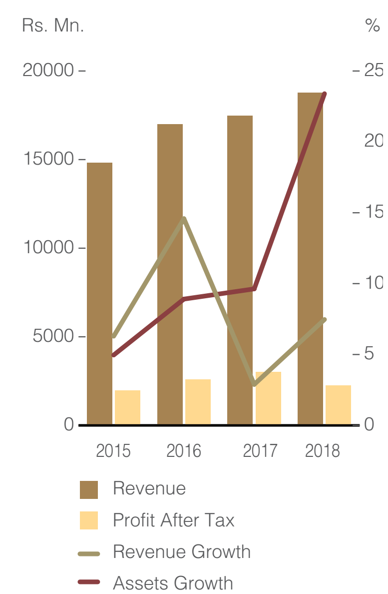
We continue to participate in trade fairs and exhibitions in China, Spain and USA to promote our brand to international markets. Exports accounted for 4% of revenues reflecting growth of 24%. Demand for wall tiles was primarily driven by niche customer segment in export markets such as Australia, USA, Canada, Japan, Singapore and some Europe countries

Despite revenue growth, profits after tax declined by 25% to Rs 2,251 Mn

MARKET SHARE



TILE MARKET



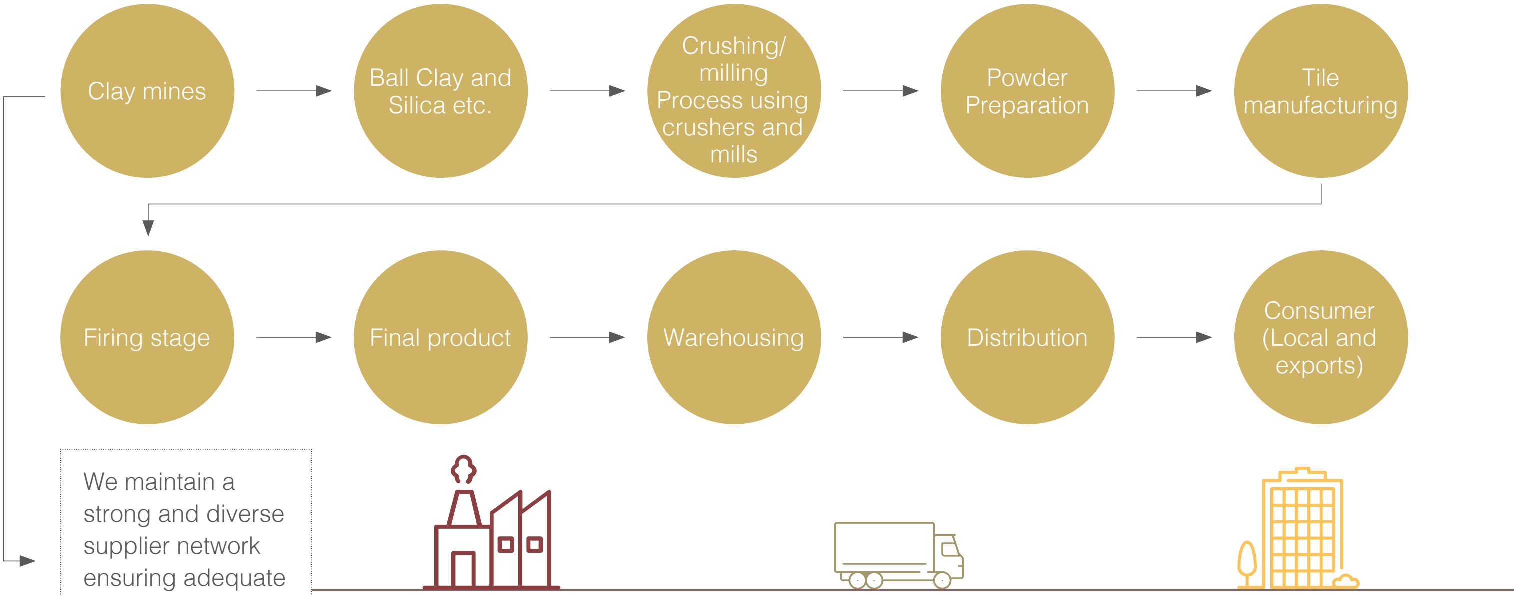
OPPORTUNITIES

- Increasing tourism activity.
- Approval of large mixed use development projects.
- Increasing urbanization.
- Demand for office space.

CHALLENGES

- Intense competition from low cost importers.
- Weakening growth in construction activity.
- Subdued economic growth.
- Rising interest rates.
- Exchange rate depreciation.

with rising energy and raw material costs, higher distribution expenses and the impact of a decline of other incomes. LPG prices increased by 20% in 2017/18 compared to 3% last year affecting energy costs of the sector while the exchange rate depreciation impacted import costs of raw materials. We continued to focus in initiatives to enhance operational excellence which yielded a cost saving of Rs 421 mn in 2017/18 compared to Rs 230 mn last year. However, Operating margins of the sector declined to 22% in 2017/18 compared to 27% last year. In addition, finance costs increased by 18% as new borrowings was obtained to fund the capacity expansion program of the group. ROA of the sector declined to 6.7% compared to 11.1% last year with declining profitability.



We maintain a strong and diverse supplier network ensuring adequate raw material supply at any given time.

- Lanka Ceramic PLC has 3 clay mines that supply 40% of Rocell group bulk raw material requirements.
- In addition, we engage with several local suppliers.

We drive an effective and efficient manufacturing arm with continuous focus on best in class facilities, robust and productive workforce and sustainable manufacturing practices that deliver process efficiencies, cost savings and quality products.

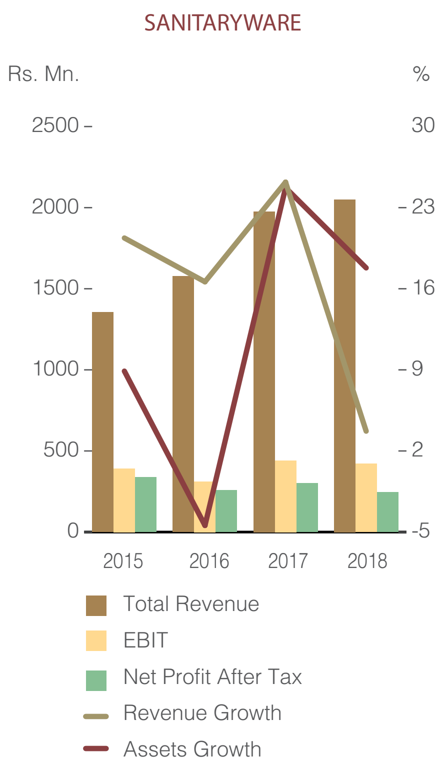
- Our logistics arm is focused on ensuring timely delivery of products to consumers and enhancing product accessibility.
- 13 no of own warehouses facilities located in Meegoda, Nawala, Panaluwa, Jaltara, Biyagama, Kelaniya, Rajagiriya, Pinnalanda, Wakareka and Halkadawatta.
- Number of third party maintained warehouses was 32.
- We operate a Multi channel distribution strategy.

- Residential
- Commercial
- Industrial

OUTLOOK

Planned construction activity driven by stronger tourism activity, approval of large scale mixed used development projects and increasing demand for office space indicate increasing demand in our domestic market. We plan to diversify our product range with new products such as modular kitchen sinks and light fittings in collaboration with world renowned expertise. Global markets also continue to open new opportunities with stronger economic growth and increasing affluence driving demand for value added and innovative tile designs which is well served by both our brands Lanka Tiles and ROCELL. We plan to participate in Coverings '18, USA which has been a prominent event in the ceramic tile and natural stone industry in North America for over 30 years. With lucrative opportunities in hand, we plan to continue our capacity expansion plan to 2018/19 in both local and overseas factories to support production and strengthen our market share. In addition, we plan to increase cost savings to the group through initiatives that enhance operational excellence and cost management while minimizing our impact to the environment.

SANITARYWARE



A premier bathware and accessories manufacturer since 2009 when ROCELL introduced the first sanitary ware manufacturing plant in Sri Lanka.

To date, our brand is recognized as the topmost bath ware brand in Sri Lanka driven by high standards of design excellence created by three renowned Italian architect designers.

OUR STRENGTHS

- Internationally acclaimed Italian designers.
- State of the art manufacturing plant , the first of its kind in Sri Lanka.
- Diverse product range driven by conceptual styles and elegant designs.
- Stringent quality assurance process with various testing procedures.
- Compliance with standards including environmental standards.
- Certification for consumer safety, health and environment.

CHALLENGES

- Increasing interest rates and inflation.
- Currency depreciation
- Stringent compliance with environmental laws and regulations.
- Intense competition from several importers.
- Fast changing consumer preferences.

PERFORMANCE

Revenue growth subdued during the year to 3.7% compared to 25% last year witnessing the impact of subdued economic growth. RCL continued to focus on retaining its 40% market share by offering discounts and promotions to retain volume growth. Hence, average prices declined during the year whilst volumes improved by 2.9% in 2017/18. Gross profit margins improved to 43% in 2017/18 compared to 42% last year supported by revenue growth. However, distribution costs increased by 14% during the year in line with our marketing campaigns with the opening of design and concept stores. Hence, operating profitability declined by (4%) to Rs 421 mn. Profits after tax (PAT) declined by (18%) to Rs 246 mn with increasing finance costs as new borrowings of Rs 165mn were utilized to fund the growth in capacity. Assets increased by 18% to Rs 4,797 mn and ROA of the sector was 5.1% in 2017/18 declining from 7.4% last year.

OUTLOOK

Going forward, we plan to continue our focus on value added products being a premier bath ware provider in Sri Lanka whilst diversifying our product range with new products. This will enhance our position in both local and export markets such as US, Pakistan and Australia. In addition, we will continue our drive of redesigning our showrooms with new concept stores being opened in 2018.

FINANCIAL CAPITAL

	17/18	16/17
Revenue (Rs Mn)	2,049	1,976
PAT (Rs Mn)	246	301
Total Assets (Rs Mn)	4,797	4,073
Total Liabilities (Rs Mn)	1,524	1,139
ROA (%)	5	7

MANUFACTURING CAPITAL

	17/18	16/17
PPE (NBV) (Rs Mn)	2,016	1,941
Capex (Rs Mn)	78	528
Depreciation (Rs Mn)	127	104
Capacity Utilization (%)	86	95
Locations	1	1

HUMAN CAPITAL

	17/18	16/17
Employees	358	322
Remuneration (Rs Mn)	312	260
Employee Productivity (PCS/employee)	783	741
No of new recruits	68	57

NATURAL CAPITAL

	17/18
Materials (Mt)	2,835
Energy (Mn KwH)	2.5
Water (Mn litres)	29.6
Waste (MT)	1,697

SOCIAL AND RELATIONSHIP CAPITAL

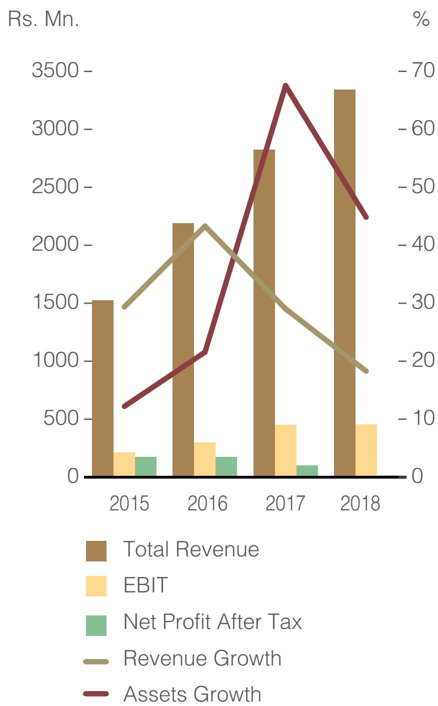
	17/18
Distributors	36
Dealers	35
Consignment agents	4
Tiler Club Members	1,000

INTELLECTUAL CAPITAL

CE certifications
ISO 9001
ISO 14001
Green label certification
4 star rating in water efficiency labelling scheme

ALUMINIUM

ALUMINIUM PRODUCTS



Being Sri Lanka's premier aluminium extrusion manufacturer, we hold a leading market share of 40%.

Swisstek Aluminium entered the aluminium extrusion industry in 2009 with a focus on manufacturing high quality aluminium extrusions and innovative products. Within a short time span, we captured 40% market share and ranked 2nd in the local market with a range of products that are certified by globally accepted ISO 9001:2015 standards.

OUR STRENGTHS

- High quality products and eight Aluminium tested systems.
- Innovative Product designs driven by advanced technology such as "AluSys" design calculation software system.
- Strong brand image
- Stringent quality assurance process with various testing procedures.
- Compliance with standards including environmental standards.
- Certification for consumer safety, health and environment.

OPPORTUNITIES

- Demand for construction materials was driven with an increase in hotels and high rise apartment and mixed -use development projects such as Colombo financial city project

CHALLENGES

- Increasing global aluminium price.
- Exchange rate depreciation as prime raw materials such as aluminium logs are imported from Middle East. In addition, other raw materials such as powder, chemicals are also imported from several countries.

PERFORMANCE

During the year, sales revenues increased by 18% to Rs 3,341mn driven by growth in sales volumes. Demand was mainly driven by large scale projects and several small projects through regional distributors. However, costs of production increased by 24% in 2017/18 reflective of an increase in global aluminium prices. Hence, gross profit margins declined to 30% from 33% in 2016/17. We continued our focus on expanding our regional presence which led to an 18% increase in distributions costs. In addition, new borrowings of Rs 461 mn was utilized to fund the capacity expansion project resulting in an increase in finance costs. Profits after tax declined by (22%) in 2017/18 to Rs 254mn with an increase in finance costs and significant growth in income taxes. Although assets increased by 45% to Rs 3,929 mn, ROA of the segment was impacted by the weakening profitability and declined to 6.5% compared to 12% last year.

OUTLOOK

We will continue to focus on driving revenue growth through new products, quality, innovation, product accessibility and latest technology whilst leveraging on a strong distribution network located island wide. Although growth in construction activity subdued during the year, lucrative opportunities emerge in niche export markets and premium mixed used development projects such as the Colombo Financial City project in Sri Lanka. This will continue to drive demand for construction materials in Sri Lanka as reflected by our strong revenue growth of 18% in 2017/18.

FINANCIAL CAPITAL

	17/18	16/17
Revenue (Rs Mn)	3,341	2,824
PAT	254	326
Total Assets (Rs Mn)	3,928	2,712
Total Liabilities (Rs Mn)	2,600	1,569
ROA (%)	7	12

MANUFACTURING CAPITAL

	17/18	16/17
PPE (NBV) (Rs Mn)	1,332	864
Capex (Rs Mn)	489	289
Depreciation (Rs Mn)	62	64
Capacity Utilization (%)	80	80
Locations	01	01

HUMAN CAPITAL

	17/18	16/17
Employees	261	258
Remuneration (Rs Mn)	224	214
Employee Productivity(MT/ employee)	18	15
Investment in Training (Rs. Mn)	1.05	0.25

NATURAL CAPITAL

	17/18
Materials (Mt)	6,510
Energy (Mn KwH)	5.7
Water (Mn litres)	39.5
Waste water (Mn litres)	25.2
Waste (MT)	623

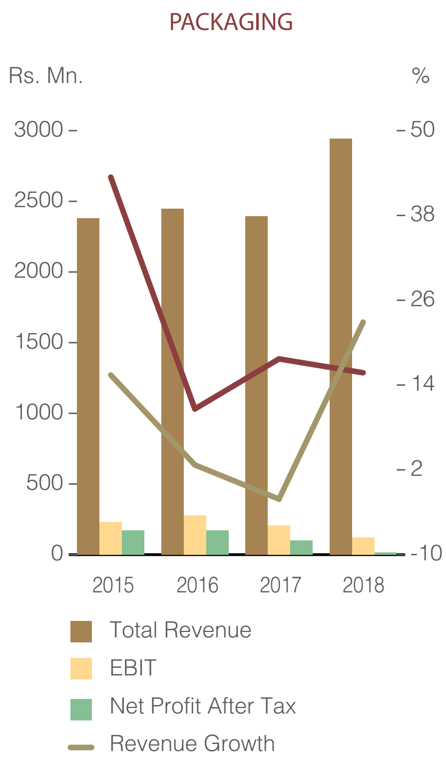
SOCIAL AND RELATIONSHIP CAPITAL

	17/18
Distributors and Dealers	133
Projects	75
Franchisees	9
Fabricators	650
No. of Suppliers	721

INTELLECTUAL CAPITAL

ISO 9001 : 2015
Jotun certificate

PACKAGING



With our entry in 1994 in the corrugated carton manufacturing industry in Sri Lanka, we cater to a varied clientele including local manufacturers and exporters.

Our market share in the corrugated box industry is 14% and the sack industry is 26%. The prime industries we cater to include Tea, Rubber, Ceramic, Garments and Food and Beverages. Customer requirements are a priority for us and product designs are tailor made to customer needs as we adopt the approach 'visualizing customer needs through the eyes of the customer'. This has strongly supported our strong brand image with 90% of our clientele being repeat customers.

OUR STRENGTHS

- Ensure on time delivery.
- Innovative product designs tailor made to customer needs.
- Long standing brand image
- State-of-the art machinery.

OPPORTUNITIES

- Growth in global economic growth.
- Significant growth in online sales.
- Growth in export trade in Sri Lanka.
- Strong growth in key industries such as tea, rubber and garments.

CHALLENGES

- Increasing cost of production due to rising paper prices.
- Intense competition in local markets.

During the year, we invested Rs 23 mn in warehouse expansion. Average production capacity utilization was 73% compared to 72% last year. In addition, several productivity management tools such as 6 sigma, TQM, TPM and 5S applications are used to enhance the effectiveness and efficiency of production. This ensures that customers are provided with innovative and cost-effective packaging solutions.

PERFORMANCE

During the year, strong revenue growth at 23% was primarily driven by volume growth despite the impact of subdued economic growth. Strong recovery of key export markets such as tea, rubber and garments supported an increase in demand for corrugated packaging. However, costs continued to be impacted by increasing prices in the paper market, which grew by 50% in 2017 witnessing the impact of the closure of several factories in China due to environmental concerns. Gross profits declined by (22%) to Rs 273 mn and gross profit margins declined to 9% in 2017/18 (15% in 2016/17). Finance costs increased by 39% to Rs 108mn as new borrowings were utilized to fund the expansions. Profits after tax significantly declined to Rs 16mn alongside an increase in costs of production and finance costs. Hence ROA of the sector declined whilst assets increased by 16% to Rs 2,900mn.

OUTLOOK

Growth in global demand for packaging has continued to remain strong driven by stronger global growth and increasing online sales. In addition, growth in several key export markets have remained strong in 2017, opening opportunities for the packaging industry in Sri Lanka. In gearing up with the growth in demand, we increased our capacity by 23% in 2017/18. However, increasing costs continue to be a challenge and depends on the resolution of the ongoing paper crisis.

FINANCIAL CAPITAL

	17/18	**16/17**
Revenue (Rs Mn)	2,942	2,394
PAT (Rs Mn)	16.4	100.2
Total Assets (Rs Mn)	2,900	2,506
Total Liabilities (Rs Mn)	1,770	1,357
ROA (%)	1	4

MANUFACTURING CAPITAL

	17/18	**16/17**
PPE (NBV) (Rs Mn)	1,522	1,001
Capex (Rs Mn)	40.3	413.9
Depreciation (Rs Mn)	81.8	65.1
Capacity Utilization (%)	73	72
Locations	01	01

HUMAN CAPITAL

	17/18	**16/17**
Employees	340	375
Remuneration (Rs Mn)	271	229
Employee Productivity(MT/ employee)	39.9	42.04
New recruitments	116	87

NATURAL CAPITAL

	17/18
Materials (Mt)	19,417
Energy (Mn KwH)	1.6
Water (Mn litres)	27.9
Waste water (Mn litres)	14.2
Waste (MT)	2,870

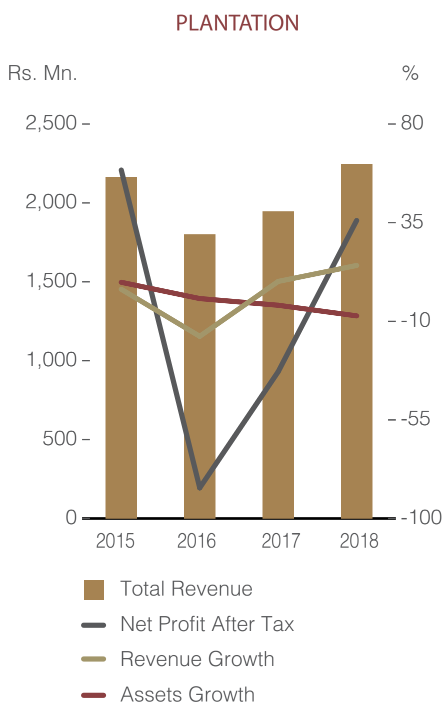
SOCIAL AND RELATIONSHIP CAPITAL

	17/18
No of suppliers	431

INTELLECTUAL CAPITAL

HACCP certifications for food safety
ISO 22000:2005
ISO 9001:2008
ISO 14001:2004

PLANTATIONS



Horana Plantation PLC, a premier plantation company since 1992, is the single largest producer of both tea and rubber in Sri Lanka.

Our crop supply is derived from 16 prime estates with a total acreage of 7,534 HA located across Central and Western provinces. We hold a 1.2% market share in Tea and 1% in Rubber. Product quality is our core competitive edge that drives demand across discerning tea customers and rubber product manufacturers. To date eight of the ten tea estates have been certified by HACCP/ISO 22000: 2005, Rain Forest Alliance (RA) and Ethical Tea Partnership (ETP) certification, while products pass through rigorous quality testing procedures prior to sale, ensuring a high-quality product reaches our customers.

OPPORTUNITIES	CHALLENGES
• Increasing tea and rubber prices with the shortage in lack tea supplies and rising costs of synthetic rubber.	• Large workforce and highly unionised. The next wage agreement to be signed in October 2018.
	• Increasing costs of production.
	• Inclement weather conditions
	• Reputation risk on non-compliance to environmental laws, and health and safety of products

OUR STRENGTHS

- High quality products
- Strong reputation and brand image over 25 years
- Regionally diversified estates.
- Internationally certified estates with quality standards, Product certification ,fair trade certifications and global accreditations
- Crop diversification to Oil palms, coconut, cinnamon and Timber.

In line with the field and factory development program we invested Rs 245 mn in 2017/18 to upgrade production processors and minimize downtime. During the year, total crop production increased by 8% to 275mn although yields were impacted by adverse weather conditions. In addition, we sourced 284,219 kg of tea and from other small holders.

PERFORMANCE

During the year, revenues improved by 15% to Rs 2,248mn driven by an increase in average prices of both tea and rubber in line with global trends. Tea which accounts for 83% of total revenue increased by 22% to Rs 1,863 mn. Rubber decreased by 13% and other crops such as palm oil increased by 46%. Despite adverse weather conditions and the ban on glyphosate since 2015, average yields in tea estates improved by 8% and rubber estates decreased by 14% in 2017/18. However, costs of production continued to increase by 6% in 2017/18 with increasing wage rates on the signing of a new wage agreement in 2017 and the increase in labour cost associated with manual weeding due to the ban on glyphosate. This continued to pressurize margins although the impact was negated during the year with the increase in tea and rubber prices. Gross profits improved by 158% to Rs 266 mn and gross margins improved to 12% (5% in 2016/17). Profit after tax improved to Rs 84 mn recovering from a loss of (Rs 42mn) reported last year. Return on assets improved to 2% in 2017/18.

OUTLOOK

Going forward, we plan to expand crop diversification with 50HA of cinnamon and 95 HA of oil palm being cultivated by 2018. To date oil palm cultivation is in progress in three estates while coconut and cinnamon cultivation is also in progress as per the field development programme. Cost increases will continue to add pressure with a new wage agreement by Oct 2018 although the impact will be muted with the shift to a revenue based model that will enhance productivity. However, the impact of a ban on glyphosate gets tougher as stringent quality standards in export markets limit the choice of chemicals that can be used.

FINANCIAL CAPITAL

	17/18	16/17
Revenue (Rs Mn)	2,248	1,946
PAT (Rs Mn)	36.5	(33.5)
Total Assets (Rs Mn)	3,697	3,620
Total Liabilities (Rs Mn)	2,309	2,258
ROA (%)	1	(1)

MANUFACTURING CAPITAL

	17/18	16/17
PPE (NBV) (Rs Mn)	3,385	3,152
Capex (Rs Mn)	245	206
Depreciation (Rs Mn)	221	133
Locations	16	16

HUMAN CAPITAL

	17/18	16/17
Employees	5,825	6,477
Remuneration (Rs Mn)	1,387	1,289
Employee Productivity (Kg/employee)	326	292
Investment in Training (Rs Mn)	2.1	0.116

NATURAL CAPITAL

	17/18
Energy (Mn KwH)	3.1
Water (Ltr)	311,460
Waste water (Mn litres)	68,292
Waste (MT)	13.1

SOCIAL AND RELATIONSHIP CAPITAL

	17/18
No. of suppliers	3,988

INTELLECTUAL CAPITAL

Certification	Certified estates
HACCP/ISO 22000:2005	7 tea estates
Ethical Tea Partnership (ETP) and Fair Trade	8 tea estates
Rainforest Alliance Certification (RA)	8 tea estates
QMS 9001:2008	2 rubber factories

CAPITALS REPORT

Managing our capitals according to a structured and disciplined process is key to our success. The capitals report sets out a brief description of our capitals and our processes to develop the same. We recognize that actions taken to manage one capital is likely to impact another and strive to deepen our understanding of these interactions to facilitate optimal utilization of the same.

MONETISED CAPITAL

FINANCIAL CAPITAL

MANUFACTURED CAPITAL

NATURAL CAPITAL

NON-MONETISED CAPITAL

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

INTELLECTUAL CAPITAL

FINANCIAL CAPITAL

During the year, profit after tax attributable to equity holders amounted to Rs 2,880mn, a (15%) decline to last year. This was primarily due to cost pressures, increasing distribution and finance costs which trimmed the benefits of revenue growth. Gross profit margins declined to 38% compared to 41% last year despite several initiatives on cost management and productivity enhancement.

KEY PERFORMANCE INDICATORS

Profitability

Return on assets

7.24%

Liquidity

Current ratio

1.3x

Efficiency

Asset Turnover

0.55 times

Leverage

Debt/Equity

52%

Interest cover

5.1 times

KEY HIGHLIGHTS

Revenue

Rs 29,090 mn

10%

Profit after tax

Rs 3,851 mn

(17%)

Assets

Rs 53,157

17%

Liabilities

Rs 23,942

28%

RETURNS TO SHAREHOLDERS

DPS **Rs. 7.00**	ROE **13%**
Market value per share **Rs. 105/40**	EPS **Rs.26/-**

Revenue growth improved during the year despite a lacklustre economic environment and inclement weather conditions. Growth in sales volumes was supported by multiple factors including an increasing demand for value added products, recovery of key export markets and improving global growth. Recovery of tea and rubber prices in global markets further supported revenue growth in the plantation sector. However, cost pressures continued to 2017/18 with rising raw material prices and increasing energy and labour costs. This had a significant impact on gross profit margins which declined to 38% from 41% last year. We continued to focus on several initiatives on cost management and productivity enhancement which yielded cost savings of Rs 542mn in 2017/18. However, profit after tax attributable to equity holders declined by (15%) to Rs 2,880mn, with the impact of cost pressures, increasing distribution and finance costs which trimmed the benefits of revenue growth and cost savings.

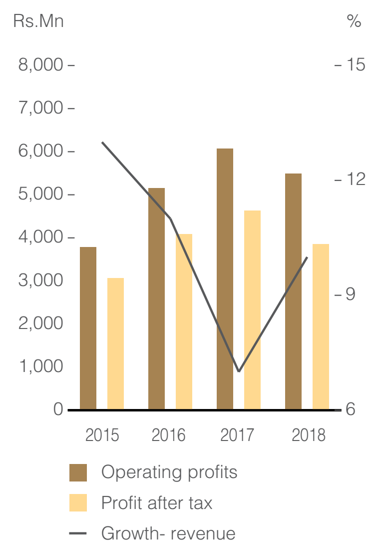
Being an investment driven organization, we continued to expand our asset base by adding new capacity primarily in the tile sector. Capital expenditure amounted to Rs 3,633mn during the year 2017/18 which supported a 18% growth in property, plant and equipment. Return on assets was 7.24% in 2017/18 compared to 10.24% last year.

> MARKET LEADERSHIP POSITION IN THE TILES AND ASSOCIATED PRODUCTS SECTOR SUPPORTED VOLUME GROWTH WHICH ACCOUNTED FOR 65% OF GROUP REVENUE REFLECTING GROWTH OF 7% IN 2017/18.

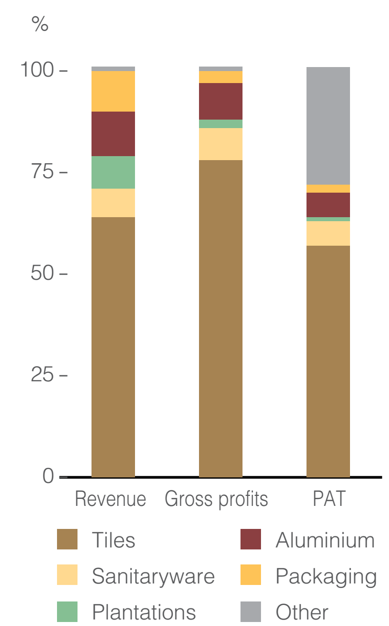
KEY PERFORMANCE INDICATORS

	TILES AND ASSOCIATED PRODUCTS	SANITARY& BATHWARE	PLANTATIONS	ALUMINIUM	PACKAGING	OTHER	GROUP
Revenue (Rs Mn)	18,783	2,049	2,248	3,340	2,942	178	29,090
Revenue Growth	7.5%	3.7%	15.5%	18.3%	22.9%	37%	9.8%
Gross Profit margins	45% ▼	43% ▲	9% ▲	30% ▼	9% ▼	43% ▼	38% ▼
Growth in EBIT	(10%)	(4%)	116%	(1%)	(40%)	(42%)	(10%)
Growth in finance costs.	18%	78%	(5%)	33%	39%	(9%)	24%
Profit after tax (Rs Mn)	2,251	245	36	254	16	1,173	3,851
PAT growth	(25%)	(18%)	209%	(22%)	(84%)	(75%)	(17%)
ROA	7%	5%	1%	6%	1%	6%	8%
Interest cover	5.7x	4.8x	4x	4.4x	1.9x	5.4x	5.1x

PERFORMANCE



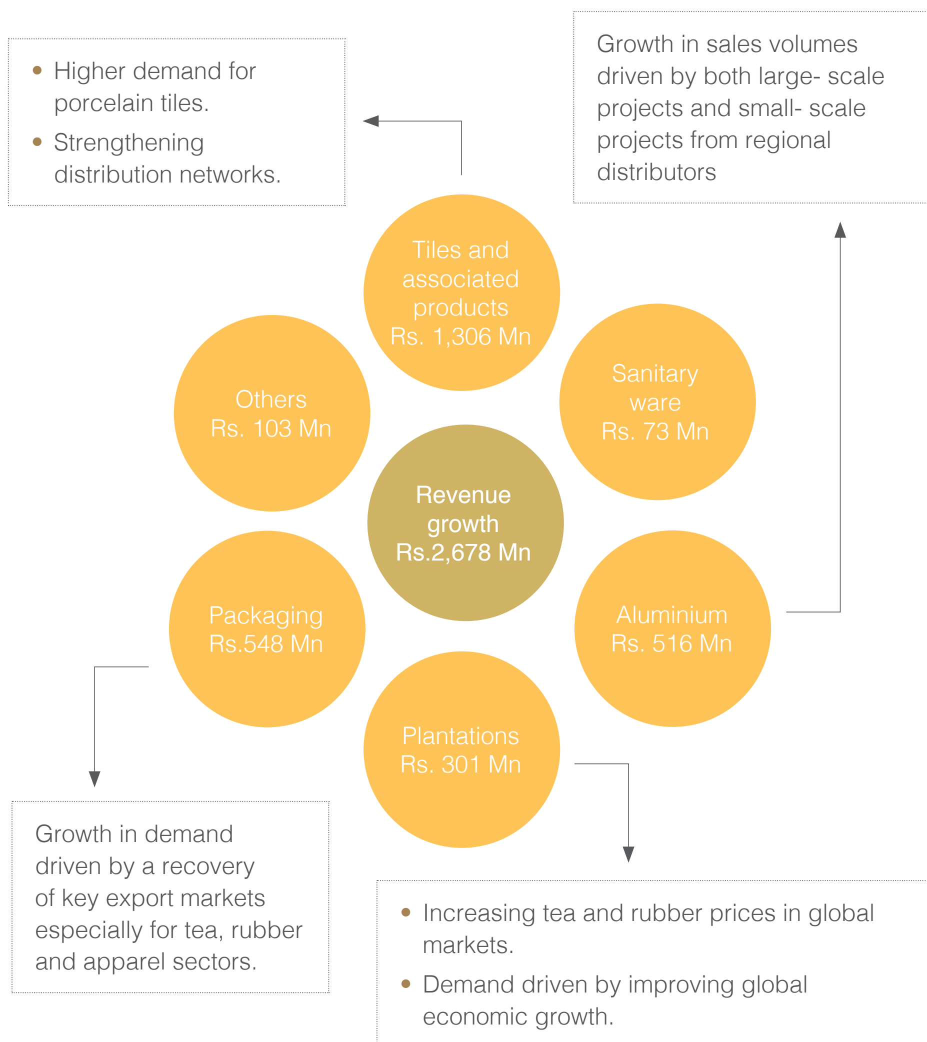
SECTOR ANALYSIS OF PERFORMANCE



REVENUE

Revenue for the year amounted to Rs.29.09 bn reflecting a growth of 10% despite a challenging environment marked by intense competition and inclement weather conditions which continued to adversely impact our performance the market leadership position in the tiles and associated products sector supported volume growth which accounted for 65% of group revenue reflecting growth of 8% in 2017/18 to Rs 18,783 mn as we continued to innovate, enhancing the quality and the aesthetic appeal of the tiles, catering to the latest trends in interior design. We continued to leverage on our strong domestic franchise which was strengthened with the addition of new distributors, opening of new showrooms and extending support systems such as Tilers clubs.

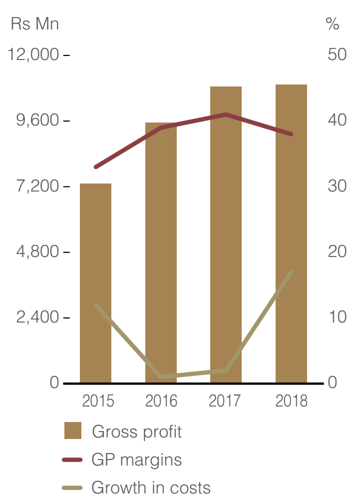
CONTRIBUTION TO REVENUE GROWTH



GROSS PROFITS

Gross profits amounted to Rs 10,933 mn in line with the previous year as cost pressures stemming from increasing raw material prices, higher energy costs and rising labour costs exerted pressure on margins which declined from 41% in 2017 to 38% in the reporting year. Several cost management and productivity enhancement tools and volume growth supported the margins to be maintained at current level.

Tile and associated products sector accounted for 78% of Group gross profits which experienced declines in gross margins from 48% to 45% which had a significant impact on Group gross profits margins. Packing Materials which accounts for 3% of Group gross profit followed a similar trend with margins declining by 6%. Gross profits in the Sanitaryware, Plantations, Aluminium and Other sectors improved as margins improved in Sanitaryware and Plantations supported by increased prices although the impact is masked as these sectors collectively contributed only 20% of gross profits.

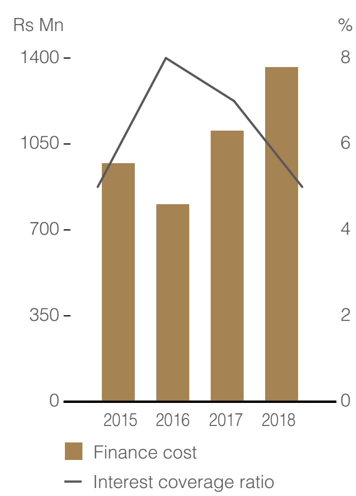


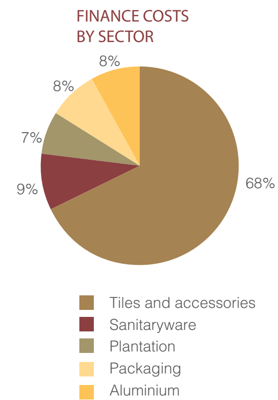
Earnings Before Interest and Tax (EBIT)

EBIT declined by (10%) to Rs 5,497 mn with increasing costs of production and distribution expenses. The leasing of warehousing space, initiatives to expand distribution network and increased advertising cost led to a 16% growth in distribution expenses which accounted for 70% of operating costs. Administration cost of the plantation sector increased by 19% in 2017/18 although its impact was insignificant. Resultantly, operating margins declined to 19% in 17/18 compared to 23% last year.

Net Finance costs

With a 22% increase in borrowings to fund capacity expansion programmes of the Group, finance costs increased by 24% to Rs 1,363mn. Tile and associated products sector accounted for 66% of Group finance costs. Group interest coverage ratio measured as EBITDA/ interest expenses, remained at comfortable levels of 5.1 times. Net finance costs increased by 29% to Rs 1,232mn.





Income taxes

During the year income taxes increased by 12% to Rs 1,501mn. Effective tax rate was 27% in 2017/18 compared to 21% last year.

PROFIT AFTER TAX

Profit after tax from continuing operations declined by (20%) in 2017/18 to Rs 3,872 mn albeit revenue growth due to increasing costs of sales, distribution and finance costs. PAT margins dipped to 13.3% in 17/18 compared to 18% last year. Losses after tax recognized from the discontinuation of Ever paint and Chemicals Industries (Private limited) was Rs (20) mn. Profit after tax for the year declined by (17%) in 2017/18 to Rs 3,851.

The tile and associated product sector which account for a significant 58% of group PAT declined by (25%) in 2017/18 having a profound impact on group profitability. Of the other business sectors, the strongest recovery was seen in the plantation sector which reported a PAT of Rs 36mn compared to a loss of Rs (33)mn last year. This was primarily

ASSETS INCREASED BY 17% IN 2017/18 WITH INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, INCREASING INVENTORIES AND TRADE RECEIVABLES.

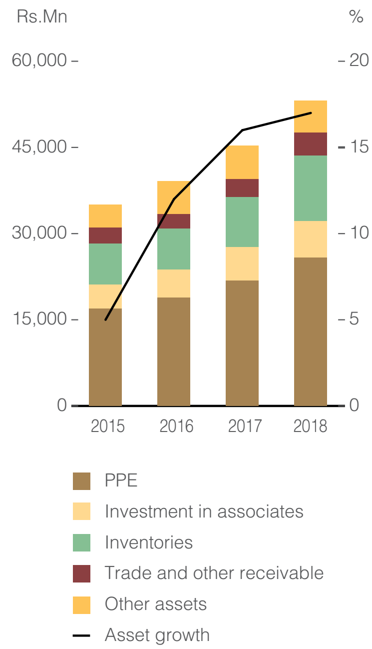
driven by the recovery of net sale averages prices. In addition, profitability of the associate companies improved during the year by 6% to Rs 1,107mn and accounted for 29% of PAT.

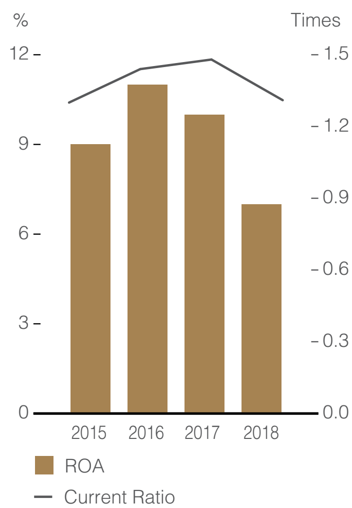
FINANCIAL POSITION

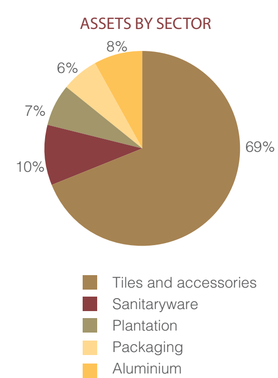
Assets

Assets increased by 17% in 2017/18 with investments in property, plant and equipment, increasing inventories and trade receivables. Capital expenditure amounted to Rs 3,646mn which included both fixed asset additions and routine replacement expenditure. The highest CAPEX was incurred in the tiles and associated products segment in line with the planned capacity expansion programmes of the Group.

Current assets account for 33% of total assets and increased by 19% during the year driven by inventories and trade and other receivables. Growth in inventories was primarily driven by stocks of raw materials and finished goods. Provision for slow moving inventories amounted to Rs 264 mn forming 2% of gross inventories. Trade receivables increased by 27% to Rs 4 bn with 47% of the trade debtors being neither past due nor impaired.





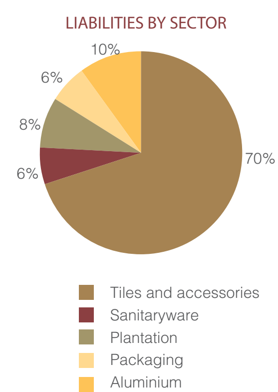


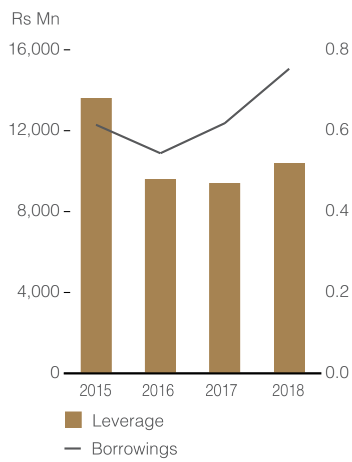
Working capital

During the year, working capital for operations requirements increased by 26% to Rs 12,036 mn primarily due to the increase in inventories. Despite the growth in working capital, the Group maintained a reasonable current ratio of 1.3x compared to 1.49x last year.

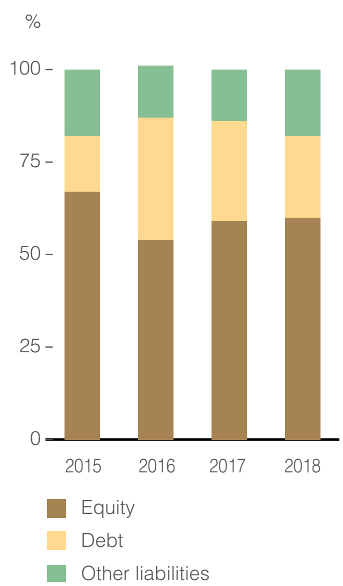
Liabilities

Liabilities increased by 28% to Rs 23,950mn in 2017/18 with new borrowings, increasing payables and deferred tax liabilities. Interest bearing borrowings account for 62% of Group liabilities and increased by 22% to Rs 15, 063mn. Resultantly, the financial leverage increased to 52% in 2017/18 compared to 47% last year. Deferred tax liabilities increased significantly during the year due to the liability recognized on land revaluation. Trade payables accounted for 14% of liabilities and increased by 46% during the year.





FUNDING PROFILE



Equity

Equity attributable to shareholders increased by 10% to Rs 20,312 mn driven by growth in retained profits and reserves. The revaluation of land and buildings provided a gain of Rs 893mn in 2017/18. Equity funded 55% of Group assets.

Funding Growth

The pool of funds used by the Group during the year amounted to Rs 53,157mn with an 17% increase. The Incremental funds of Rs 7,890 mn were used to fund capacity expansions, working capital and repayment of debt obligations that fell due during the year. The net assets of the Group amounted to Rs 29,207 mn representing 55% of the financial capital.

Cash flows

Operating cash flows declined by 48% to Rs 1,612 mn due to the increase in inventories and declining profitability. Cash outflows from investing activities amounted to Rs (3,544) mn compared to Rs (3,753) mn last year of which capital expenditure formed a significant part. Cash flows from financing activities recovered to Rs 735 mn compared to outflows of Rs (230 mn) last year supported by new borrowings. Payments on share repurchases amounted to Rs 185 mn in 17/18.

GROWTH IN FINANCIAL CAPITAL RS.7.8 BN

Equity	Loans	Other Creditors
Growth	Growth	Growth
Rs. 2,644 Mn	Rs. 2,691 Mn	Rs. 2,554 Mn
10%	22%	40%

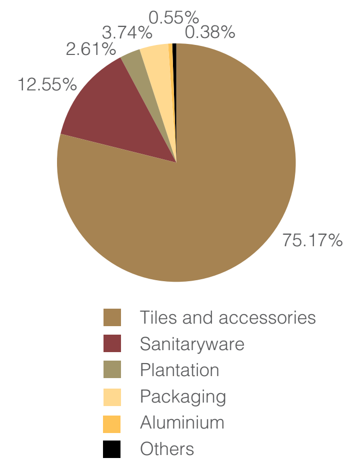
MANUFACTURED CAPITAL

Deriving over 90% of our revenue from manufacture products, we are conscious of the importance of ensuring that our manufacturing capabilities are expanded, upgraded and maintained according to carefully orchestrated plans to deliver growth.

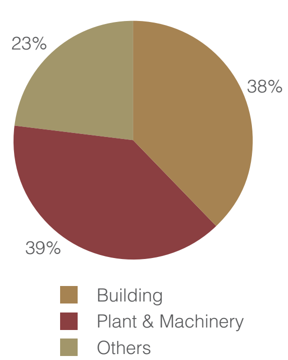
MANUFACTURED CAPITAL AT A GLANCE
• Accounts for 30% of Total Assets
• Additions During Year Rs 3,349 Mn
• CAPEX as % of sales 12%
• Asset Turnover 0.55 times

Our manufactured capital comprises buildings, plant and machinery and other items including motor vehicles, furniture and fittings, tools and equipment. It excludes land and bearer biological assets which are included in Natural Capital and amounts to Rs.16.1 bn equivalent to 30% of the Group's Total Assets. The distribution of manufactured capital among the sectors is given above along with the analysis of the same by broad categories of assets. We also give below a summarised listing of our manufacturing facilities analysed by sector. Capital work in progress at the end of the year was Rs.1.5 bn.

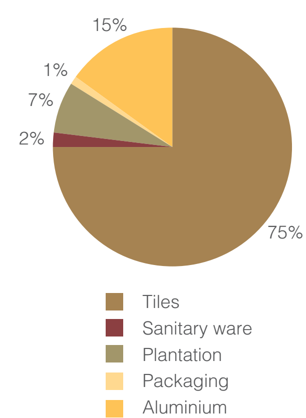
NET BOOK VALUE OF PPE BY SECTOR



NET BOOK VALUE OF PPE BY TYPE OF ASSET



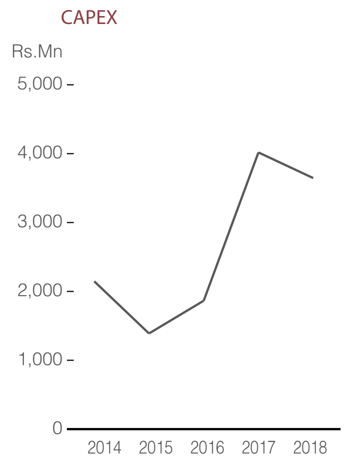
CAPITAL EXPENDITURE BY SECTOR



TILES			
ROYAL PORCELAIN (PVT) LTD	ROYAL CERAMICS LANKA PLC	LANKA TILES PLC	LANKA WALLTILES PLC
Location: Horana Produces glazed Floor Tiles in the Porcelain, Vitrified and Ceramic categories for the 'Rocell' brand capacity 11,000 m2 per day. Has a capacity utilization of 95%.	Location: Eheliyagoda Produces Homogeneous full body Porcelain Tiles for the Rocell brand with a capacity 6,800 m2 per day	Location: Ranala Produces Glazed, Vitrified and Ceramic floor tiles for the Lanka Tiles brand with a capacity 12,000 m2 per day	Location: Meepe Produces wall tiles in a variety of colours, textures and sizes including special trim tiles, decorated tiles, as well as handmade tiles for the brand Lanka Tiles. Capacity of 8,000 m2
Investments in 2017/18: Rs 2,497 mn to add 1800 sqm new capacity/day with a focus on manufacturing larger tile sizes and for productivity improvements and upgrading showrooms.			

SANITARYWARE	ALUMINIUM	PACKAGING	PLANTATION
Location: Homagama Produces Vitreous China and Fine Fire Clay sanitary ware appliances. The factory has a capacity of 326,000 pieces per annum. Capacity utilization of 80%.	Location: Dompe Produces aluminium profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading. Capacity utilization of 80%	Location: Dekatana Leading producer of corrugated cartons for packaging industry. Cartoons- 30,000MT per annum	Location: 10 tea factories in Nuwara Eliya, 5 rubber factories in Ingiriya and Bulathsinhala Produces High grown teas in 8 factories and low grown teas in 2 factories. Produces latex
Investments in 2017/18: Rs.78 mn to upgrade machineries.	Investments in 2017/18: Rs.490 mn including expansion of extrusion capacity by 150%	Investments in 2017/18: Rs.43 mn including enhancement of warehousing facilities.	Investments in 2017/18: Rs.16 Mn for upgrading factories and estates.

ROBUST TECHNOLOGY IS ONE OF THE CORE DRIVERS OF OUR PERFORMANCE. BEING AN INVESTMENT DRIVEN ORGANIZATION, WE HAVE CONTINUALLY INVESTED IN VARIOUS SECTORS OF THE ECONOMY IN ADDITION TO BEING A FORE RUNNER IN TWO INDUSTRIES.



SHOWROOM, FIXTURES AND FITTINGS

Rs 954 mn

61% growth

107

SHOWROOMS & FRANCHISEES

25

DISTRICTS

2

COUNTRIES

STORES BUILDINGS ON LEASEHOLD LAND

Rs 409 mn

During the year, Rs 457 mn was spent on expanding the distribution network.

Robust technology is one of the core drivers of our performance. Being an investment driven organization, we have continually invested in various sectors of the economy in addition to being a fore runner in 2 industries. State-of-art manufacturing facilities and up to date machinery is our excellence ensuring a smooth flow of production to customers.

During the year we invested Rs 3,349 mn as capital expenditure which supported growth in our productive capacity, upgraded technology and enhanced operational excellence. Sound procurement practices ensure that all plant and machinery are acquired after thorough evaluation of supplier profiles, quality and reliability.

OUTLOOK

Planned capital expenditure for the Group is Rs.2 bn for the year that has commenced with investments in the tile sector to enhance capacity. A further Rs.1.5 bn currently in work in progress will become operational as these projects become operational. High levels of capacity utilization during the year, expansion in to new markets and volume growth in the local market will absorb the additional capacity that is to be added on during the year.

OUR SHOWROOM NETWORK

1. 98, Nawala Road, Nugegoda.
Tel: 011-4405160

2. 440, R.A. de Mel Mawatha,
Colombo 03.
Tel: 011-4209204/5/6

3. 256 A, Galle Road,
Mount Lavinia

4. 780/1, New Kandy Road,
Thalangama North, Malabe.
Tel: 011-4411775

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

6. 218, Kandy Road, Kiribathgoda.
Tel: 011-4817231

7. 472/1, 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,
Meepitiya, Kegalle.
Tel: 035-2230980

14. 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. 348, Badulla Road, Bandarawela.
Tel: 057-4496014

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

20. 169, Panadura Road, Horana.
Tel: 034-4285033

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

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

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

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

25. 384/B, Malabe Road,
Kaduwela
Tel: 011-4948182

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

27. 86, Weyangoda Road,
Minuwangoda.
Tel. 011-4969060

28. 174/A/2, Colombo Road,
Gampaha.
Tel: 033-4670937/755

29. 181, Hettipola Road, Kuliyapitiya.
Tel: 037-4930870, 037-4696134

30. 279, Katugastota Road, Kandy.
Tel: 081-4481759/60

31. 574, Galle Road,
Kalutara South, Kalutara
Tel: 034-4280933/4

32. 101, Nawala Road, Nawala.
Tel: 011-4311311

33. 278, Massale, Galle Road, Beruwala.
Tel: 034-4288371/2

34. 39, Godagama Road, Athurugiriya.
Tel: 011-4443641

35. 52, Kandy Road, Nittambuwa.
Tel: 033-4929681

36. 52, Barnes Ratwatta Mawatha, Balangoda.
Tel: 045-4927365

37. 70, Bank Road, Badulla.
Tel: 055-4499780

38. 76 A, Tangalle Road, Thavaluwila, Ambalanthota.
Tel: 047-4932446

39. 30, Narahenpita Road, Nawala.
Tel: 011-4651000

40. 185 B, Ratnapura Road, Moragala, Eheliyagoda.
Tel: 036-4922946

41. 7, T.B. Panabokke Mawatha, Gampola.
Tel: 081-4951436

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

43. 2/1, Kandy Road, Trincomalee.
Tel: 026-2225008

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

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

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

47. "Kandaland" Wellawaya Road, Monaragala.
Tel: 055 4936169

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

49. 120, 124 Mahathma Gandhi Road Batticaloa
Tel : 065 4929450

50. No.160, Kings Street, Matale
Tel : 94 66 4460928

51. Ja-Ela Concept Center
203, Colombo Road, Ja-Ela
Tel: 011-4334173

52. Rocell Bathware Design hub
No.100, Narahenpaita road, Nawala
Tel: 011-4691705/06

53. No.320, Kandy Road, Kadawatha.
Tel - 94 11 4322994

54. No.745, Galle Road, Randube, Ambalangoda
Tel: 091-4944731/091-2253263

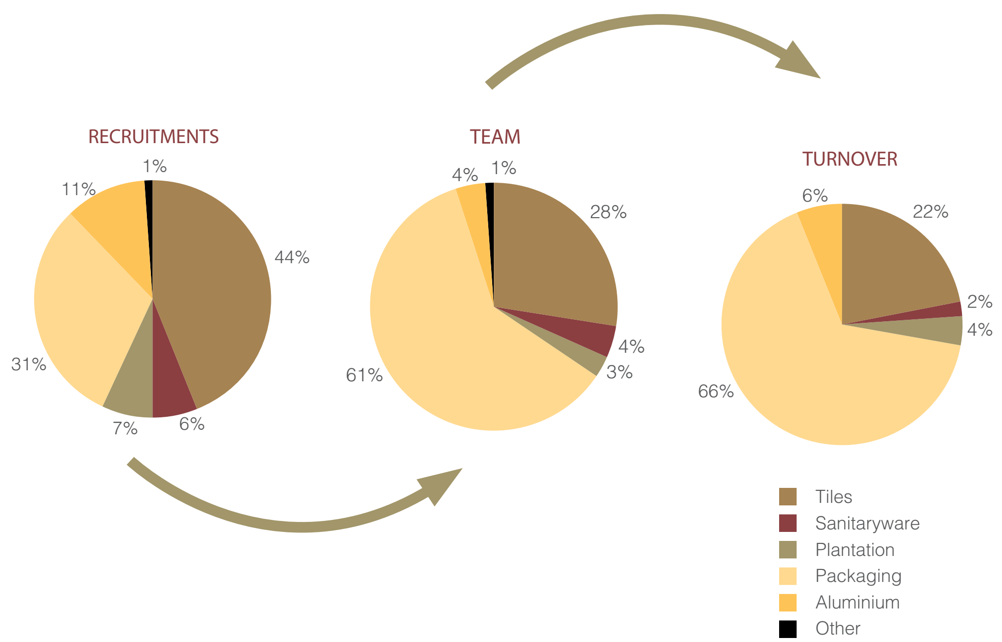
55. No.2/5, Nawala Road, Narahenpita.
Tel: 011-5548660

56. 133, Jawatta Road
Colombo 5
Tel: 011-5548660

HUMAN CAPITAL

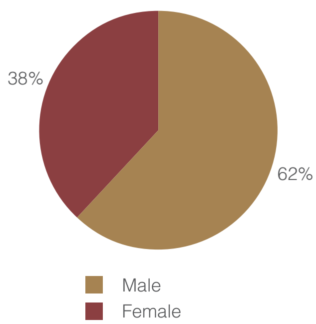
A diverse team drives our performance across seven industry sectors throughout the island. A comprehensive Talent Management framework supports their performance, productivity and remuneration, facilitating creation of shared value.

HUMAN CAPITAL AT A GLANCE
• No of employees 9,605
• Training hours 8,179
• Employee turnover 13%
• Revenue per employee 16% Rs. 3 Mn
• Profit per Employee Rs.400,942/-

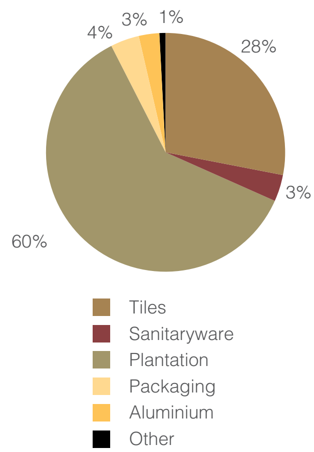


OUR TEAM PROFILE

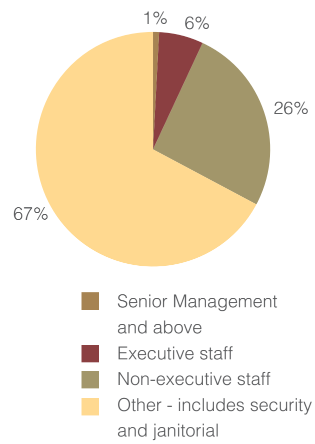
TEAM BY GENDER



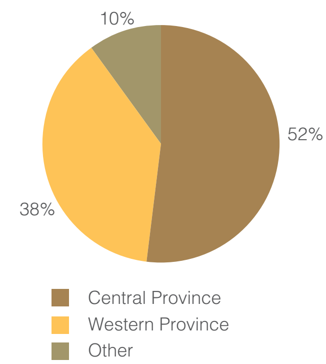
TEAM BY SECTOR



TEAM BY CATEGORY



TEAM BY PROVINCE



DURING THE YEAR, 1,061 EMPLOYEES WERE RECRUITED TO THE GROUP WHILE 1,270 EMPLOYEES MOVED OUT IN THE FOLLOWING SECTORS. AND THE ANALYSIS BY AGE AND REGION ARE GIVEN ALONGSIDE.

GOVERNANCE

The Human Resource department reports to the Managing Director and is responsible for disseminating best practice throughout the Group with a view to ensuring regulatory compliance and a comprehensive HR framework that supports the business needs of the Group. Each sector has its own HR head due to the diverse nature of the Group's businesses and they meet with the Head of HR of the Parent Company on a monthly basis. Formal policy frameworks reinforce regulations and facilitates a balance of company and employee interests. Adherence to regulatory requirements are verified through internal audits and quarterly meetings.

During the year, Group HR focussed on centralizing the Human Resource function which will strengthen our ability to implement sound HR practices across the group. In addition, the HR Information Systems was implemented throughout the tile and associated products sector.

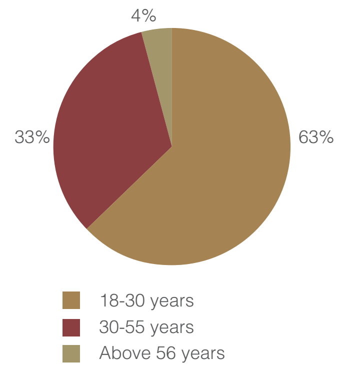
EMPLOYMENT

All entities within the Rocell Group are equal opportunity employers ensuring that recruitment and career progression is based only on skills, experience, attitudes and other attributes identified as necessary for the specific role, Internal recruitments and staff rotations form part of our career progression plans.

During the year, 1,061 employees were recruited to the group while 1,270 employees moved out in the following sectors. and the analysis by age and region are given overleaf.

	Tiles	Sanitaryware	Aluminium	Plantations	Packaging
			New Hires		
Male	391	66	67	125	88
Female	76	2	6	200	28
Total	467	68	73	325	116
			Turnover		
Male	251	23	49	413	66
Female	28	1	5	421	7
Turnover	279	24	54	834	73

NEW RECRUITS BY CATEGORY



	Central	Southern	Northern	Eastern	North Central	North Western	Western	Sabaragamuwa	Uva
New Recruits	134	56	11	27	19	314	418	64	18
Turnover	578	41	6	5	4	46	543	34	13

The Sanitaryware sector had the highest retention rate of 90% retention in 2017/18 due to high levels of engagement and employee development related initiatives. Employee satisfaction score in Lanka Walltiles improved to 75% compared to 64% last year and in Lanka Tiles PLC, the score was improved from 63% in 2017 to 66% in 2018.

Reasons for employee turnover are continuously evaluated as human capital represents a crucial part of our organizational performance. The employee turnover rate in the Aluminium sector was 25% being the highest in the Group as a larger proportion of casual workers were leaving for better job opportunities in city areas. This is a continuous challenge for the company and several measures were implemented to enhance employee retention.

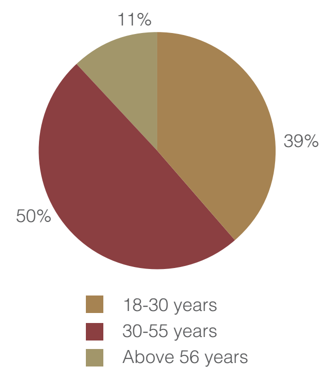
FREEDOM OF ASSOCIATION

All employees working in factories are unionised with collective agreements signed for a duration of three years. The tile and accessories sector employees engage with three separate trade unions. We continued to maintain sound relationships with all trade unions, hence no industrial disputes were reported during the review period.

EMPLOYEE COMPENSATION AND BENEFITS

During the year, employee related costs amounted to Rs 4,959 mn reflecting a growth of 8%. The increase was primarily in the Tile and accessories and plantation sectors stemming from the signing of the new wage agreement for plantation workers in October 2016 led to an increase in salaries in the sector.

TURNOVER BY CATEGORY



All companies within the Group maintained a fair compensation package and contributions to defined benefit schemes such as Employee Provident Fund (EPF) and Employee trust fund (ETF).

All employees are entitled to parental leave and during the year 134 employees took parental leave.

Parental leave	2017/18
Employees entitled to parental leave	2,974
Employees on parental leave	134
Employees who returned to work during the period after parental leave	78
Employees who are still in employment 12 months after returning from parental leave	17

TRAINING AND DEVELOPMENT

During the year, the Group incurred Rs 13 mn in training and development expenditure, with 43% of workforce participating in training programmes. The total training hours were 8,179. The highest number of training hours was in the tile sector as 5,497 hours.

A diverse range of training programmes were used during the year including both in-house and external programmes.

Training hours by category	2017/18
Senior management and above	318
Executive staff	4,886
Non-executive staff	2,014
Other-includes security and janitorial	962

EMPLOYEE PRODUCTIVITY

Several initiatives are undertaken to enhance operational excellence of employees including training and development of skills, productivity enhancement tools and employee productivity is continually reviewed with the use of KPIs such as production per employee.

HEALTH AND SAFETY

Health and safety is a key priority as a significant proportion of our employees are engaged in manufacturing related activities. All factory employees participate in monthly health checks and a visiting doctor is made available at all factories. During the year, 201 injuries were reported of which the tile sector accounted for the most. The number of lost production men days was 1,011.

HORANA PLANTATIONS

- Subsidized meals to employees
- Over 90% of employees live in estate housing which is being upgraded as we improve sanitation, access to water and electrification in the estates.
- Crèches for children below school going age in estates
- Monitoring attendance of school going children of employees
- Support for higher education to children of employees

TILES AND ACCESSORIES

- Reimbursing a certain proportion of costs incurred on higher level qualifications.
- The company is an approved employer for Institute of Chartered Accountants of Sri Lanka
- Pilot project to introduce sleeping lounges at a factory

TILE SECTOR

Given the highly specialized technical skills required, training and development is a continuous requirement. A training calendar was prepared during the year with the training plan for both internal and external programmes. During the year, a higher emphasis was placed on soft skill and technical training for the sales staff.

HORANA PLANTATIONS

The programmes included Rubber Manufacture/Oil Palm Cultivation, 5 -S Kaizen/ Power to Change

SANITARY WARE

Conducted Ergonomics training.

	Tiles	Sanitary ware	Plantations	Packaging	Aluminium	Total
Accidents						
Fatalities			2			2
Injuries	114	16	7	21	43	201

CAREER PROGRESSION

During the year, 47% of our workforce was part of the performance appraisal systems of the Group. Employees are continuously evaluated on predefined key performance indicators by supervisors who provide regular feedback and support in the form of training programmes. Routine performance appraisals take place every year with career progression opportunities such as promotions, bonuses and salary increments being provided to employees. In addition, appointments to long term assignments and secondments to group companies are considered.

EMPLOYEE ENGAGEMENT

Continuous employee engagement plays an important role in retention. We continued to maintain a strong employee retention rate of 86% across the Tiles and associated products sector. The employee satisfaction score measured through the Great Place to Work survey done by Lanka Walltiles improved to 75% from 64% of 2014. During the year, we continued to emphasize on the well-being of employees. Counselling and spiritual training programmes were provided. In addition, new lounges were given to employees with resting hours allocated during the working time.

EMPLOYEE WELFARE EVENTS

Several events were organized by the separate companies of the Group to enhance employee welfare and maintain a work life balance. In addition, work shifts were prepared at the beginning of the month enabling employees to flexibly change work shifts.

TILES AND ACCESSORIES

A health and safety officer is available in each factory to cater to any health and safety related incidence. A monthly health report is prepared by the officer which is shared with the labour department giving due mention of the number of accidents. All protective gear are provided to all factory employees with safety standards being well communicated and the policies mandate the wearing of protective gear.

HORANA PLANTATIONS

The Plantations sector monitors the mental and physical healthcare of employees ensuring employees are anaemia free and zero malnutrition. A file is maintained for each employee.

Employee housing is checked every 6 months to ensure safe electrical wiring.

UNIDIL PACKAGING

1. Hazard analysis programmes which evaluates the biological and physical safety of products.
2. An evaluation in ensuring that equipment is safe for usage.
3. Risk assessment programmes to evaluate the health and safety risks persistent.
4. Awareness programmes on chemical safety.

SWISSTEK ALUMINIUM

A safety committee members continually monitored the adequacy of safety procedures. In addition, audits were conducted to review the safety procedures.

"

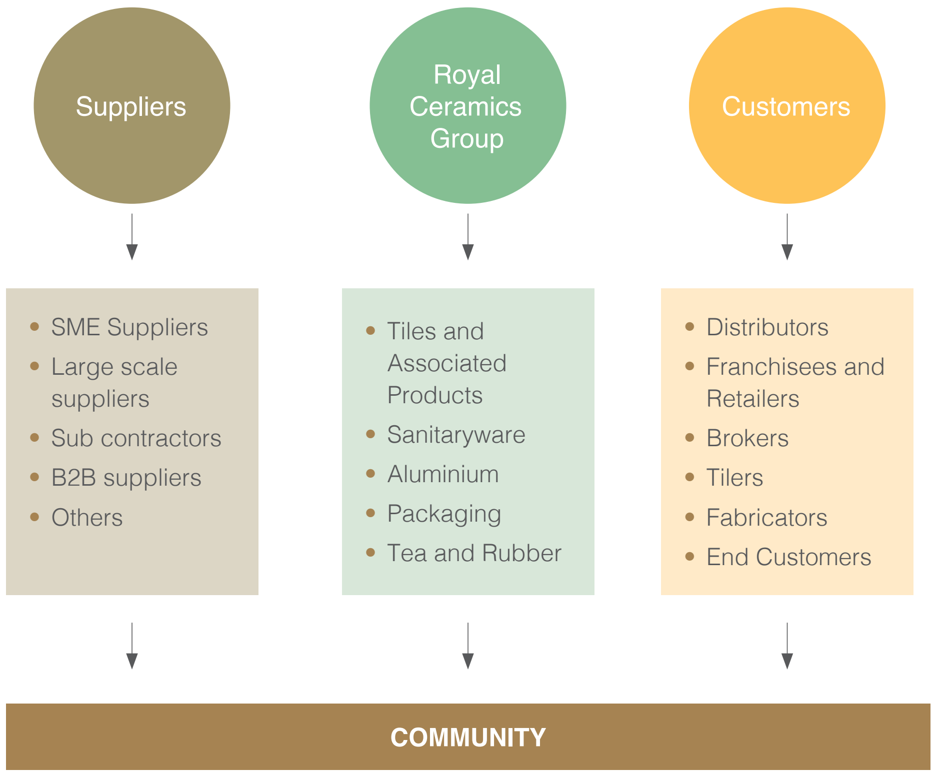
WE CONTINUED TO MAINTAIN A STRONG EMPLOYEE RETENTION RATE OF 86% ACROSS THE TILES AND ASSOCIATED PRODUCTS SECTOR. THE EMPLOYEE SATISFACTION SCORE MEASURED THROUGH THE GREAT PLACE TO WORK SURVEY DONE BY LANKA WALL TILES IMPROVED TO 75% FROM 64% OF 2014.

EMPLOYEE GRIEVANCES

The Group operates an open door policy and structured meetings to enable employees to come forward with their grievances. While we seek to create a culture where employees are free to bring up issues with their immediate line manager, they are also able to report any incident to the HR departments or direct to the respective Managing Directors. There were no grievances reported during the year and the harmonious industrial relations further affirms the effectiveness of grievance handling mechanisms in place.

SOCIAL AND RELATIONSHIP CAPITAL

As a tree anchors itself to the ground by spreading its roots, our business is supported to stand strong by our business partners who play a key role in our supply chains.



SOCIAL AND RELATIONSHIP CAPITAL AT A GLANCE

- 56 Own Stores
- 263 Dealers and Distributors
- 51 Franchisees and Retailers
- 10 Factory Outlets
- 4000 Tilers Club Members
- 650 Aluminium Fabricators

CUSTOMERS

As a Group, we are widely networked facilitating the movement of our products to end users. Together, our networks of market intermediaries and direct users facilitated revenue generation of Rs.29 bn which was a growth of 10% in the reporting year. High levels of stakeholder engagement support our relationships as we pursue opportunities for mutual growth.

Product Quality	Satisfaction	Innovation
• Our products are subject to quality assurance processes across all sectors • Certifications affirm compliance with international standards	• A formal grievance process is in place supported by a dedicated customer management unit • Valid complaints settled by replacing an equivalent number of tiles • Increasing trend in customer satisfaction measured through surveys	• Invested Rs.2.5 bn during the year to facilitate product innovation in tiles • More than 1,500 designs of tiles to choose from

Market influencers and intermediaries play a vital role in our supply chain and we support their growth in numerous ways as given below.

ALUMINIUM FABRICATORS
- Training Programmes

ARCHITECTS
- Annual sponsorship of flagship event
- Discounts for registered architects

TILERS
- Tilers Clubs
- Training Programmes
- Discounts

SUPPLIERS

We seek to share our journey with our suppliers who are key business partners.

Fair Dealing	Knowledge Sharing	Value
• Annual registration of suppliers • Monthly procurement committee meetings • Adherence to contracts • Timely payments • Transparency and trust	• Quality inspections on receipt of goods and feedback • Ensure that suppliers of ball clay and kaolin have licenses issued by the Central Environment Authority	• Financial aid to support growth • Technical expertise to resolve identified technical issues

SOCIAL AND RELATIONSHIP CAPITAL AT A GLANCE
• Rs.3,172 Mn Payments to SME Suppliers
• Rs.6,684 paid to Large Scale suppliers
• Total Paid to all suppliers Rs.22,264 mn
• Total paid to local suppliers Rs 15,537 mn

COMMUNITIES

We focus on maintaining a harmonious relationship with communities and supporting community development. Caring for communities has been part of our business philosophy since inception. Over the many years, we continued to drive a change in well -being of the communities around us by initiating several projects on healthcare, sanitation and education. In addition, we continued to increasingly recruit employees from local communities who formed a significant part of factory employees.

Employer

- Over 90% of our employees are from the local villages around the factories
- Patronage of village cultural festivities

500 Pre-Schools Programme

- Royal Ceramics has adopted 150 pre-schools renovation and facilities improvements
- Lanka Tiles Group has adopted 150 pre-schools renovation and facilities improvements

Housing and Clean Water

- Built houses in estate together with the Plantation Housing Development Trust
- Households benefitted from Clean water and sanitation projects

Eliminating malnutrition

- Nutrition bars and food items given to children on estates to address malnutrition

Disaster Relief

- Dry ration donation to flood victims
- Produced food for landslide victims

Supporting Livelihoods

- Horana Plantations supports small holder cultivation with fertilizer and technical expertise
- Sourcing raw materials from villagers

NATURAL CAPITAL

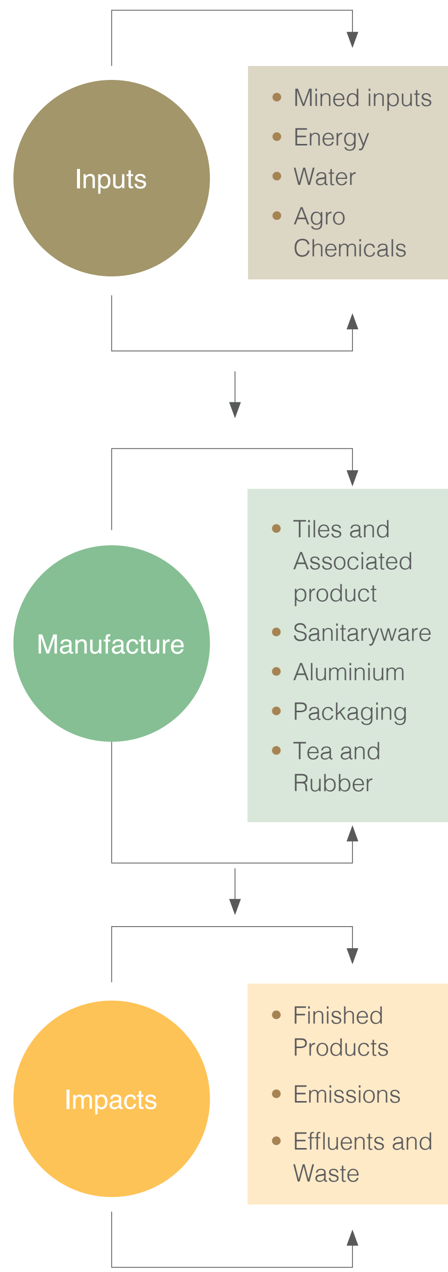
Management of natural capital is a critical imperative as it accounts for a significant portion of our total assets. We are heavily dependent on natural resources, water, energy and are significantly impacted by climate change in our plantations.

The Group's monetized natural capital reflected on the balance sheet is given on the adjacent column totalling Rs.10 bn which is equivalent to 19.14% of Total Assets. Freehold and Clay Mining land, leasehold rights to bare land of JEDB/SLSPC estates and bearer biological assets included in Property Plant and Equipment account for Rs.9.6 bn. Consequently management of our natural capital is a key imperative across the Group.

We also seek to manage our consumption of materials, water and energy to reduce costs of production and our impacts on the environment. Compliance with the CEA licenses obtained by all factories is strictly adhered to forming the baseline for adopting voluntary certifications. The following sectors have obtained certifications which support adoption of international best practice in the management of environmental impacts and integration of the same in to our business models and strategy.

MONETISED NATURAL CAPITAL

- Freehold and Clay Mining Land Rs. 7.38 bn
- Leasehold Rights to bare land of JEDB/SLSPC Estates Rs. 0.11 bn
- Bearer Biological Assets Rs. 2.2 bn
- Consumable Biological Assets Rs. 0.5 bn
- Leasehold Rights Over Mining Land Rs. 6 mn



Sector	Certification	Description
Tiles and Associate Products	Green SL Labelling Certification	Certificate for environmental performance issued by the Green Building Council of Sri Lanka
	ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
Packaging	ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
Plantations	Ethical Tea Partnership	Work with members and their supply chains to meet internationally recognised social and environmental standards
	Rainforest Alliance	The Standard is built on principles of sustainable farming addressing Biodiversity conservation, improved livelihoods and human well-being, natural resource conservation and effective planning and farm management systems.
Sanitaryware	Green SL Labelling Certification	Certificate for environmental performance issued by the Green Building Council of Sri Lanka
	Water Mark Certificate of conformity - Level 1 and 2	Products are rated for water efficiency

LAND

The Group's freehold and leasehold land analysed according to their use is as follows:

Use	Aggregate Extent	Freehold/Leasehold	Description
Commercial Use	257 Acres	Freehold	Comprises 48 properties on which our factories, warehouses, showrooms and offices are situated
Mining	84 Acres	Freehold	Comprises 5 freehold properties utilized for silica and ball clay mining
Plantations	7,534 Hectares	Leasehold	Comprises 2,202 hectares of plantations, 2,454 rubber plantations, 900 hectares of other cultivated land and 1,978 hectares of other areas within the plantations. The total is spread across 8 estates located in the hill country and 8 located in the Western Province.

Mining is carried out in accordance with the license issued by the Central Environment Authority and is restored in compliance with the same. The Plantations sector has set in place Good Agriculture Practices to support long term sustainability of the environment addressing application of agrochemicals, establishing chemical buffer zones around waterways and zero deforestation.

BEARER BIOLOGICAL ASSETS AND CONSUMABLE BIOLOGICAL ASSETS

These comprise the biological assets of Horana Plantations as summarized below. As stated above these are managed with the long term sustainability of the plantations often trading the long term gain for the short term.

	Bearer Biological Assets			Consumable Biological Assets
	Tea	Rubber	Others	
Hectares Cultivated	2,202	2,454	900	304.52
Written Down Value Rs Mn	609	933	135	536

INPUT MATERIALS

Our factories use non-renewable raw materials which are key to our operations. Sector-wise consumption of non-renewable materials is given in the adjacent graph. Managing consumption is vital to manage costs of production and effluent treatment which ensures that consumption is carefully controlled covering both qualitative and quantitative aspects. We provide below the initiatives implemented to ensure responsible consumption.

Tiles

In tile manufacturing 99% of minerals were recycled and reused in production while the balance 1% was crushed and used to fill mines. Suppliers are registered and those who supply directly mined products are assessed for environmental compliance by inspecting the CEA license and visits to the mine.

Aluminium

Aluminium is 100% recyclable and reusable without losing its properties.

Ensured no hazardous materials are used in the production process.

MINERALS USED

174,443 MT

ALUMINIUM BILLETS

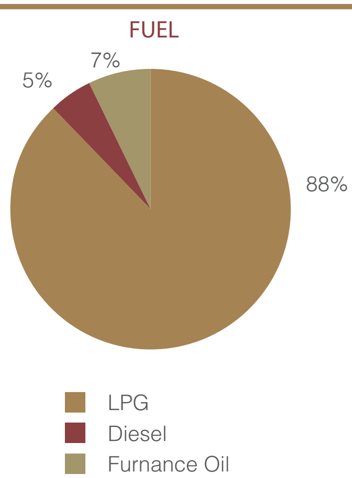
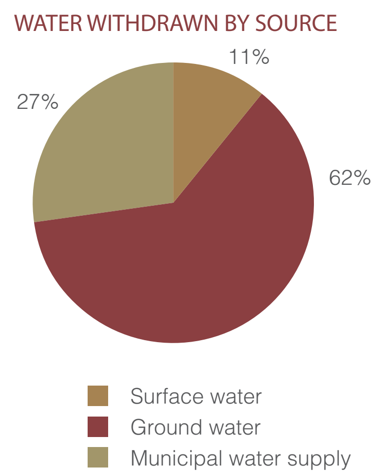
5,990 MT

ASSESSED

22 new suppliers

for environmental criteria

WE CONTINUALLY MONITOR THE ENERGY CONSUMED OUTSIDE THE ORGANIZATION. CONSUMPTION IN 2017/18 AMOUNTED TO 2,119,122 LITRES WHICH INCLUDED THE FUEL CONSUMPTION BY COMPANY OWNED VEHICLES, EMPLOYEE COMMUTERS AND OUTSOURCED DISTRIBUTORS.

<table>
<tr><th></th><th>Fuel</th><th>Water</th></tr>
<tr><td>What we used during the year</td><td>
</td><td>
</td></tr>
<tr><td>Initiatives</td><td>• Usage of a waste heat recovery system in the factories.
• Installation of capacitor banks at tile manufacturing factories.
• Converted of furnace oil usage to firewood in manufacture of corrugated packaging.
• Routine machinery maintenance to reduce heat loss in Aluminium manufacturing.
• Measured energy consumption outside the organization which was 2.1 mn litres of fuel used by company, employees and distributors.</td><td>• Each factory has its own water purification plant enabling water usage to be recycled and reused. During the year 68.3mn litres of water was recycled.
• In addition, waste water treatment plants in 4 factories attest the quality of any water discharge. During the year, 80% of water discharge was recycled through effluent treatment.
• Stringent monitoring of water consumption in 4 factories with the use of water flow control systems.</td></tr>
<tr><td>What we achieved</td><td>• Total energy saved 190,389 Kwh</td><td>• Recycled and reused: 68,328 litres amounting to 30% of water withdrawn.</td></tr>
</table>

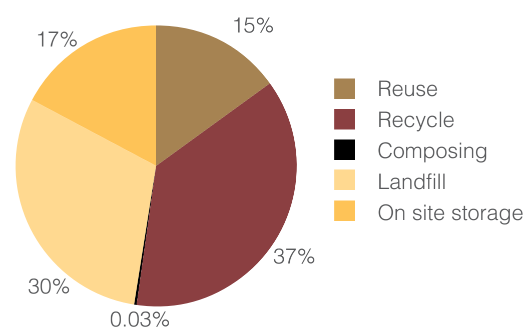
ENERGY CONSUMPTION OUTSIDE THE ORGANIZATION

We continually monitor the energy consumed outside the organization in all of our locations. Consumption in 2017/18 amounted to 2,119,122 litres which included the fuel consumption by company owned vehicles, employee commuters and outsourced distributors.

IMPACTS

Managing our impacts is key to maintaining our social license with the communities around our facilities. The table below summarizes our initiatives to manage emissions, effluents, solid waste and noise which have a direct impact on the communities we operate in.

	Effluents and Waste	Emissions	Other
Outputs in 2017/18	• Paper waste • Aluminium billet scraps. • Solid waste • Effluents	• Carbon emissions • Kiln exhausts	• Dust • Sound • Noise pollution
Initiatives	• Paper waste is exported to India. Other waste such as waste water is treated prior to disposal. • Unfired solid waste is recycled while fired solid waste is converted to sellable form. During the year, we converted squaring waste material to reusable materials. • Collected organic waste from canteens and donated to community farms. • Segregated solid waste and donated food waste to animal feed. • Hazardous waste such as sludge was given to cement manufacturing companies. • An effluent treatment plant in local tile factories ensured that effluents were treated prior to be discharged. Internal audit check ensured conformity to CEA license.	• Plans to introduce heat exchangers to handle kiln exhausts. • Swisstek Aluminium reduces emissions by pressing raw materials discharged and the 100ft chimney ensures safe emission of gases from melting furnace.	• Usage of water curtains to reduce dust and sound. • Invested Rs 10mn on dust collectors in tile factories. • Dust suction plants in 4 locations. • Converted dust in dust collectors to liquid formulation to be used in body material of tiles and bathware. • Sound proof canopies in Horana factory. • Spray dryers and press coolers reduce noise pollution. • Green fencing in factory protected local fauna.
What we achieved		NON HAZARDOUS WASTE (MT) BY DISPOSAL	



INTELLECTUAL CAPITAL

Our Intellectual Capital enables us to compete effectively in local and global markets, shaping our brand equity.

Our flagship brand, Rocell is the undisputed leader in the tile and sanitaryware category, responding to emerging consumer needs through ongoing investments in research and production technology as judged by Interbrand Sri Lanka in 2017. It is ranked amongst the country's top 20 brands with a brand equity of Rs.1.92 bn by Interbrand Sri Lanka.

OUR INTELLECTUAL CAPITAL
• Certifications
• Recipes for tile manufacturing developed over 25 years
• Brand equity Rs.1.92 bn
• Unique product designs by renowned designers.

BRAND IMAGE

Our core brands 'Rocell' and Lanka Tiles' cater to varied clientele both locally and overseas. Quality and innovative designs are the strengths of our brand that focuses on customer-centricity. We make true the images and perceptions of customers by delivering masterpieces that have an extreme aesthetic appeal in addition to high functionality. This drives our market leadership position across tiles and sanitaryware sectors in Sri Lanka. The 'Rocell' brand ranks among the top 20 brands in the country.

RECIPES

With over 25 years of operations, we continued to leverage on our unique recipes of tile manufacturing which included both homogeneous and non-homogeneous tiles. Products were differentiated by colour, design and size giving a varied and artistic appeal to customers.

PRODUCT DESIGN

Fast changing consumer preferences require an evolving product to be delivered to customers. During the year, new designers joined our team of renowned artists from Italy. In addition, new product designs were launched in the tiles and accessories segment.

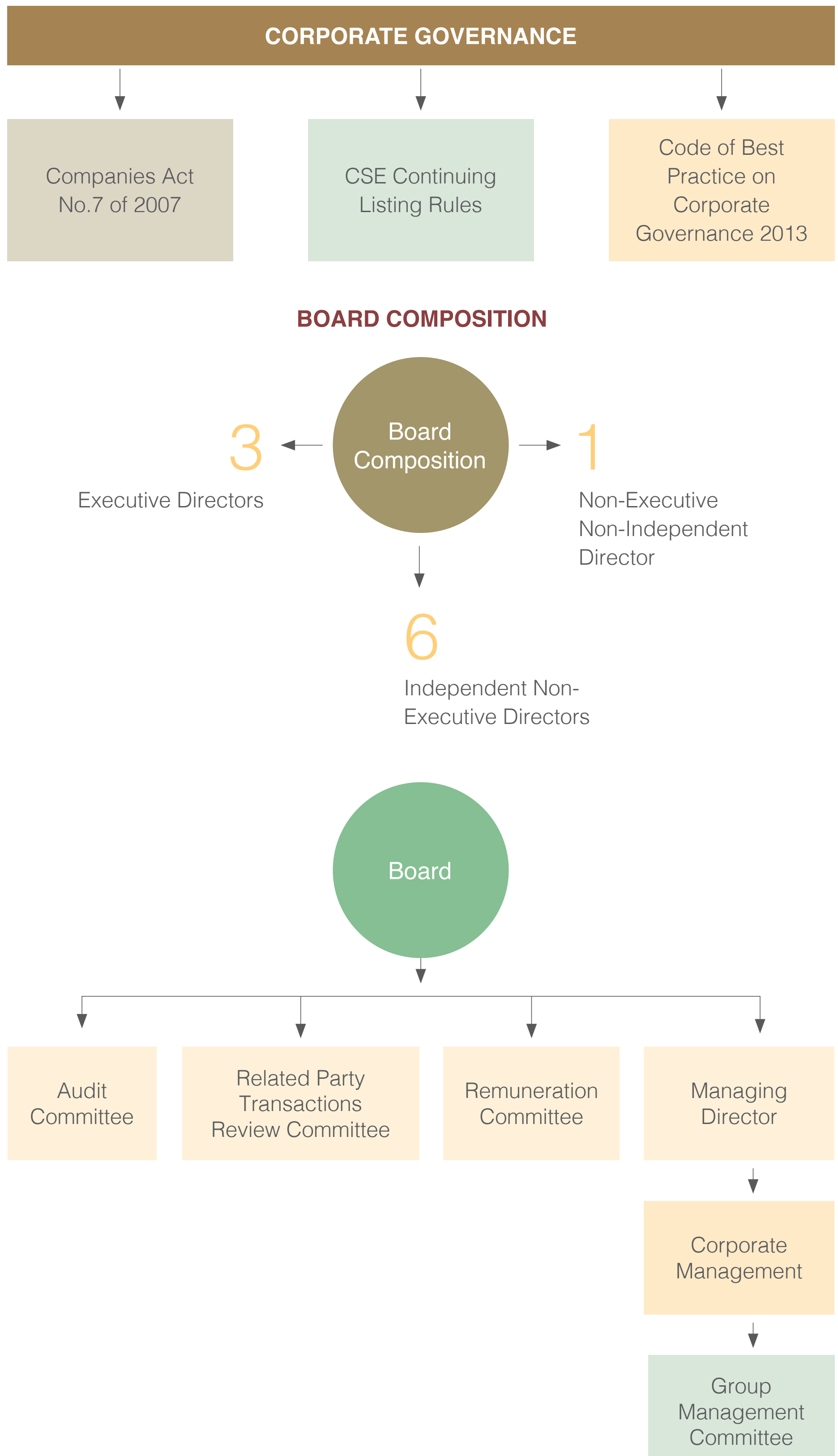
CERTIFICATIONS

Compliance to globally accepted standards provide numerous benefits including sustainable business practices, a safer workplace for employees and enhanced quality of products. Our key certifications are given below.

Certification	Description
ROYAL CERAMICS LANKA PLC	
SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
SLS ISO 9001	Authorized Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by Sri Lanka Standards Institution - Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
SLS 1881	Certificate of Conformity issued by Sri Lanka Standard Institute, Rocell brand dry pressed ceramic tiles - Vitreous Homogeneous Porcelain Floor Tiles
CE Marking	Certificate of Conformity to European standards issued by Euro Veritas Limited - Glazed Ceramic Tiles / Glazed Vitrified Tiles
Green SL Labeling System	Certificate for environmental performance issued by the Green Building Council of Sri Lanka
ROYAL PORCELAIN	
SLS ISO 9001	Authorized Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by Sri Lanka Standards Institution - Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
CE Marking	Certificate of Conformity to European standards issued by Euro Veritas Limited - Glazed Ceramic Tiles / Glazed Vitrified Tiles
SLS 1881	Certificate of Conformity issued by Sri Lanka Standard Institute , Rocell Brand dry pressed ceramic tiles - Vitreous Homogeneous Porcelain Floor Tiles
Green SL Labeling System	Certificate for environmental performance issued by the Green Building Council of Sri Lanka
LANKA TILES PLC / LANKA WALL TILE PLC	
Green Labeling	Certificate for environmental performance issued by the Green Building Council of Sri Lanka
SLS ISO 14001	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
SLS ISO 9001	Authorized Schedule and Certificate of Conformity to ISO 9001:2008/SLS ISO 9001:2008 standards, issued by Sri Lanka Standards Institution - Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles.
SLS ISO 18001	Occupational health and safety assessment series
UNIDIL PACKAGING (PVT) LTD.	
HACCP	Certification by SGS Lanka for food safety
ISO 22000	Certification of quality management system for food safety
ISO 9001	Certification of quality management system for manufacturing process quality
ISO 14001	Certification of quality management system for environmental management
HORANA PLANTATIONS PLC	
Ethical Tea Partnership	Certification of internationally recognised social and environmental standards
Rainforest Alliance	Certified conformity to principles of sustainable farming addressing Biodiversity conservation, improved livelihoods and human well-being, natural resource conservation and effective planning and farm management systems.
FSC Certification for Rubber and Oil Palm Estates	Awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices after a thorough evaluation of all three pillars of sustainability namely environmentally friendly, socially acceptable and economically viable.

CORPORATE GOVERNANCE

The Board is responsible for guiding strategy, providing leadership, managing risk and setting in place a sound governance framework. Such a framework must take in to account the need to carefully balance stakeholder interests to deliver sustainable value to shareholders in the long term.



The governance framework set in place facilitates compliance with regulatory requirements and voluntary codes such as the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka. The parent company of the Group is Vallibel One PLC who hold 55.96% of the shares of Royal Ceramics PLC.

AN EFFECTIVE BOARD

The Board comprises 10 members as set out graphically alongside. Board Committees assist the Board in discharging its duties by exercising oversight on matters assigned to the Board through committee charters. The Governance structure of the Royal Ceramics Group is given below. Connectivity with subsidiaries is maintained through common directorships which facilitate oversight of the performance of the subsidiaries. Non-Executive Directors submit an annual Declaration of their 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 comply with the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the Directors, has determined that they are Independent Directors. The period of service of Mr. L T Samarawickrama exceeds nine years and Mr. S H Amarasekera and Mr. R N Asirwatham, serve as Independent Directors of Vallibel One PLC, the parent company. The Board is of the view that the period of service of Mr. L T Samarawickrama and the directorships of Mr. S H Amarasekera and Mr. 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.

APPOINTMENT AND RE-ELECTION

Directors except those who are over 70 years of age are appointed by the board and are eligible for re-election at the next Annual General Meeting by the shareholders.

BOARD COMMITTEES

The Board has appointed 3 committees, namely an Audit Committee, a Related Party Transactions Review Committee and a Remuneration Committee as required by the listing rules and to assist the Board. Their composition and roles are summarized below.

Board Committee and Composition	Mandate	Further information
AUDIT COMMITTEE		
Comprises four independent directors of whom two are Chartered Accountants including the Chairman. Mr. L N De S Wijeyeratne *Chairman* Mr. L T Samarawickrama Mr. R N Asirwatham Mr. S H Amarasekera	Monitor and supervise management's financial reporting process in ensuring: 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.	Refer page 95 for Audit Committee Report
REMUNERATION COMMITTEE		
Comprises two independent directors Mr. S H Amarasekera *Chairman* Mr. R N Asirwatham	The Committee focuses on and is responsible for ensuring that the total remuneration package is competitive to attract the best talent for the benefit of the Company.	Refer page 97 for Remuneration Committee Report

Board Committee and Composition	Mandate	Further information
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE		
Comprises two Non-executive independent Directors and one Executive Director. The Chairman is a Non-executive Director. Mr. R N Asirwatham *Chairman* Mr. A M Weerasinghe Mr. L N De S Wijeyeratne	To ensure on behalf of the Board, that all Related Party Transactions of Royal Ceramics Lanka PLC except Lanka Walltiles PLC, which has its own RPT review committee. Consistent with the listing rules of the Colombo Stock Exchange. 1. Ensure compliance with Related Party Transactions Policy of the company 2. Subject to the exceptions in terms of the listing rules, review, in advance all proposed non recurrent related party transactions 3. Perform other activities related to the Charter as requested by the Board 4. Have meetings every fiscal quarter and report to the Board on the Committee's activities 5. Share information with the Audit Committee as necessary and as appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions 6. 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.	Refer page 98 for Related Party Transactions Review Committee Report

MEETINGS AND ATTENDANCE

Meetings and attendance at the same are given below.

Name	Directorship Status	Main Board	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Total no of meetings held		14	3	1	5
Dhammika Perera	Chairman	13/14	N/A	N/A	N/A
Amarakone Mudiyanselage Weerasinghe	Deputy Chairman	14/14	N/A	N/A	5/5
M. Y. A. Perera	Managing Director	14/14	N/A	N/A	N/A
Tharana Gangul Thoradeniya	Executive Director	14/14	N/A	N/A	N/A
Lalin Tusitha Samarawickrama	Independent Non-Executive Director	9/14	2/3	N/A	N/A
Rasika Dimuth Prasanna Godawatta Arachchige	Independent Non-Executive Director	13/14	N/A	N/A	N/A
Rajanayagam Nalliah Asirwatham	Independent Non-Executive Director	9/14	2/3	1/1	4/5

Name	Directorship Status	Main Board	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Shiran Harsha Amarasekera	Independent Non-Executive Director	10/14	2/3	1/1	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	3/3	N/A	4/5

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separated and the Managing Director is appointed by the Board. He is responsible for implementing strategic plans of the Group and driving performance within a defined framework and is a member of the Board. The Board receives quarterly statements from the Managing Directors confirming compliance with regulatory requirements.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by the Related Party Transactions Review Committee on a quarterly basis. Related party transactions during the year comprise the following:

- Transactions with parent company
- Transaction with subsidiary companies
- Transaction with companies under common control of Vallibel One PLC

SHAREHOLDERS

Directors are appointed by shareholders and are accountable to them for performance in line with the Companies Act. The Board recommends suitable candidates for appointment as directors to shareholders. Appointment of auditors is also facilitated by the Board together with the Audit Committee who evaluate the competence, independence and objectivity of the auditors. The Chairman of the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

Shareholders are informed about the performance of the company through press releases, quarterly financial statements and notices to the Colombo Stock Exchange in accordance with the continuing listing requirements.

COMPLIANCE

The Group level of compliance with the CSE Listing Rules - section 7-10 on corporate governance are given in the below table:

Corporate Governance Principles	CSE Rule Reference	Compliance Status	Rocell's level of Compliance
Non-Executive Directors	7.10.1	Compliant	Seven out of ten Directors are Non-Executives
Independent Directors	7.10.2 (a)	Compliant	Six out of seven Non-Executives 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 20
Remuneration Committee	7.10.5 (a)	Compliant	The Committee comprises of two Non-executive Independent Directors.
	7.10.5 (b)	Compliant	Please refer Remuneration Committee report on page 97
	7.10.5 (c)		The aggregate remuneration paid to Executive and Non-Executive Directors is given under Note 33.2.1 to the Financial Statements on page 193
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 95
	7.10.6 (c)		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
Related Party Transactions Review Committee	9.2.2	Compliant	The Committee comprises of three Directors, of whom two are Independent Non-Executive Directors.
	9.3.2	Compliant	Please refer Related Party Transactions Review Committee report on page 98

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 Group for the year ended 31st March 2018.

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, investments and management of subsidiary companies, cultivation and processing of tea and rubber, mining, processing and sale of raw materials for tiles and ceramic products, manufacture and sale of tile grout and mortar, manufacturing and trading of aluminium extrusions, manufacture and marketing of corrugated cartons, property holding and wholesaling and retailing of floor and wall tiles and bath ware in Australia.

Other than the change in the shareholding structure resulting from the repurchase of 80% of its own shares by Lanka Ceramic PLC in exchange for 1.4148 shares of Lanka Walltiles PLC or payment of Rs. 190/- per share in cash, which was completed on 8th November 2017. There have bee 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, Chairman's Message and Business Review and Capital Reports and Analysis on pages 12, 14 and from 38 to 81 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 106 to 213.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 102 to 105.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Group's Consolidated financial statements are given on pages 114 to 213 and are consistent with those of the previous period except for the policy on investment property included under Note 2.1.2 on page 115.

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 20 and 21.

Executive Directors

Mr. A M Weerasinghe - Deputy Chairman
Mr. M Y A Perera - Managing Director
Mr. T G Thoradeniya - Executive Director

Non - Executive Directors

Mr. Dhammika Perera* - 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. G A R D Prasanna 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 75 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.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2018
Royal Porcelain (Private) Limited	A M Weerasinghe	Director	A sum of Rs.392,129,388/- was received as service charges	(2,227,153,857)
	T G Thoradeniya	Director	A sum of Rs.362,916,004/- was received as dividends.	
	L T Samarawickrama	Director	Materials worth of Rs. 190,315,043/-were purchased	
	G A R D Prasanna	Director	Materials worth of Rs. 6,317,958/- were sold	
	R N Asirwatham	Director	A sum of RS.344,423,311/- was received for reimbursement of expenses.	
	Aravinda Perera	Director	A sum of Rs.2,649,918,166/- was received as short term funds	
			A sum of Rs. 20,656,637/- worth of Damaged tiles were purchased.	
			A sum of Rs.3,471,826/- was received as rental income	
Rocell Bathware Limited	A M Weerasinghe	Director	Materials worth of Rs. 68,726,676/- were purchased	(423,258,675)
	T G Thoradeniya	Director	Materials worth of Rs.377,150/- were sold	
	L T Samarawickrama	Director	A sum of Rs.130,889,109/- was received for reimbursement of expenses.	
	G A R D Prasanna	Director	A sum of Rs27,620,998/- was received as dividends.	
	R N Asirwatham	Director	A sum of Rs.635,005,616/- was received as short term funds	
			A sum of Rs.138,668,529/- was received as service charges	
Royal Ceramics Distributors (Private) Ltd	A M Weerasinghe	Director	A sum of Rs 197,418/- was received for reimbursement of expenses.	1,352,881
	T G Thoradeniya	Director		
	L T Samarawickrama	Director		
Ever Paint & Chemical Industries (Private) Ltd	A M Weerasinghe	Director	Materials worth of Rs.30,998/- were purchased	428,071,916
			Motor vehicle worth of Rs.5,060,000 were purchased	
			A sum of Rs. 5,604,451/- was received for reimbursement of expenses.	
Rocell (Pty) Ltd	T G Thoradeniya	Director	Tiles worth of Rs 20,273,086 /-were sold.	29,746,965
			A sum of RS.72,525,000/- was paid as marketing expenses	
			A sum of Rs 1,059,035/- was received for reimbursement of expenses.	
Horana Plantations PLC	Dhammika Perera	Director	Goods worth of Rs. 39,000/- were purchased.	(14,678)
Lanka Ceramic PLC	Dhammika Perera	Director	Materials worth of Rs 36,134,743/- were purchased.	(4,414,496)
	T G Thoradeniya	Director	A sum of RS. 45,677,136/-were received for reimbursement of expenses.	
	A M Weerasinghe	Director		
	G A R D Prasanna	Director		

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2018
Lanka Tiles PLC	Dhammika Perera	Director	Materials worth of Rs 829,269/- goods were purchased.	19,246,670
	T G Thoradeniya	Director	A sum of RS,72,945,171/- was received as technical fee	
	A M Weerasinghe	Director	A sum of Rs.12,496,329/- was received as dividends.	
	G A R D Prasanna	Director	A sum of RS.49,353,335/- was received for reimbursement of expenses.	
Lanka Walltiles PLC	T G Thoradeniya	Director	Tile worth of Rs 150,268/- were sold.	18,845,850
	Dhammika Perera	Director	A sum of RS.4,039,690/- was Received as sales commission	
	A M Weerasinghe	Director	A sum of Rs.158,391,781/- was received as dividends.	
			A sum of RS.49,621,861- was received for reimbursement of expenses.	
			A sum of RS.24,365,093/- was received as technical fee	
			Goods worth of Rs 180,391/- were purchased.	
Unidil Packaging Limited	T G Thoradeniya	Director	Goods worth of Rs 178,010/-were purchased.	49,527,910
			A sum of RS.9,184,273/-was received as technical fee	
Swisstek Ceylon PLC	A M Weerasinghe	Director	Goods worth of Rs 24,428,648/- were purchased.	(10,118,288)
			A sum of RS.998,510/- was paid as sales commission	
			A sum of RS.27,509,539/-was received for reimbursement of expenses.	
			A sum of Rs 2,542,674/- was paid as rent	
			A sum of Rs 661,240/- was paid as security	
			A sum of Rs.6,308,881 was received as dividends.	
Swisstek Aluminium Limited	A M Weerasinghe	Director	A sum of Rs.4,785,288/- was received as dividends.	27,040,422
	T G Thoradeniya	Director	A sum of Rs 1,320,153/- were paid as rent	
			A sum of RS.66,334,036/- was received for reimbursement of expenses.	
			A sum of RS.19,404,443/- was received as technical fee	
Chemanex PLC	S H Amarasekera	Director	Goods worth of Rs 195,000/- were purchased.	-
Hayleys Industrial Solutions Private Limited	Aravinda Perera	Director	Goods worth of Rs 8,774,100/- were purchased.	-
Haycarb PLC	Dhammika Perera	Director	Goods worth of Rs 236,194/- were sold.	-
Link Natural Products (Pvt) Ltd.	S H Amarasekera	Director	Goods worth of Rs 6,148,713/- were sold.	-

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2018
Sampath Bank PLC	Dhammika Perera	Director	Goods worth of Rs 14,700/- were sold.	2,283,820
Vallibel One PLC	Dhammika Perera	Director	A sum of Rs.35,298,327/- was paid for technical fee	(5,543,169)
	S H Amarasekera	Director	A sum of Rs.558,023,400/- was paid as dividends	
	R N Asirwatham	Director		
Pan Asia Banking Corporation PLC	Dhammika Perera	Director	Maintaining the current account balance	263,574,224
	Aravinda Perera	Director		
The Kingsbury PLC	Dhammika Perera	Director	Goods worth of Rs 2,088,045/- were sold.	-
	L T Samarawickrama	Director	A sum of Rs.6,256,562/- was paid for services obtained.	
LB Finance PLC	Dhammika Perera	Director	Goods worth of Rs 1,317,221/- were sold.	412,772
			A sum of Rs.325,109,088/- was received as dividends.	
Delmege Forsyth & Co. (Shipping) Ltd	G A R D Prasanna	Director	Goods worth of Rs 2,348,984/- were purchased.	(7,931)
Hayleys Fabric PLC	Dhammika Perera	Director	Goods worth of Rs 76,358/- were sold.	-
	L T Samarawickrama	Director		

indirect interest in any other contract or proposed contract with the Company.

INTERESTS REGISTER

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

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management personnel compensation in Note 33.2.1 to the Financial Statements on page 193.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 94.

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. 2,850,105 is payable by the Company to the Auditors for the year under review comprising Rs. 1,191,000 as audit fees and Rs. 1,659,105 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 09th May 2018 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.

Detailing of payments to Auditors of Subsidiary Communes on account of audits fee and for terminated on audit service are set in note 24 to the financial statements on page 180.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2018 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 2018 and 31st March 2017 are as follows.

	Shareholding as at 31.03.2018	Shareholding as at 31.03.2017
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	-	-

*Mr Dhammika Perera is the major shareholder of Vallibel One PLC, which holds 60,002,600 shares constituting 55.964% of the shares representing the stated capital of the Company.

SHAREHOLDERS

There were 10,847 shareholders registered as at 31st March 2018 (10,895 shareholders as at 31st March 2017).

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 214 to 218 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 2018, 1,134 persons were in employment (1,077 persons as at 31st March 2017).

RESERVES

The reserves of the Company with the movements during the year are given in Note 14 to the Financial Statements on pages 160 and 161.

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 31.03.2018 at revaluation (Rs.)
Kottawa	3	225	343,437,500
Eheliyagoda	28	8,075	454,203,000
Meegoda	3	471	120,187,000
Nawala	1	25	174,300,000
Naththandiya	0	1,600	30,000,000
Kalutara	0	768	11,986,000
Seeduwa	1	53	131,250,000
Narahenpita	1	17	119,140,000
Colpetty	1	20	300,000,000
Panadura	1	19	65,870,000
Dehiwala	1	15	103,810,000
Narahenpita	0	45	291,440,000
	40	11,332	2,145,623,500

PROPERTY, PLANT AND EQUIPMENT

Details and movements of property, plant and equipment are given under Notes 3 to the Financial Statements on page 133.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2018 are given in Note 5 to the Financial Statements on page 151.

DONATIONS

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

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

DIVIDENDS

The Company paid an interim dividend of Rs. 5/- per share for the year under review on 29th March 2018.

The Directors have recommended a final dividend of Rs. 2/- per share for the year under review subject to obtaining a certificate of solvency from the Auditors and to be approved by the shareholders of 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 offer the said distribution

The said dividend will, subject to the approved of 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 page 30.

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 29 to the Financial Statements on page 188, there were no material Contingent Liabilities as at the Reporting date.

EVENTS OCCURRING AFTER THE REPORTING DATE

Except for the matters disclosed in Note 31 to the Financial Statements on page 190 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, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 82 to 86 explains the measures adopted by the Company during the year.

BOARD SUB-COMMITTEES

An Audit Committee, Remuneration Committee and a Related Party Transactions 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 - Chairman
Mr. S H Amarasekera
Mr. L T Samarawickrama
Mr. R N Asirwatham

Remuneration Committee

Mr. S H Amarasekera - Chairman
Mr R N Asirwatham

Related Party Transaction Review Committee

Mr. R N Asirwatham - Chairman
Mr. L N De S Wijeyeratne
Mr. A M Weerasinghe

The Related Party Transactions Review Committee has reviewed all related party transactions that require their review for the year ended 31st March 2018 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 72 to 74 of this Report.

ANNUAL GENERAL MEETING

The Notice of the Twenty Eighth (28th) Annual General Meeting appears on page 220.

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
25 May 2018

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 2018

Royal Porcelain (Private) Limited
Mr. A M Weerasinghe
Mr. M Y A Perera
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. M Y A Perera
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 (Pvt) 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

Lanka Ceramic 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. D J Silva
Mr. G A R D Prasanna (Alternate Director to Mr Dhammika Perera) resigned w.e.f. 17.05.18

Lanka Walltiles PLC
Mr. Dhammika Perera
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
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. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. G A R D Prasanna (Alternate Director to Mr Dhammika Perera)

Swisstek (Ceylon) PLC
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. J K A Sirinatha
Dr. S Selliah
Mr. A S Mahendra
Mr. K D G Gunaratne

Swisstek Aluminium Limited
Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Dr. S Selliah
Mr. T G Thoradeniya
Mr. A S Mahendra
Mr. B T T Roche

Valllibel Plantation Management Limited
Mr. A M Pandithage
Mr. W G R Rajadurai
Mr. T G Thoradeniya
Mr. J M Kariapperuma
Mr. N T Bogahalande

Horana Plantations PLC
Mr. Dhammika Perera
Mr. A M Pandithage
Mr. L J A Fernando
Mr. A N Wickremasinghe
Mr. J M Kariapperuma
Mr. K D H Perera
Mr. W G R Rajadurai
Mr. S C Ganegoda
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. D B Gamalath
Mr. T G Thoradeniya
Mr. Haresh Somashantha
Mr. N T Bogahalande
Mr. J M Kariapperuma

Uni Dil Packaging Solutions Limited
Mr. A M Pandithage
Mr. J A P M Jayasekara
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

L T L Development (Pvt) Ltd
Mr .K D A Perera
Mr. J A P M Jayasekara

Swisstek Development (Pvt) Ltd
Mr .K D A Perera
Mr. J A P M Jayasekara

Rocell Pty Ltd
Mr. T. G. Thoradeniya
Mr. H Y N Perera

Nilano Garments (Pvt) Ltd
Mr. A N Senaviratne
Ms. K A Suraweera
Mr. N T Bogahalande
Ms. W S Bopitiya Gamage
Mr. B K G S M Rodrigo
Mr. H Somashantha

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

25 May 2018

REPORT OF THE AUDIT COMMITTEE

COMPOSITION

The Audit Committee comprises four Independent Non-Executive Directors:

Mr. L N De S Wijeyeratne - Chairman

Mr. L T Samarawickrama

Mr. R N Asirwatham

Mr. S H Amarasekera

Secretary

Board Secretary

Regular Invitees

Managing Director, Head of Finance and Treasury, Chief Internal Auditor

MEETINGS

The Audit Committee met three times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 82.

ROLE OF THE AUDIT COMMITTEE

The Committee has a written Terms of Reference, which clearly defines the oversight role and responsibility of the Audit Committee as summarized below:

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.

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 and Treasury were also brought up for discussion.

- The Committee reviewed financial statements and notes for the year ended 31st March 2018

- The Committee reviewed the interim financial statements

RISKS AND CONTROLS

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

EXTERNAL AUDIT

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

The Committee reviewed the Management Letter arising from the audit of Annual Financial Statements issued by the External Auditor together with the management responses and recommendations thereto and ensured appropriate follow up actions were taken. The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka. The Letter of Representation issued to the External Auditor was tabled at the Audit Committee meeting. The re-appointment of the External Auditor, M/s Ernst & Young has been recommended to the Board of Directors and the Committee has also fixed the Auditor's remuneration, subject to approval by the shareholders at the Annual General Meeting.

INTERNAL AUDIT

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

REGULATORY COMPLIANCE

The Head of Finance & Treasury has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements.

REPORT OF THE AUDIT COMMITTEE

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 86.

OTHER MATTERS

The Committee reviewed the following additional matters:

- Review of disaster recovery plans in place
- Process on handling Intellectual property registration / renewals of the group and prepared an action plan to improve the same
- The Committee reviewed the process of construction for the capital work in progress and the related approval procedure

L N De S Wijeyeratne
Chairman - Audit Committee

25 May 2018

REPORT OF THE REMUNERATION COMMITTEE

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

Mr. S H Amarasekera
Chairman

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 33.2.1 on page 193.

MEETINGS

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

PROFESSIONAL ADVICE

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

Mr. S H Amarasekera
Chairman - Remuneration Committee

25 May 2018

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
(Executive Director)

Mr. L N De S Wijeyeratne
Member
(Independent Non- Executive Director)

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 five 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 RELATED PARTY TRANSACTIONS

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 2017/18. 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 33 to the Financial Statements, on pages 191 to 194 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 87 to 93 of this Annual Report.

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

25 May 2018

DELIVERING EXCELLENCE

Financial Statements

FINANCIAL CALENDAR

Final Dividend 2016/17	July 11,2017
Interim Report- 1st Quarter 2017/18	August 02,2017
Interim Report- 2nd Quarter 2017/18	November 08,2017
Interim Report- 3rd Quarter 2017/18	February 12,2018
Interim Dividend 2017/18	March 29,2018
Interim Report- 4th Quarter 2017/18	May 25,2018
Annual Report 17/18	May 25,2018
28th Annual General Meeting	June 29,2018
Final Dividend 2017/18	July 10,2018

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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Chartered Accountants
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TO THE SHAREHOLDERS OF ROYAL CERAMICS LANKA PLC

Report on the audit of the financial statements

Opinion

We have audited the 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 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

KEY AUDIT MATTERS

Key audit matter	How our audit addressed the key audit matter
Valuation of land and buildings As at 31 March 2018, Land and Buildings carried at fair value, classified as Property, Plant and Equipment and Investment Property amounted to Rs. 13.0 Bn and Rs. 1.3 Bn respectively and represents 27% of the total assets of the Group. The fair value of such properties was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.	Our audit procedures focused on the valuations performed by the external valuers engaged by the Group, and included the following; • Assessed the competency, capability and objectivity of the external valuers engaged by the Group • Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value. • Engaged our internal specialised resources to assess the reasonableness of the valuation techniques, per perch price and value per square foot • We have also assessed the adequacy of the disclosures made in Note 3.17 and 4.1 to the financial statements relating to the valuation technique and estimates used by the external valuers
Provision for obsolete and slow moving Inventories As at 31 March 2018, the carrying amount of inventories amounted to Rs. 11.4 Bn, net of the provision for obsolete and slow moving inventories of Rs. 264 Mn .These inventories include finished goods and general stocks representing "tiles and associated items" and "sanitaryware" segments which together represents 77% of total value of the Group inventories. A provision for obsolete and slow moving inventories of the above mentioned segments is recognized based on the best estimates available to management on the future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses could vary from the provision made. The significance of the balance coupled with the management's judgment and estimation of the future usability/sale, the provision for obsolete and slow moving inventories has been considered a key audit matter.	**Our procedures included, the following;** • Assessed the reasonableness of the allowance policy based on historical usage of general stocks and historical sales of finished goods • Checked the relevant information to assess the reasonability of the valuation and net realizable value of the related inventories on a sample basis • We have reviewed the working papers of the component auditor for the audit procedures performed to assess the adequacy of the provision for obsolete and slow moving inventories and test the key controls on a sample basis over inventory valuation at lower of cost and net realizable value • In addition, assessed the adequacy of the Group's disclosures in Note 2.3, Note 2.5.4 and Note 9.

OTHER INFORMATION INCLUDED IN THE 2018 ANNUAL REPORT

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

Colombo
25 May 2018

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company 2018	Company 2017	Group 2018	Group 2017 (Restated)*
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	03	6,559,706,522	4,064,061,352	25,779,637,905	21,816,657,901
Consumable Biological Assets	03.15	-	-	536,575,000	490,534,000
Leasehold Rights Over Mining Lands	03.20	-	-	6,536,000	16,080,000
Investment Property	04	-	-	1,287,007,000	706,000,000
Investments in Subsidiaries	05	6,455,371,724	5,157,342,505	-	-
Investments in Associates	06	3,162,937,490	3,162,937,490	6,406,448,889	5,849,224,970
Intangible Assets	07	170,970,148	186,756,235	1,201,265,640	1,219,371,013
Other Non Financial Assets	08	-	-	112,796,989	27,285,000
Deferred Tax Assets	25.3	-	194,858,475	14,686,000	207,034,475
		16,348,985,884	12,765,956,057	35,344,953,423	30,332,187,359
Current Assets					
Inventories	09	1,393,557,918	1,198,259,456	11,395,868,591	8,664,550,121
Trade and Other Receivables	10	545,300,662	440,408,888	4,001,797,359	3,159,371,536
Other Non Financial Assets	11	369,085,823	367,189,792	962,916,799	964,494,327
Other Financial Assets	12	146,927,681	43,981,389	253,408,659	72,811,531
Income Tax Recoverable		55,269,110	52,482,967	117,496,724	77,156,967
Cash and Cash Equivalents	20	291,412,641	300,093,303	996,044,979	1,858,961,557
		2,801,553,835	2,402,415,795	17,727,533,111	14,797,346,039
Assets Held For Sale	41	-	-	85,247,716	137,815,270
		2,801,553,835	2,402,415,795	17,812,780,827	14,935,161,309
Total Assets		19,150,539,719	15,168,371,852	53,157,734,250	45,267,348,668
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	830,590,905	213,634,264	2,652,515,046	2,027,445,205
Retained Earnings		7,466,545,263	6,444,556,583	16,291,401,821	14,610,382,504
Equity Attributable to Equity Holders of the Parent		9,665,809,541	8,026,864,220	20,312,590,240	18,006,501,082
Non Controlling Interest		-	-	8,894,286,957	8,555,803,965
Total Equity		9,665,809,541	8,026,864,220	29,206,877,197	26,562,305,047

As at 31st March	Note	Company 2018	Company 2017	Group 2018	Group 2017 (Restated)*
		Rs.	Rs.	Rs.	Rs.
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	15	3,314,132,186	3,307,021,497	6,067,890,763	6,247,865,534
Deferred Tax Liabilities	25.4	398,975,493	-	2,957,760,382	1,211,769,933
Retirement Benefit Liability	16	245,857,725	208,701,087	1,180,729,942	997,367,058
Other Non-Current Liabilities	17	-	-	151,532,000	153,189,000
		3,958,965,404	3,515,722,584	10,357,913,087	8,610,191,525
Current Liabilities					
Trade and Other Payables	18	3,278,392,435	1,815,044,965	3,361,406,677	2,299,244,477
Other Current Liabilities	19	532,632,925	731,378,095	742,174,533	905,048,865
Dividend Payable		48,099,339	45,380,246	199,107,340	105,435,246
Income Tax Liabilities		-	-	286,864,548	523,258,292
Interest Bearing Loans and Borrowings	15	1,666,640,075	1,033,981,742	8,995,115,206	6,123,921,493
		5,525,764,774	3,625,785,048	13,584,668,304	9,956,908,373
Liabilities Directly Associated with the Assets Held For Sale	41	-	-	8,275,662	137,943,723
		5,525,764,774	3,625,785,048	13,592,943,966	10,094,852,096
Total Equity and Liabilities		19,150,539,719	15,168,371,852	53,157,734,250	45,267,348,668

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 these financial statements. Signed for and on behalf of the board by,

K D D Perera
Chairman

M Y A Perera
Managing Director

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 40.
The Accounting Policies and Notes on pages 114 through 213 form an integral part of these financial statements.

25 May 2018
Colombo

STATEMENT OF PROFIT OR LOSS

For the Year ended 31st March	Note	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated)* Rs.
Revenue	21	3,452,289,344	3,824,904,597	29,090,447,195	26,412,846,431
Cost of Sales		(1,781,547,930)	(1,881,390,488)	(18,157,798,701)	(15,550,090,889)
Gross Profit		1,670,741,414	1,943,514,109	10,932,648,494	10,862,755,542
Other Operating Income	22	2,759,287,807	1,808,744,248	356,779,215	393,336,162
Distribution Expenses		(1,152,859,721)	(1,072,067,663)	(4,040,571,795)	(3,478,733,295)
Administrative Expenses		(477,647,992)	(698,556,252)	(1,595,010,141)	(1,570,844,264)
Other Operating Expenses	22.1	(126,570,224)	(105,658,373)	(155,979,742)	(130,125,074)
Finance Cost	23.1	(432,815,559)	(386,935,417)	(1,363,379,741)	(1,103,829,864)
Finance Income	23.2	7,245,386	776,863	131,574,147	152,283,356
Share of Associate Companies Profit		-	-	1,107,034,890	1,041,753,417
Profit Before Tax from Continuing Operations	24	2,247,381,111	1,489,817,515	5,373,095,327	6,166,595,980
Tax (Expense)/Reversal	25	(218,578,316)	(130,700,624)	(1,501,195,990)	(1,334,536,448)
Net Profit After Tax from Continuing Operations		2,028,802,795	1,359,116,891	3,871,899,337	4,832,059,532
Discontinued Operations					
Loss after tax from Discontinued Operations	41	-	-	(20,848,383)	(195,549,696)
Profit for the Year		2,028,802,795	1,359,116,891	3,851,050,954	4,636,509,836
Attributable to:					
Equity Holders of the Parent		2,028,802,795	1,359,116,891	2,880,385,325	3,375,094,389
Non-Controlling Interest		-	-	970,665,629	1,261,415,447
		2,028,802,795	1,359,116,891	3,851,050,954	4,636,509,836
Basic Earnings Per Share	26	18.31	12.27	26.00	30.46
Basic Earnings Per Share from Continuing Operations	26	18.31	12.27	26.19	32.23
Dividend per share	27	9.00	9.00	9.00	9.00

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 40.

The Accounting Policies and Notes on pages 114 through 213 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31st March	Note	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated)* Rs.
Net Profit for the Year		2,028,802,795	1,359,116,891	3,851,050,954	4,636,509,836
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		-	-	3,206,251	3,030,642
Exchange Differences on translation of foreign operations of Associate Company				1,368,528	
Net (loss)/gain on available-for-sale financial assets of Associate company	14.2	-	-	2,102,118	(3,838,802)
Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods		-	-	6,676,897	(808,160)
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building		616,956,641	-	784,079,493	334,346,414
Revaluation of Land of Associate Company		-	-	(218,624,738)	383,759,025
Actuarial (Loss)/Gain on Retirement Benefit Liability		(9,709,659)	(4,955,174)	(79,855,372)	51,658,277
Actuarial (Loss)/Gain on Retirement Benefit Liability of Associate Company		-	-	(9,547,791)	(602,925)
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		607,246,982	(4,955,174)	476,051,592	769,160,791
Other comprehensive income/(loss) for the year, net of tax		607,246,982	(4,955,174)	482,728,489	768,352,631
Total comprehensive income for the year, net of tax		2,636,049,777	1,354,161,717	4,333,779,443	5,404,862,467
Attributable to					
Equity Holders of the Parent				3,461,137,058	4,039,128,074
Non-Controlling Interest				872,642,385	1,365,734,393
				4,333,779,443	5,404,862,467

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 40.

The Accounting Policies and Notes on pages 114 through 213 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

For the Year ended 31st March	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 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
Net Profit for the Year	-	-	2,028,802,795	2,028,802,795
Other Comprehensive Income / (Loss)	-	616,956,641	(9,709,659)	607,246,982
Total Comprehensive Income	-	616,956,641	2,019,093,136	2,636,049,777
Final Dividends - 2016/2017	-	-	(443,157,536)	(443,157,536)
Interim Dividends 2017/2018	-	-	(553,946,920)	(553,946,920)
Balance as at 31st March 2018	1,368,673,373	830,590,905	7,466,545,263	9,665,809,541

The Accounting Policies and Notes on pages 114 through 213 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED

For the Year ended 31st March	Note	Attributable to owners of the parent Stated Capital Rs.	Revaluation Reserve Rs.	Available for sale Reserve Rs.	Foreign Currency Translation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-Controlling Interest Rs.	Total Equity Rs.
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
Prior Year Adjustment	40	-	-	-	-	231,695,235	231,695,235	56,840,764	288,535,999
Balance as at 31st March 2016 - (Restated)		1,368,673,373	1,367,854,162	7,704,239	300,771	12,116,965,962	14,861,498,507	7,885,831,518	22,747,330,025
Net Profit for the Year		-	-	-	-	3,375,094,389	3,375,094,389	1,261,415,447	4,636,509,836
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		-	652,394,193	(3,838,802)	3,030,642	3,387,542,041	4,039,128,074	1,365,734,393	5,404,862,467
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	14,610,382,504	18,006,501,082	8,555,803,965	26,562,305,047
Net Profit for the Year		-	-	-	-	2,880,385,325	2,880,385,325	970,665,629	3,851,050,955
Other Comprehensive Income / (Loss)		-	618,186,077	2,102,118	4,781,646	(44,318,108)	580,751,733	(98,023,244)	482,728,488
Total Comprehensive Income		-	618,186,077	2,102,118	4,781,646	2,836,067,217	3,461,137,058	872,642,385	4,333,779,443
Final Dividends - 2016/2017		-	-	-	-	(443,157,536)	(443,157,536)	-	(443,157,536)
Interim Dividends 2017/2018		-	-	-	-	(553,946,920)	(553,946,920)	-	(553,946,920)
Write back of Unclaimed Dividends		-	-	-	-	4,231,479	4,231,479	3,620,801	7,852,280
Subsidiary Dividends to Minority Shareholders		-	-	-	-	-	-	(414,913,226)	(414,913,226)
Shares Issued to Minority Shareholders		-	-	-	-	-	-	5,996,000	5,996,000
Acquisition of Non-Controlling Interests		-	-	-	-	(162,174,923)	(162,174,923)	(128,862,968)	(291,037,891)
Balance as at 31st March 2018		1,368,673,373	2,638,434,432	5,967,555	8,113,059	16,291,401,821	20,312,590,240	8,894,286,957	29,206,877,197

Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 40.

The Accounting Policies and Notes on pages 114 through 213 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the Year ended 31st March	Note	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 (Restated)* Rs.
Cash Flows From / (Used in) Operating Activities					
Profit Before Tax From Continuing Operations		2,247,381,111	1,489,817,515	5,373,095,333	6,166,595,980
Profit/(loss) Before Tax From Discontinued Operations	41	-	-	(20,848,383)	(195,549,696)
Profit before tax		2,247,381,111	1,489,817,515	5,352,246,950	5,971,046,284
Adjustments to reconcile profit before tax to net cash flows:					
Dividend Income		(898,104,065)	(1,124,892,800)	(475,696)	(435,038)
Interest Income		(7,245,386)	(776,863)	(131,574,147)	(152,283,356)
Depreciation of Property, Plant and Equipment		329,365,397	287,500,576	1,509,440,242	1,306,979,457
Amortisation of Leasehold Right Over Land		-	-	3,130,000	-
(Profit)/Loss on Sale of Property, Plant and Equipment		(3,533,260)	9,786,833	(13,790,292)	8,350,555
Finance Costs	23	432,815,559	386,935,417	1,366,842,903	1,128,456,667
Profit on Disposal of Short Term Investments		(1,283,138,171)	-	(1,453,491)	-
Provision/(Reversal) of Inventories		8,952,781	-	(4,001,452)	(2,844,334)
Write-down of Inventories		14,899,647	16,691,005	33,085,410	42,898,011
Write off Field Development Expenditure		-	-	-	743,000
Provision for Related Party Receivables		19,060,773	153,205,000	-	-
Amortisation of Intangible Assets		17,331,087	16,856,021	17,331,087	16,856,021
Unrealised loss on Foreign Exchange		-	(304,843)	17,283,000	10,435,157
Impairment of Goodwill		-	-	-	71,866,701
Impairment of Assets Held for Sale		-	-	(2,324,203)	131,480,477
Impairment of Long Term Investment		90,000,000	47,400,000	90,000,000	-
Provision/(Reversal) for Bad Debts		1,417	(321,282)	5,495,417	(5,971,402)
Deferred Income / Capital Grants Amortisation		-	-	(6,274,000)	(4,760,000)
Changing in Fair Value of Biological Assets		-	-	(44,995,000)	(89,187,000)
Revaluation Gain on Investment Property		-	-	(121,600,000)	(179,440,000)
Provision for Change in Market Value of the Investments		1,271,897	12,789,436	1,271,897	12,789,436
Profit Share of Investment in Associate		-	-	(1,107,034,890)	(1,041,753,417)
Provision for Defined Benefit Plans - Gratuity	16	45,774,999	36,557,427	205,032,672	178,839,435
Operating Profit before Working Capital Changes		1,014,833,786	1,331,243,442	7,167,636,407	7,404,066,654
(Increase)/ Decrease in Inventories		(219,150,889)	41,077,655	(2,787,257,842)	(1,706,813,905)
(Increase)/ Decrease in Trade and Other Receivables		(123,953,963)	(51,464,091)	(838,727,577)	(647,401,762)
(Increase)/ Decrease in Other Non Financial Assets		(1,896,031)	(11,795,025)	23,368,514	147,043,404
Increase/ (Decrease) in Trade and Other Payables		1,453,684,522	660,377,598	1,037,423,096	288,248,179
Increase/ (Decrease) in Other Current Liabilities		(198,745,170)	(42,423,324)	(162,874,332)	97,031,476
Cash Generated from Operations		1,924,772,255	1,927,016,255	4,439,568,266	5,582,174,046
Finance Costs Paid		(423,152,611)	(378,918,105)	(1,343,470,324)	(1,105,939,402)
Defined Benefit Plan Costs Paid		(22,103,999)	(27,409,095)	(124,552,699)	(119,784,257)

For the Year ended 31st March	Note	Company 2018	Company 2017	Group 2018	Group 2017 (Restated)*
		Rs.	Rs.	Rs.	Rs.
Income Tax Paid		(21,044,556)	(20,817,539)	(1,358,686,014)	(1,255,452,165)
Net Cash Flows From Operating Activities		1,458,471,089	1,499,871,516	1,612,859,229	3,100,998,222
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant and Equipment		(1,813,522,921)	(1,164,266,686)	(3,644,517,414)	(4,004,303,948)
Acquisition of Consumable Biological Assets		-	-	(12,485,000)	(14,640,000)
(Acquisition) / Disposal of Leased Hold Right Over Mining Land		-	-	-	(8,000,000)
Proceeds from Sale of Property, Plant and Equipment		6,292,299	2,153,153	52,505,404	15,196,611
Acquisition of Intangible Assets		(1,545,000)	-	(1,545,000)	-
Proceeds from Sale of Short Term investments		1,275,200	-	1,275,200	-
Acquisition of Short-Term Investment		(104,039,698)	-	(177,609,278)	(13,321,024)
Advances Provided		-	-	(112,680,000)	-
Acquisition of subsidiary		-	(60,000,000)	-	(59,999,228)
Acquisition of Additional Interest in Subsidiaries		(106,344,740)	(259,307,345)	(106,344,740)	(259,307,345)
Interest Received		7,245,386	776,863	131,574,147	152,283,356
Dividends Received		898,104,065	1,124,892,800	325,584,784	439,332,305
Net Cash Flows Used in Investing Activities		(1,112,535,409)	(355,751,215)	(3,544,241,897)	(3,752,759,273)
Cash Flows from/(Used in) Financing Activities					
Proceeds From Interest Bearing Loans and Borrowings		2,146,078,247	2,739,076,732	12,677,735,066	12,101,533,766
Repayment of Interest Bearing Loans and Borrowings		(1,480,425,216)	(2,829,245,892)	(10,429,744,342)	(10,934,659,580)
Capital Repayments Under Finance Lease Liabilities		(2,483,722)	(2,273,908)	(28,278,926)	(16,822,182)
Dividends Paid on Ordinary Shares		(994,385,363)	(1,040,483,265)	(994,385,363)	(1,040,483,265)
Dividend Paid to Non Controlling Interest		-	-	(316,108,226)	(348,004,187)
Proceeds on Issue of Shares to Minority Shareholders		-	-	5,997,000	-
Payments on Share Repurchase		-	-	(184,682,000)	-
Capital Grants Received		-	-	4,617,000	8,650,000
Net Cash Flows from/(Used in) Financing Activities		(331,216,054)	(1,132,926,333)	735,150,209	(229,785,448)
Net Increase/(Decrease) in Cash and Cash Equivalents		14,719,626	11,193,968	(1,196,232,459)	(881,546,498)
Net Foreign Exchange Difference		-	-	900,120	(1,374,863)
Cash and Cash Equivalents at the beginning of the year	20	(59,086,579)	(70,280,547)	(150,732,408)	732,188,953
Cash and Cash Equivalents at the end of the year	20	(44,366,953)	(59,086,579)	(1,346,064,747)	(150,732,408)

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 40.
The Accounting Policies and Notes on pages 114 through 213 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.20, R.A. De Mel Mawatha, Colombo 03.

The Consolidated Financial Statements of the Group as at and for the year ended 31 March 2018 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (collectively, 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, Lanka Ceramic PLC and the Group of Lanka Walltiles PLC 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

Lanka Tiles (Pvt) Ltd

Distribution of Tiles in India

Swisstek Development (Pvt) Ltd

Property Holding

LTL Development (Pvt) Ltd

Property Holding

On 31st August 2017, Lanka Ceramic PLC which is a subsidiary of the Group made a share repurchase offer to all of its shareholders to buy back 80% of its own shares in exchange of 1 : 1.4148 no of Lanka Walltiles PLC shares or payment Rs. 190/- per share in cash. The Company has accepted the offer of Lanka

Walltiles PLC shares and Lanka Ceramic PLC has received the SEC approval for the same on 8th November 2017. (Note 39)

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 2018 were authorised for issue in accordance with the resolution of the Board of Directors on 25 May 2018.

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.
Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

Rocell Pty. Ltd is using Australian Dollar (AUD) as a functional currency as the company was incorporated in Australia.

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.

2.1.2 Changes in Accounting Policies

The Group has changed its Accounting Policy in relation to Accounting for Investment Property by changing from cost model to Fair Value model according to LKAS 40. Retrospective adjustments have been made according to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to reflect the change in accounting policy in the financial statements.

Refer to Note 40 for total effect to the financial statements of the Group.

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2018. 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.

2.3 Significant Accounting Judgments, Estimates and Assumptions

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

(i) Going Concern

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

(ii) Fair value of Freehold Land and Buildings and Land classified as Investment properties

The consolidated financial statements of the Group include:

Company Name	Country of Incorporation	Year of Incorporation	% of equity Interest 2018	2017
Royal Ceramics Distributors (Private) Limited	Sri Lanka	1993/1994	100%	100%
Royal Porcelain (Private) Limited	Sri Lanka	2000/2001	100%	100%
Rocell Bathware Limited	Sri Lanka	2005/2006	100%	100%
Ever Paint and Chemical Industries (Private) Limited	Sri Lanka	2002/2003	100%	100%
Rocell Ceramics Limited	Sri Lanka	2006/2007	100%	100%
Nilano Garments (Pvt) Ltd	Sri Lanka	1984/1985	100%	100%
Rocell Pty Limited	Australia	2014/2015	100%	100%
Lanka Ceramic PLC	Sri Lanka	1991/1992	73.56%	80.3%
Lanka Walltile PLC	Sri Lanka	1975/1976	53.89%	51%
Lanka Tiles PLC	Sri Lanka	1983/1984	39.38%*	37.40%*
Vallibel Plantation Management Limited	Sri Lanka	1992/1993	53.89%	50.91%
Swisstek (Ceylon) PLC	Sri Lanka	1967/1968	31.89%*	30.61%*
Swisstek Aluminium Limited	Sri Lanka	2007/2008	35.46%*	26.75%*
Horana Plantation PLC	Sri Lanka	1992/1993	27.48%*	25.96%*
Uni Dil Packaging Limited	Sri Lanka	1994/1995	53.89%	50.91%
Uni Dil Packaging Solutions Limited	Sri Lanka	2006/2007	53.89%	50.91%
LWL Development (Private) Limited	Sri Lanka	2015/2016	53.89%	51.00%
Beyond Paradise Collection Limited	Sri Lanka	2011/2012	39.38%*	37.40%*
Lanka Tiles (Pvt) Ltd	India	2017/2018	20.08%*	-
Swisstek Development (Pvt) Limited	Sri Lanka	2017/2018	31.89%*	-

* The Company has a controlling stake in these investee companies through the direct and indirect holdings within Group Companies.

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being recognized in other comprehensive income and statement of profit and loss respectively. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

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.

(iii) Fair Valuation of Biological Assets

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.

(iv) 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).

(v) 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)

Refer Note 5.2 for impairment assessment performed for investments in Subsidiaries.

(vi) 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)

(vii) 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 38.

(viii) 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.

ix) 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).

(x) 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.

(xi) 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 except for the policy on investment property included under Note 2.1.2.

Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

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.

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 and 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;

	2018	2017
Local sales and other profits	28%	28%
Qualified export profit	12%	12%
Agricultural profit	10%	10%
Specified profits	12%	12%

Swisstek Aluminium Ltd.

Income tax exemption given for Swisstek Aluminium Ltd has been ended by 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 is 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, 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.

(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 depreciation thereon. All other property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Accumulated depreciation is provided for, on the bases specified in (c) below.

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

(b) Subsequent Expenditure

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

(c) Depreciation

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

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

(d) Revaluation

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

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of 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. Investment Property is recognized 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.

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 Fair Value 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 Fair Value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

2.5.9 Investments In subsidiaries

Investments in subsidiaries in the separate Financial Statements have been accounted for at cost, net of any impairment losses which are charged to the Statement of Comprehensive Income of the Company.

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

Disposal of investments

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

2.5.10 Business Combination and Goodwill

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

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

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

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

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

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

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

2.5.11 Financial instruments – initial recognition and subsequent measurement

Financial assets

a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, 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.

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, contingent assets and contingent liabilities

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 Group 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.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value. (refer Note 29).

Subsequently, it is measured at the higher of: The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

Contingent assets are disclosed, where inflow of economic benefit is probable.

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 2018 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.

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

The manufacture and distribution of wall tiles, floor tiles and related products.

Sanitary ware

Manufacturing and marketing of sanitary ware products.

Plantation

Cultivation, processing and sale of tea and rubber

Packaging Material

The manufacture and distribution of packing materials

Aluminium Products

The manufacture and distribution of aluminium extrusions and allied products through a network of dealers and distributors.

Finance

Provision of Financial Solutions.

Other

Supply of raw materials to the ceramic industry and provision of consumer, retail, life style, healthcare and transportation.

Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment is not disclosed.

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 and Consumer Biological Assets

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

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

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

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

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

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

The main variables in DCF model concerns,

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

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

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

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

(ii) Infilling Cost on Biological Assets

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

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

2.10.3 Inventories

a) Agricultural produce harvested from Biological Assets

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

b) Agricultural produce after further processing

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

2.10.4 Retirement Benefit Obligation

a) Defined Benefit Plan

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

2.11 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.

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 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. The group expect no significant impact on its statement of financial position and equity.

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. Possible impact from SLFRS 15 is not estimable as of the reporting date as the Group is in the process of completing the detail impact analysis.

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 SLFRS 16 is not yet estimable.

03. PROPERTY, PLANT AND EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

Gross Carrying Amounts	Balance As at 01.04.2017	Additions/ Transfers	Increase / (Decrease) from Revaluation	Transfers / Reclassification	Disposals	Balance As at 31.03.2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost or Valuation						
Land	1,233,139,102	19,418,750	893,065,648	-	-	2,145,623,500
Building	931,550,832	709,926,727	(52,554,058)	(112,384,342)	-	1,476,539,159
Lab Equipment	7,395,141	-	-	-	-	7,395,141
Motor Vehicles	175,766,133	70,669,983	-	-	-	246,436,116
Electricity Distribution	29,302,843	-	-	-	-	29,302,843
Office Equipment	268,797,757	98,115,072	-	-	-	366,912,829
Communication Equipment	11,985,061	107,709	-	-	-	12,092,770
Furniture and Fittings	399,265,624	204,559,221	-	-	(7,665,759)	596,159,086
Tools and Implements	131,767,819	27,582,624	-	-	-	159,350,443
Other Equipment	43,892,777	12,714,738	-	-	-	56,607,515
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	-	2,236,047
Plant and Machinery	1,507,062,410	22,547,883	-	-	-	1,529,610,293
Household Item Light	78,830		-	-	-	78,830
Showroom Fixtures and Fittings	786,492,831	255,426,179	-	111,618,427	-	1,153,537,437
Stores Buildings on Lease hold Land	3,965,135	-	-	-	-	3,965,135
	5,555,956,333	1,421,068,886	840,511,590	(765,915)	(7,665,759)	7,809,105,135
Assets on Finance Leases						
Motor Vehicles	13,883,000	-	-	-	-	13,883,000
	5,569,839,333	1,421,068,886	840,511,590	(765,915)	(7,665,759)	7,822,988,135

In the Course of Construction	Balance As at 01.04.2017	Additions/ Transfers	Increase / (Decrease) from Revaluation	Transfers / Reclassification	Disposals	Balance As at 31.03.2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital Work in Progress	574,922,856	1,794,870,087	-	(1,401,650,136)	-	968,142,807
Total Gross Carrying Amount	6,144,762,189	3,215,938,973	840,511,590	(1,402,416,051)	(7,665,759)	8,791,130,942

03. PROPERTY, PLANT AND EQUIPMENT - COMPANY (CONTD....)

3.2 Depreciation

At Cost or Valuation	Balance As at 01.04.2017 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
Building	132,277,362	41,457,733	(173,735,095)	-	-
Lab Equipment	5,557,111	407,839	-	-	5,964,950
Motor Vehicles	118,004,058	21,314,310	-	-	139,318,368
Electricity Distribution	8,658,254	1,172,114	-	-	9,830,368
Office Equipment	195,842,512	25,057,185	-	-	220,899,697
Communication Equipment	11,551,044	98,867	-	-	11,649,911
Furniture and Fittings	249,362,750	71,269,281	-	(4,906,720)	315,725,311
Tools and Implements	113,720,130	19,278,491	-	-	132,998,621
Other Equipment	19,079,214	7,974,368	-	-	27,053,582
Factory Equipment	23,257,991	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	969,601,698	82,282,468	-	-	1,051,884,166
Household Item Light	59,092	-	-	-	59,092
Showroom Fixtures and Fittings	223,897,895	56,276,141	-	-	280,174,036
Stores Buildings on Lease Hold Land	3,568,628	-	-	-	3,568,628
	2,076,673,786	326,588,797	(173,735,095)	(4,906,720)	2,224,620,768
Assets on Finance Leases					
Motor vehicles	4,027,051	2,776,600	-	-	6,803,651
	4,027,051	2,776,600	-	-	6,803,651
Total Value of Depreciation	2,080,700,837	329,365,397	(173,735,095)	(4,906,720)	2,231,424,419

3.3 Net Book Values of Property Plant and Equipment

	2018 Rs.	2017 Rs.
At Cost or Valuation		
Land	2,145,623,500	1,233,139,102
Building	1,476,539,159	799,273,470
Lab Equipment	1,430,191	1,838,030
Motor Vehicles	107,117,748	57,762,075
Electricity Distribution	19,472,475	20,644,589
Office Equipment	146,013,132	72,955,245
Communication Equipment	442,859	434,017
Furniture and Fittings	280,433,775	149,902,874
Tools and Implements	26,351,822	18,047,689
Other Equipment	29,553,933	24,813,563
Plant and Machinery	477,726,127	537,460,712
Household Item Light	19,738	19,738
Showroom Fixtures and Fittings	873,363,401	562,594,936
Stores Buildings on Lease Hold Land	396,507	396,507
	5,584,484,366	3,479,282,547
Assets on Finance Leases		
Motor Vehicles	7,079,349	9,855,949
	5,591,563,715	3,489,138,496
In the Course of Construction	968,142,807	574,922,856
	6,559,706,522	4,064,061,352

3.4 During the Period, the company acquired Property, Plant and Equipment for cash to the aggregate value of Rs.1,813,522,921/- (2017 - Rs.1,164,266,686/-)

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 1,297,772,698/- (2017 - Rs. 1,194,544,103/) which are still in use.

03. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTD....)

3.6 Gross Carrying Amounts

	Balance As at 01.04.2017 Rs.	Additions / Transfers Rs.	Effect of Exchange Rate Differences Rs.	Increase / (Decrease) from Revaluation Rs.	Reclassification/ Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
Freehold and Clay Mining Land	5,709,290,689	283,767,582	-	1,856,133,937	(461,302,740)	7,387,889,468
Buildings	5,112,319,212	891,210,816	-	39,163,742	(177,129,681)	5,865,564,089
Water Supply Scheme	392,900,500	24,407,560	-	-	-	417,308,060
Lab Equipment	18,377,601	102,311	-	-	-	18,479,912
Motor Vehicles	384,935,197	93,369,505	433,897	-	-	478,738,599
Electricity Distribution	33,814,343	-	-	-	-	33,814,343
Office Equipment	340,065,304	99,816,999	339,989	-	-	440,222,292
Communication Equipment	523,999,708	46,034,583	-	-	(13,690,123)	556,344,168
Furniture and Fittings	546,960,722	206,839,963	111,461	-	(8,558,286)	745,353,860
Tools and Implements	790,007,722	103,144,041	7,620	-	(17,532,525)	875,626,858
Sundry Equipment	1,611,828	-	-	-	-	1,611,828
Other Equipment	59,752,096	12,790,638	-	-	366,977	72,909,711
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	129,351,443	3,382,470	-	-	-	132,733,913
Construction Equipment	24,936,334	-	-	-	-	24,936,334
Plant and Machinery	12,229,402,267	1,261,048,094	-	-	(10,129,997)	13,480,320,364
Household Item - Light	78,830	-	-	-	-	78,830
Showroom Fixtures and Fittings	849,930,341	256,776,179	-	-	199,905,590	1,306,612,110
Stores Buildings on Lease hold Land	478,326,630	49,678,658	4,687,182	10,655,288	(61,885,825)	481,461,933
	27,649,318,758	3,332,369,399	5,580,149	1,905,952,967	(549,956,610)	32,343,264,663
Assets on Finance Leases						
Plant and Machinery	20,184,680	-	-	-	-	20,184,680
Leasehold land	14,600,000	-	-	-	-	14,600,000
Motor Vehicles	20,483,000	-	-	-	-	20,483,000
Transport and Communication Equipment	58,560,000	-	-	-	(5,134,000)	53,426,000
	113,827,680	-	-	-	(5,134,000)	108,693,680
	27,763,146,438	3,332,369,399	5,580,149	1,905,952,967	(555,090,610)	32,451,958,343
In the Course of Construction						
Capital Work in Progress	1,437,220,722	3,091,538,450	573,980	-	(3,008,454,435)	1,520,878,717
Total Gross Carrying Amount	29,200,367,160	6,423,907,849	6,154,129	1,905,952,967	(3,563,545,045)	33,972,837,060

3.7 Depreciation

	Balance As at 01.04.2017 Rs.	Charge for the year Rs.	Effect of Exchange Rate Differences Rs.	Increase / (Decrease) from Revaluation Rs.	Reclassification/ Disposals/ Transfers Rs.	Balance As at 31.03.2018 Rs.
At Cost or Valuation						
Clay Mining Land	1,361,000	1,519,696	-	-	-	2,880,696
Building	479,047,491	185,361,745	-	(418,257,519)	(7,645,248)	238,506,469
Water Supply Scheme	265,791,757	22,074,210	-	-	(3,000)	287,862,967
Lab Equipment	16,420,277	544,346	-	-	-	16,964,623
Motor Vehicles	264,158,789	48,572,378	462,311	-	- (5,723,952)	307,469,526
Electricity Distribution	10,838,813	1,397,689	-	-	-	12,236,502
Office Equipment	246,201,919	31,909,801	180,313	-	-	278,292,033
Communication Equipment	364,318,770	45,053,867	-	-	(12,336,501)	397,036,136
Furniture and Fittings	381,910,972	78,376,510	(218,063)		(892,526)	459,176,893
Tools and Implements	611,759,856	88,392,127	5,736	-	(17,310,460)	682,847,259
Sundry Equipment	1,034,762	11,106	-	-	-	1,045,868
Other Equipment	29,131,165	9,067,333	-	-	86,853	38,285,351
Factory Equipment	23,257,991	-	-	-	-	23,257,991
Moulds	106,978,770	10,784,479	-	-	-	117,763,249
Construction Equipment	23,099,365	630,371	-	-	-	23,729,736
Plant and Machinery	6,420,220,252	729,628,442	-	-	(7,506,250)	7,142,342,444
Household Item - Light	59,092	-	-	-	-	59,092
Showroom Fixtures and Fittings	259,174,335	61,822,872	-	-	31,591,725	352,588,932
Stores Buildings on Lease hold Land	69,400,665	66,745,852	1,131,204	(39,967,873)	(24,754,330)	72,555,518
	9,574,166,041	1,381,892,824	1,561,501	(458,225,392)	(44,493,689)	10,454,901,285
Assets on Finance Leases						
Plant and Machinery	8,074,169	4,149,722	-	-	-	12,223,891
Leasehold Land	1,948,000	485,329	-	-	-	2,433,329
Motor Vehicles	6,887,049	4,096,600	-	-	-	10,983,650
Transport and Communication Equipment	41,592,000	5,309,000	-	-	(5,834,000)	41,067,000
	58,501,218	14,040,650	-	-	(5,834,000)	66,707,870
Total Value of Depreciation	9,632,667,259	1,395,933,475	1,561,501	(458,225,392)	(50,327,689)	10,521,609,154

03. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTD....)

3.8 Net Book Values of Property Plant and Equipment

	2018 Rs.	2017 Rs.
At Cost or Valuation		
Freehold and Clay Mining Land	7,385,008,772	5,707,929,689
Building	5,627,057,620	4,633,271,721
Water Supply Scheme	129,445,093	127,108,743
Lab Equipment	1,515,289	1,957,324
Motor Vehicles	171,269,073	120,776,408
Electricity Distribution	21,577,841	22,975,531
Office Equipment	161,930,259	93,863,384
Communication Equipment	159,308,032	159,680,938
Furniture and Fittings	286,176,967	165,049,749
Tools and Implements	192,779,599	178,247,867
Sundry Equipment	565,960	577,065
Other Equipment	34,624,360	30,620,930
Moulds	14,970,664	22,372,673
Construction Equipment	1,206,598	1,836,969
Plant and Machinery	6,337,977,920	5,809,182,016
Household Item - Light	19,738	19,738
Showroom Fixtures and Fittings	954,023,178	590,756,006
Stores Buildings on Leasehold Land	408,906,415	408,925,966
	21,888,363,378	18,075,152,717
Assets on Finance Leases		
Plant and Machinery	7,960,789	12,110,511
Leasehold land	12,166,671	12,652,000
Motor Vehicles	9,499,350	13,595,951
Transport and Communication Equipment	12,359,000	16,968,000
	41,985,810	55,326,462
In the Course of Construction	1,520,878,717	1,437,220,722
	23,451,227,905	19,567,699,901

3.9 Net book value of assets

	2018 Rs.	2017 Rs.
Property, Plant and Equipment [3.8]	23,451,227,905	19,567,699,901
Leasehold Right to Bare Land of JEDB/SLSPC Estates [3.12]	105,253,000	109,120,000
Immovable JEDB/SLSPC Estate Assets on Finance Leases (Other Than Right to Bare Land) [3.13]	47,105,000	54,820,000
Bearer Biological Assets (3.14)	2,176,052,000	2,085,018,000
Total	25,779,637,905	21,816,657,901

3.10 During the Period, the group acquired Property, Plant and Equipment for cash to the aggregate value of Rs. 3,644,517,414/- (2017-Rs.4,004,303,948/-)

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 4,153,459,263/- (2017 Rs. 3,851,663,195/-) which are still in use.

3.12 Leasehold right to bare land of JEDB/SLSPC estates

	2018 Rs.	2017 Rs.
Capitalised value		
As at 22.06.1992	204,931,000	204,931,000
Amortisation		
At the beginning of the year	95,811,000	91,944,000
Charge for the year	3,867,000	3,867,000
At the end of the year	99,678,000	95,811,000
Carrying Amount		
At the end of the year	105,253,000	109,120,000

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 Recommended Practices SoRP on leasehold land on 19th December 2013. As per the SoRP right to use land does not permit further revaluation.

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

	Mature Plantations (Bearer Biological Assets) Rs.	Permanent Land Development Cost Rs.	Buildings Rs.	Plant and Machinery Rs.	Total 2018 Rs.	Total 2017 Rs.
Revaluation	214,810,000	4,014,000	47,173,000	6,818,000	272,815,000	272,815,000
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	161,124,000	3,295,000	46,757,000	6,818,000	217,994,000	208,814,000
Amortisation during the year	7,161,000	138,000	417,000	-	7,716,000	9,181,000
At the end of the year	168,285,000	3,433,000	47,174,000	6,818,000	225,710,000	217,995,000
Written Down Value						
As at 31.03.18	46,525,000	582,000	(2,000)	-	47,105,000	-
As at 31.03.17	53,686,000	720,000	416,000	-	-	54,820,000

03. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTD....)

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 the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor(JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

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 (Revalue 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 (f) 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. 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	Rubber	Oil Palm	Diversification	Total 2018	Total 2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Immature Plantations						
Cost						
At the beginning of the year	146,696,000	375,628,000	58,800,000	56,038,000	637,164,000	717,283,000
Additions	46,264,000	80,000,000	59,724,000	43,076,000	229,064,000	194,708,000
Transfers to Mature	(94,324,000)	(204,901,000)	(53,660,000)	(14,456,000)	(367,341,000)	(274,084,000)
Transferred to Income Statement	-	-	-	-	-	(743,000)
At the end of the year	98,636,000	250,727,000	64,864,000	84,658,000	498,887,000	637,164,000
Mature Plantations						
Cost						
At the beginning of the year	697,998,000	1,133,145,000	50,219,000	31,226,000	1,912,588,000	1,638,504,000
Transfers from Immature	94,324,000	204,901,000	53,660,000	14,456,000	367,341,000	274,084,000
At the end of the year	792,322,000	1,338,046,000	103,879,000	45,682,000	2,279,929,000	1,912,588,000
Accumulated Amortization						
At the beginning of the year	142,665,000	312,165,000	1,520,000	8,383,000	464,733,000	395,600,000
Charge for the year	40,165,000	92,828,000	2,511,000	2,527,000	138,031,000	69,134,000
At the end of the year	182,830,000	404,993,000	4,031,000	10,910,000	602,764,000	464,734,000
Written Down Value	609,492,000	933,053,000	99,848,000	34,772,000	1,677,165,000	1,447,854,000
Total Bearer Biological Assets	708,128,000	1,183,780,000	164,712,000	119,430,000	2,176,052,000	2,085,018,000

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 take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

3.15 Consumable Biological Assets

	2018 Rs.	2017 Rs.
Immature Plantations		
Cost		
At the beginning of the year	39,339,000	24,699,000
Additions during the year	12,485,000	14,640,000
At the end of the year	51,824,000	39,339,000
Mature Plantations		
Cost :		
At the beginning of the year	451,195,000	371,434,000
Decrease due to Harvest	(5,229,000)	-
Change in Fair Value less costs to sell	38,785,000	79,761,000
At the end of the year	484,751,000	451,195,000
Total Consumable Biological Assets	536,575,000	490,534,000

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

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 2018 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 51.824 Mn as at 31st March 2018. 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 2017/18 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 14% - 16%.

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	2018	Rs. 39.83 Mn	Rs. 484.75 Mn	Rs. 36.16 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	2018	Rs. 12.76 Mn	Rs. 484.75 Mn	Rs. 14.94 Mn

Borrowing costs amounting to Rs.76.731 Million (Rs.60.013 Million in 2016/17) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 13.01% (11.92% in 2016/17).

03. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTD....)

3.17 The following properties are revalued and recorded under freehold land and 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	A50-R1-P34.72	Mr. A.A.M. Fathihu
		Showroom and Cutting Center Land at Kottawa	A1-R1-P24.75	Mr. A.A.M. Fathihu
		Land at Meegoda Warehouse	A2-R3-P31.29	Mr. A.A.M. Fathihu
		Land at Nawala for Nawala New Showroom	P24.90	Mr. A.A.M. Fathihu
		Land at Nattandiya	A10	Mr. A.A.M. Fathihu
		Land at Kalutara	A4-R3-P8.20	Mr. A.A.M. Fathihu
		Land at Seeduwa	R1-P12.50	Mr. A.A.M. Fathihu
		Land at Narahenpita	P17.02	Mr. A.A.M. Fathihu
		Land at Kollupitiya	P19.97	Mr. A.A.M. Fathihu
		Land at Panadura	P18.82	Mr. A.A.M. Fathihu
		Land at Dehiwela	P14.83	Mr. A.A.M. Fathihu
		Land at Narahenpita	R1-P5.32	Mr. A.A.M. Fathihu
		Factory buildings Eheliyagoda	315,609sq.ft	Mr. A.A.M. Fathihu
		Showroom Building -Kottawa	9,556sq.ft	Mr. A.A.M. Fathihu
		Warehouse Building at Meegoda	36,982sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Nawala 101	8,470sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Narahenpita 100	13,410sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Panadura	5,176sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Seeduwa	7,320sq.ft	Mr. A.A.M. Fathihu
		Showroom Building at Dehiwela	11,574sq.ft	Mr. A.A.M. Fathihu
		Head office Building No 20,Colombo	28,278sq.ft	Mr. A.A.M. Fathihu
2	Royal Porcelain (Pvt) Ltd	Factory Land at Horana	A.14 - R.1- P.7.36	Mr. A.A.M. Fathihu
		Factory Building at Horana	285,168 sq.ft	Mr. A.A.M. Fathihu
		Warehouse Building at Meegoda	77,467 sq.ft	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	A1-R3-P04.10	Mr. A.A.M. Fathihu
		Factory complex at Homagama	202,003 Sq. ft	Mr. A.A.M. Fathihu
4	Lanka Walltiles PLC	Land at No. 215, Nawala Road, Narahenpita, Colombo 5	A1-R1-P2.1	Mr. Ranjan J Samarakone
		Plan No. 2205 Situated at Mawathagama and, Galagedara Village	A23-R1-P24.16	Mr. Ranjan J Samarakone
		No. 215, Nawala Road, Narahenpita, Colombo 5	35,990 Sq. ft	Mr. Ranjan J Samarakone
		Plan No. 2205 Situated at Mawathagama and, Galagedara Village	279,361 Sq. ft	Mr. Ranjan J Samarakone

Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs.
31 March 2018	Market based evidence	Rs. 56,250/- per perch	454.203 Mn
31 March 2018	Market based evidence	Rs. 1,250,000/- - Rs. 2,500,000 per perch	343.437 Mn
31 March 2018	Market based evidence	Rs. 250,000/- - 300,000/- per perch	120.187 Mn
31 March 2018	Market based evidence	Rs. 7,000,000- per perch	174.3 Mn
31 March 2018	Market based evidence	Rs. 18,750/- per perch	30 Mn
31 March 2018	Market based evidence	Rs. 15,602/- per perch	11.986 Mn
31 March 2018	Market based evidence	Rs. 2,500,000/- per perch	131.25 Mn
31 March 2018	Market based evidence	Rs. 7,000,000/- per perch	119.14 Mn
31 March 2018	Market based evidence	Rs. 15,000,000/- per perch	300 Mn
31 March 2018	Market based evidence	Rs. 3,500,000/- per perch	65.87 Mn
31 March 2018	Market based evidence	Rs. 7,000,000/- per perch	103.81 Mn
31 March 2018	Market based evidence	Rs. 6,430,714/- per perch	291.44 Mn
31 March 2018	Market based evidence	Rs. 2,044.64 per sq.ft	645.307 Mn
31 March 2018	Market based evidence	Rs. 1,250 - Rs. 7,000 per sq.ft	54.465 Mn
31 March 2018	Market based evidence	Rs. 1,540/- - Rs. 5,640/- per sq.ft	149.065 Mn
31 March 2018	Market based evidence	Rs.1,560/- - Rs. 6,240/- per sq.ft	52.983 Mn
31 March 2018	Market based evidence	Rs.10,260 per sq.ft	137.6 Mn
31 March 2018	Market based evidence	Rs. 8,026.20per sq.ft	41.543 Mn
31 March 2018	Market based evidence	Rs. 3,325/- - 5,640/- per sq.ft	38.852 Mn
31 March 2018	Market based evidence	Rs. 3,000 per sq.ft	34.722 Mn
31 March 2018	Market based evidence	Rs.11,387per sq.ft	322 Mn
31 March 2018	Market based evidence	Rs. 62,500/- per perch	142.96 Mn
31 March 2018	Market based evidence	Rs.1,250/- to Rs. 5,000/- per sq.ft	566.073 Mn
31 March 2018	Market based evidence	Rs. 3,500/- to Rs. 4,000/- per sq.ft	263.224 Mn
31 March 2018	Market based evidence	Rs. 150,000/- per perch	38.94 Mn
31 March 2018	Market based evidence	Rs. 200,000/- per perch	64.32 Mn
31 March 2018	Market based evidence	Rs. 800/- to 4,500/- per sq. ft	632.895 Mn
31 March 2018	Market based evidence	Rs. 6,000,000/- per perch	1,212.6 Mn
31 March 2018	Market based evidence	Rs. 250,000/- per perch	936.04 Mn
31 March 2018	Contractor's basis method valuation	Rs. 1,000/- to Rs. 3,500/- per Sq. ft	85.281 Mn
31 March 2018	Contractor's basis method valuation	Rs. 2,000/- to Rs. 4,000/- per perch	726.664 Mn

03. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTD....)

No	Company	Location	Extent	Valuer
5	LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	Mr. Ranjan J Samarakone
		Waradala Village,Divulapitiya,Gampaha	4A-01R-15.9P	Mr. Ranjan J Samarakone
6	Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	A48-R03-P17.9	Mr. Ranjan J Samarakone
		House	981.Sq.ft	Mr. Ranjan J Samarakone
7	Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone
		Land at Biyagama	02A-00R-15.93P	Mr. Ranjan J Samarakone
		Marawila silica land	13A-0R-02P	Mr. Ranjan J Samarakone
		Ball Clay land at Kaluthara	5A-01R-0.83P	Mr. Ranjan J Samarakone
8	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
9	Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton
		Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G. Newton
10	Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr. Ranjan J Samarakone
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr. Ranjan J Samarakone
		Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr. Ranjan J Samarakone
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr. Ranjan J Samarakone
		Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr. Ranjan J Samarakone
		Factory Complex, Belummahara, Imbulgoda-Sales center	4890 sq.ft	Mr. Ranjan J Samarakone
		Factory Complex, Belummahara, Imbulgoda-Open Shed	1600 sq.ft	Mr. Ranjan J Samarakone
		Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera
11	Swisstek Aluminium Ltd.	Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	Mr. Ranjan J Samarakone
		Dompe Lot 02	A9-R1-P15.9	Mr. Ranjan J Samarakone
		Building at Pahala Dompe, Dompe	141,294 sq.ft	Mr. Ranjan J Samarakone
12	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 and 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 and office building at Meetiyagoda mine	39,512sq.ft	Mr.P.B.Kalugalagedera
13	Rocell Ceramics Ltd (Note 29 e)	Kiriwaththuduwa Estate,Moonamalwatta Road,Kiriwaththuduwa,Homagama	33A-2R-26.0P	Mr. A.A.M. Fathihu

Significant Increases (Decreases) 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 and rate per sq.ft.	Fair Value measurement using Significant unobservable inputs (Level 3) Rs.
31 March 2018	Market based evidence	Rs. 4,500,000/- per acre	219.876 Mn
31 March 2018	Market based evidence	Rs. 2,500,000/- per acre	11 Mn
31 March 2018	Market based evidence	Rs. 4,500,000 per acre	219.876 Mn
31 March 2018	Market based evidence	Rs. 4,000 per sq. ft	3.924 Mn
'31 March 2018	Market based evidence	Rs. 40,000/- to Rs. 175,000 per perch	558.989 Mn
'31 March 2018	Market based evidence	Rs. 950,000/- per perch	31.9134 Mn
'31 March 2018	Market based evidence	Rs. 18752.52/- per perch	39.038 Mn
'31 March 2018	Market based evidence	Rs. 62.50 per perch	52 Mn
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
'31 March 2018	Market based evidence	Rs. 646,429/- per perch	633.5 Mn
'31 March 2018	Market based evidence	Rs. 567,500/-per perch	11.35 Mn
'31 March 2018	contractor's method	Rs. 3,750/- per sq. ft	112.5 Mn
'31 March 2018	Depreciated Replacement cost	Rs. 361/- per sq. ft	500 Mn
'31 March 2018	Investment Method	Rs. 15/- to Rs .40/- per sq. ft	63.351 Mn
'31 March 2018	Investment Method	Rs. 15/- to Rs. 40/- per sq. ft	27.261 Mn
'31 March 2018	Investment Method	Rs. 15/- to Rs 40/- per sq. ft	2.676 Mn
31 March 2018	Investment Method	Rs. 15/- to Rs 40/- per sq. ft	22.3 Mn
31 March 2018	Market based evidence	Rs. 17,567,247 per acre	10.727 Mn
31 March 2018	Market based evidence	Rs. 18,834,861 per acre	176 Mn
31 March 2018	Contractors Method	Rs. 520/- to 3,600/- per sq. ft	464.533 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	12.931 Mn
31 March 2016	Depreciated cost method	Rs. 100/- to Rs. 500/- per sq.ft	13.557 Mn
22-Feb-17	Market based evidence	Rs. 12,000,000 Per Acre	403.92 Mn

03. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONTD....)

3.18 The useful lives of the assets are estimated as follows ;

	2018 Rs.	2017 Rs.
Non plantation assets		
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	4 to 12	4 to 12
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal		
amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation (re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3
Mature plantations (Oil palm)	20	20
Permanent Land Development Cost	40	40

No Depreciation is Provided for Immature Plantations

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	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2018	2018	2018	2017
Freehold Land	847,911,524	-	847,911,524	254,830,730
Freehold Building	913,944,327	191,433,782	722,510,545	83,305,041
	1,761,855,851	191,433,782	1,570,422,069	338,135,771

	Group			
	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2018	2018	2018	2017
Freehold land and Clay Mining Land	2,729,456,882	2,798,000	2,726,658,882	2,313,971,138
Freehold Building	3,832,641,248	896,454,787	2,936,186,461	2,302,456,441
Lease Property	25,531,420	25,531,420	-	-
	6,587,629,550	924,784,207	5,662,845,343	4,616,427,579

3.20 Leasehold Right Over Mining Land

	Group	
	2018 Rs.	2017 Rs.
Cost		
At the beginning of the year	23,880,000	15,880,000
Additions	-	8,000,000
Disposals	(8,080,000)	-
At the end of the year	15,800,000	23,880,000
Accumulated Amortization		
At the beginning of the year	7,800,000	7,800,000
Charge for the year	3,130,000	-
Disposals	(1,666,000)	-
At the end of the year	9,264,000	7,800,000
Written Down Value	6,536,000	16,080,000

Disposal represents the write off lease hold right over mining land situated at Maddawillayaya Owita, Dediyawala.

04. INVESTMENT PROPERTY

	Group 2018 Rs.	Group 2017 Rs.
At the beginning of the year- as previously reported	706,000,000	238,714,000
Prior year adjustment (Note 40)		288,536,000
At the beginning of the year- as restated	706,000,000	527,250,000
Transfer from property plant and equipment	459,407,000	-
Depreciation for the period	-	(690,000)
Change in Fair Value	121,600,000	179,440,000
At the end of the year	1,287,007,000	706,000,000

Lanka Ceramic PLC

As at 31 March 2018, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1,12 P).

Beyond Paradise Collection Limited /LWL Development (Private) Limited

The properties of Beyond Paradise Collection Limited (Rs.223.8 Mn) and LWL Development (Private) Limited (Rs.235.6 Mn) has been reclassified as investment property in accordance with LKAS 40 Investment Property ("LKAS 40") due to change of use of the assets.

4.1 Fair value of investment property

Lanka Ceramic PLC

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 2018). 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) 2018 Rs.	Company/Group Fair Value measurement using Significant unobservable inputs (Level 3) 2017 Rs.
Date of valuation	31 March 2018	31 March 2017
Land	740,200,000	617,000,000
Building	87,400,000	89,000,000
Significant unobservable input :		
Price per perch	18,000,000	15,000,000
Price per square feet	Rs. 2,000/- - Rs. 3,900/-	Rs. 2,000/- - Rs. 4,000/-

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

Beyond Paradise Collection Limited /LWL Development (Private) Limited

The Fair value disclosure of Investment properties of above companies is available under note 3.17

4.2 Rental Income earned from Investment Property by the Group amounted Rs. 36. 75 Mn. (2017 - Rs. 36.37 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.39Mn. (2017 - Rs. 1.86 Mn.).

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

	Less than 1 year	Between 1 year and 5 years	Over 5 years
	Rs.	Rs.	Rs.
2017-2018	39,000,000	208,500,000	-
2016-2017	36,750,000	147,000,000	73,500,000

05. INVESTMENTS IN SUBSIDIARIES

5.1 Quoted and Non-Quoted

	Holding		Country of incorporation	Cost	Cost
	2018	2017		2018	2017
	%	%		Rs.	Rs.
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	200,287,700
Rocell (Pty) Ltd	100%	100%	Australia	173,225,688	173,225,688
Nilano Garments (Pvt) Ltd	100%	100%	Sri Lanka	60,000,000	60,000,000
Swisstek Aluminium Ltd	7%	-	Sri Lanka	106,344,740	-
Quoted					
Lanka Ceramic PLC	73.56%	80.30%	Sri Lanka	551,039,307	3,007,798,812
Lanka Tiles PLC	2.61%	2.62%	Sri Lanka	125,032,515	125,032,515
Lanka Walltiles PLC	52.05%	1.06%	Sri Lanka	3,772,376,028	33,932,044
Swisstek Ceylon PLC	6.88%	6.88%	Sri Lanka	127,065,816	127,065,816
Total Quoted and Non-Quoted Investments in Subsidiaries				6,816,271,724	5,428,242,505
Total Gross Carrying Value of Investments				6,816,271,724	5,428,242,505
Impairment Made (Note 5.2)				(360,900,000)	(270,900,000)
Total Net Carrying Value of Investments				6,455,371,724	5,157,342,505

5.2 Impairment of Investments in Subsidiaries

Ever Paint and Chemical Industries (Pvt) Ltd

In 2017, view of the negative net asset position resulting from continuing losses and the subsequent decision to discontinue operations, the Company has made a full provision for impairment of the investment in Ever Paint and Chemical Industries (Pvt) Ltd in 2017. The said loss has been eliminated in the consolidated financial statements.

Rocell (Pty) Ltd

The Management, having evaluated the existence of continued losses, has performed an impairment review in the current year to assess the recoverable amount of the Investment in Rocell Pty Ltd. Following such review, for the year ended 31 March 2018, an impairment provision of Rs. 90 Mn has been recognized.

Impairment review was based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The post-tax discount rate applied to cash flow projections is 6.9% and cash flows beyond the five-year period are extrapolated using a 0% growth rate. As a result of this impairment analysis, during the year management has recognised an impairment charge of Rs. 90 Mn in the Company's financial statements under other operating expenses.

The said impairment charge has been adjusted in the consolidated financial statements as detailed below to reflect the impairment of goodwill and assets of Rocell (Pty) Ltd in the Group financial statements.

	Amount Rs.
Goodwill (Note 7.1)	2,387,160
Property Plant and Equipment (Note 3.7)	36,107,233
Inventories (Note 9)	51,505,607
	90,000,000

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for Rocell (Pty) Ltd is most sensitive to the following assumptions;

Gross margins - Gross margins are based on average values achieved in the three years preceding the beginning of the budget period. The gross margins assumed were within the range of 40%-44%. Decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 1.0% would result in a further impairment in the investment in the subsidiary.

Growth rates used to extrapolate cash flows beyond the forecast period - Management has estimated 0% growth rate in the cash flow beyond the five-year period.

Discounts rate - The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium. The discount rate calculation is derived from the weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. A rise in the post-tax discount rate by 0.5% would result in a further impairment.

6. INVESTMENTS IN ASSOCIATES

6.1 Company

	Holding 2018 %	Holding 2017 %	Cost 2018 Rs.	Cost 2017 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	2,499,577,145	2,499,577,145
Non-quoted Investments				
Delmege Limited	21.00%	21.00%	663,360,345	663,360,345
(Formerly know as Lewis Brown and Company Limited)			3,162,937,490	3,162,937,490

6.2 Group

	Holding 2018 %	Holding 2017 %	Cost 2018 Rs.	Cost 2017 Rs.
Quoted Investments				
L. B. Finance PLC	26.08%	26.08%	5,655,651,809	4,879,157,641
Non-quoted Investments				
Delmege Limited (Formerly know as Lewis Brown and Company Limited)	21.00%	21.00%	750,797,080	970,067,329
			6,406,448,889	5,849,224,970

Market value of LB Finance PLC as at 31 March 2018 is Rs 4,295,052,285 (2017-Rs 4,276,990,669/-)

6.3 Movement in Investments in Associates

	L. B. Finance PLC 2018 Rs.	L. B. Finance PLC 2017 Rs.	Delmege Limited 2018 Rs.	Delmege Limited 2017 Rs.	Total 2018 Rs.	Total 2017 Rs.
As at the beginning 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
Investments made during the year						
Share of results of associates	1,107,109,661	1,021,867,684	(74,771)	19,885,733	1,107,034,890	1,041,753,417
Dividends	(325,109,088)	(438,897,269)	-	-	(325,109,088)	(438,897,269)
Share of Other Comprehensive Income	(5,506,405)	(4,668,843)	(219,195,478)	383,986,141	(224,701,883)	379,317,298
At the end of the year	5,655,651,809	4,879,157,641	750,797,080	970,067,329	6,406,448,889	5,849,224,970

07. INTANGIBLE ASSETS

7.1 Goodwill

	Group	
	2018 Rs.	2017 Rs.
Balance at the beginning of the year	1,032,614,777	1,066,192,543
Goodwill arising on acquisition (Note 39.1)	-	38,172,535
Impairment (Note 5.2)	(2,387,160)	(71,866,701)
Effect of change in exchange rate	67,875	116,400
Balance at the end of the year	1,030,295,492	1,032,614,777

Carrying value of Goodwill acquired through business combination as at the reporting date is relevant to Tile and Associated products. During the year the company has impaired the goodwill acquired through Rocell Pty. Ltd fully due to the existence of continued losses. (refer Note 5.2 for the impairment assessment)

7.2 Software

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Balance at the beginning of the year	186,756,235	203,612,256	186,756,235	203,612,256
Incurred during the year	1,545,000	-	1,545,000	-
Amount amortised during the year	(17,331,087)	(16,856,021)	(17,331,087)	(16,856,020)
Balance at the end of the year	170,970,148	186,756,235	170,970,148	186,756,236
Total intangible assets	170,970,148	186,756,235	1,201,265,640	1,219,371,013

08 OTHER NON FINANCIAL ASSETS

	Group	
	2018 Rs.	2017 Rs.
Advances Given to Suppliers	85,511,989	-
Advance Company Tax Receivable	27,285,000	27,285,000
	112,796,989	27,285,000

09. INVENTORIES

	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 Rs.
Raw Materials	246,133,957	205,622,810	3,021,860,345	2,007,823,821
Spares and Consumables	267,463,362	261,198,170	1,141,380,153	1,069,552,636
Accessories	-	-	801,500,529	544,682,111
Harvested crops	-	-	223,516,000	189,715,000
Growing Nurseries	-	-	-	197,000
Non-harvested Produce on Bearer Biological Assets	-	-	6,210,000	6,860,000
Work in Progress	52,520,299	15,133,408	353,833,102	261,939,761
Finished Goods	853,130,826	730,433,168	5,938,583,698	4,738,138,546
Goods in Transit	4,185,589	578,130	156,801,263	26,929,399
Other Consumables	3,887,233	5,218,797	16,338,830	14,007,906
	1,427,321,266	1,218,184,483	11,660,023,920	8,859,846,180
Less : Provision for Obsolete and Slow Moving Stock	(33,763,348)	(19,925,027)	(264,155,329)	(195,296,059)
	1,393,557,918	1,198,259,456	11,395,868,591	8,664,550,121

These inventories include finished goods of Rs. 6.3 Bn and general stocks and representing raw materials, spares and consumables of Rs. 2.6 Bn relating to the Tile and Associated items and Sanitaryware segments.

10. TRADE AND OTHER RECEIVABLES

10.1 Company

			2018 Rs.	2017 Rs.
Trade debtors	-	Other	268,286,978	244,562,952
	-	Related Parties (10.1.1)	6,520,396	9,693,787
Trade Debtors			274,807,374	254,256,739
Provision for Bad and Doubtful Debts			(976,985)	(976,985)
			273,830,389	253,279,754
Other Receivables	-	Other	66,515,607	39,396,459
	-	Related Parties (Note 10.1.2)	204,954,666	147,732,675
			545,300,662	440,408,888

10.1.1 Trade Debtors includes following related party receivables,

	2018 Rs.	2017 Rs.
Rocell Pty Limited	4,709,184	9,492,680
Swisstek Aluminium Limited		117,374
Horana Plantations PLC	-	14,373
The Kingsbury PLC	1,398,440	69,360
LB Finance PLC	412,772	
	6,520,396	9,693,787

10.1.2 Amount due from Related Parties

	Relationship	2018 Rs.	2017 Rs.
Royal Ceramics Distributors (Pvt) Ltd	Subsidiary	1,352,881	1,155,463
Rocell (Pty) Ltd.	Subsidiary	25,078,051	24,019,017
Rocell Ceramics Ltd	Subsidiary	8,143,329	134,991
Lanka Tiles PLC	Subsidiary	19,850,570	30,141,103
Lanka Wall Tiles PLC	Subsidiary	18,908,887	19,670,792
Ever Paint and Chemical Industries (Pvt) Ltd	Subsidiary	428,534,434	329,520,981
Lanka Ceramic PLC	Subsidiary	-	4,500,650
Swisstek Aluminium Limited	Subsidiary	-	25,744,238
Swisstek Ceylon PLC	Subsidiary	2,675,431	2,557,858
Unidil Packaging Limited	Subsidiary	49,676,856	40,492,582
		554,220,439	477,937,675
Impairment Provision		(349,265,773)	(330,205,000)
		204,954,666	147,732,675

10.1.3 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2018, the ageing analysis of trade receivables is as follows:

		Total	Neither past due nor Impaired	Past due but not impaired			Impaired	Provision for Impairment
				Less Than 3 Month	3 to 12 Month	More Than One Year		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors	2018	273,830,389	139,625,218	100,518,815	26,304,613	8,358,728	-	(976,985)
	2017	253,279,754	125,246,422	104,243,164	5,029,621	19,737,532	-	(976,985)

10.2 Group

	2018 Rs.	2017 Rs.
Trade Debtors (Note 10.2.1)	3,600,410,387	2,760,440,282
Provision for Bad and Doubtful Debts	(65,700,294)	(86,357,841)
	3,534,710,093	2,674,082,441
Loans to company officers	38,997,000	47,606,000
Other Receivables	428,090,266	437,683,095
	4,001,797,359	3,159,371,536

10.2.1 Trade Debtors includes following related party receivables

	2018 Rs.	2017 Rs.
LB Finance PLC	650,688	17,190
Grip Delmege (Pvt) Ltd	656,158	-
Singer (Sri Lanka) PLC	223,050	-
Haycarb PLC	105,984	31,461
Hayleys Fabric PLC	61,435	-
Alumex PLC	105,690	-
Singhe Hospitals PLC	20,664	-
MN Properties (Pvt) Ltd	485,000	1,000,000
The Kingsbury PLC	1,581,530	203,771
Hayleys PLC	-	113,016
Talawakelle Plantations PLC	-	54,366
Delmege Forsyth & Co.Ltd	-	7,065,000
Mabroc Teas (Pvt) Ltd	-	11,000
Dipped Products PLC	-	1,003,000
	3,890,199	9,498,804

10.2.2 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 Impairment
				Less Than 3 Month	3 to 12 Month	More Than One Year		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors	2018	3,534,710,093	1,653,914,540	1,572,334,022	206,692,182	138,676,454	31,545,189	(65,700,294)
	2017	2,674,082,441	2,136,022,830	420,635,819	110,267,777	78,356,856	15,157,000	(86,357,841)

10.2.3 Allowances for Doubtful Debts

	2018 Rs.	2017 Rs.
Balance at the beginning of the year	86,357,841	132,840,133
Amount provided/(reversal) during the year	(20,657,547)	(46,482,292)
Balance at the end of the year	65,700,294	86,357,841

11. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Receivables - Other	8,166,026	4,485,953	38,727,672	6,872,239
Advances and Prepayments	360,919,797	362,703,839	924,189,127	957,622,088
	369,085,823	367,189,792	962,916,799	964,494,327

12 OTHER FINANCIAL ASSETS

12.1 Current - Company/Group

Investments at fair Value Through Profit or Loss

	No. of Shares		Fair Value Company		Fair Value Group	
	2018	2017	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Quoted						
The Fortress Resorts PLC	336,100	336,100	3,529,050	3,898,760	3,529,050	3,898,760
Aitken Spence PLC	225,000	225,000	11,385,000	12,645,000	11,385,000	12,645,000
Lanka Hospitals Corporation PLC	45,519	45,519	2,731,140	2,799,419	2,731,140	2,799,419
Citrus Leisure PLC	2,768,276	2,768,276	20,762,066	19,377,922	20,762,066	19,377,922
Serendib Hotels PLC	16,000	16,000	280,000	369,600	280,000	369,600
Softlogic Finance PLC	8	8	280	248	280	248
Ascot Holdings PLC	-	30,000	-	690,000	-	690,000
Waskaduwa Beach Resorts Ltd	-	1,400,145	-	4,200,440	-	4,200,440
Kalpitiya Beach Resorts Ltd	-	-	4,200,430	-	4,200,430	-
			42,887,966	43,981,389	42,887,966	43,981,389
Non-Quoted						
MBSL Insurance	4,666,667	4,666,667	8,666,667	8,666,667	8,666,667	8,666,667
Impairment			(8,666,667)	(8,666,667)	(8,666,667)	(8,666,667)
			42,887,966	43,981,389	42,887,966	43,981,389

12.2 Bank Term Deposits

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Term Deposit-USD	104,039,715	-	163,688,338	-
Term Deposit-AUD	-	-	43,601,355	28,830,142
Deposit of Tsunami donations	-	-	3,239,000	-
	104,039,715	-	210,520,693	28,830,142
Total	146,927,681	43,981,389	253,408,659	72,811,531

13. STATED CAPITAL - COMPANY/GROUP

	2018		2017	
	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

Summary	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Revaluation Reserve (Note 14.1)	830,590,905	213,634,264	2,638,434,432	2,020,248,355
Available for sale reserve (Note 14.2)	-	-	5,967,555	3,865,437
Exchange Differences on translation of foreign operations (Note 14.3)	-	-	8,113,059	3,331,413
	830,590,905	213,634,264	2,652,515,046	2,027,445,205

14.1 Revaluation Reserve

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
On: Property, Plant and Equipment				
As at 1 April	213,634,264	213,634,264	2,020,248,355	1,367,854,162
Revaluation of surplus during the year	1,014,246,685	-	1,878,176,454	652,394,193
Tax effect on Revaluation Surplus	(397,290,044)	-	(1,259,990,377)	-
As at 31 March	830,590,905	213,634,264	2,638,434,432	2,020,248,355

The above revaluation surplus consists of net surplus resulting from the revaluation of property plant and equipment as described in Note 3. The unrealised amount cannot be distributed to shareholders.

14.2 Available for Sale Reserve

	Group 2018 Rs.	Group 2017 Rs.
As at 1 April	3,865,437	7,704,239
Net change in fair value during the year	2,102,118	(3,838,802)
As at 31 March	5,967,555	3,865,437

14.3 Foreign Currency Translation Reserve

	Group 2018 Rs.	Group 2017 Rs.
As at 1 April	3,331,413	300,771
Transferred during the year, net of tax	4,781,646	3,030,642
As at 31 March	8,113,059	3,331,413

15 INTEREST BEARING LOANS AND BORROWINGS

	Company 2018 Rs.	Company 2017 Rs.	Group 2018 Rs.	Group 2017 Rs.
Non Current				
Long term loans (15.1)	3,310,314,466	3,300,490,877	5,971,497,821	6,136,025,423
Finance leases (15.2)	3,817,720	6,530,620	96,392,942	111,840,111
	3,314,132,186	3,307,021,497	6,067,890,763	6,247,865,534
Current				
Long term loans (15.1)	969,469,631	606,216,842	2,227,603,515	1,881,865,928
Finance leases (15.2)	2,712,900	2,483,722	20,595,967	16,764,887
Short term loans	358,677,950	66,101,296	4,399,223,969	2,215,563,421
Bank overdrafts (20.0)	335,779,594	359,179,882	2,347,691,755	2,009,727,257
	1,666,640,075	1,033,981,742	8,995,115,206	6,123,921,493
Total	4,980,772,261	4,341,003,239	15,063,005,969	12,371,787,027

15.1 Long Term Loans

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	3,906,707,719	3,494,936,018	8,017,891,351	6,911,484,465
Loans obtained during the year	1,070,561,908	1,389,142,968	2,277,025,388	3,325,789,988
Exchange gain/loss on USD loans	-	(304,843)	9,688,515	14,685,695
Transfer to discontinued Operations	-	-	25,750,000	(25,750,000)
Repayments during the year	(697,485,530)	(977,066,424)	(2,131,253,918)	(2,208,318,797)
At the end of the year	4,279,784,097	3,906,707,719	8,199,101,336	8,017,891,351
Payable within 1 year	969,469,631	606,216,842	2,227,603,515	1,881,865,928
Payable after 1 year before 5 years	3,310,314,466	3,300,490,877	5,971,497,821	6,136,025,423
Total	4,279,784,097	3,906,707,719	8,199,101,336	8,017,891,351

15.2 Finance Leases

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
JEDB/SLSPC estates (15.3)	-	-	146,055,000	146,386,000
Other finance lease creditors (15.3)	7,236,414	10,418,801	30,149,222	48,146,603
Gross liability	7,236,414	10,418,801	176,204,222	194,532,603
Exchange rate difference	-	-	310,777	507,504
Finance charges allocated to future periods	(705,794)	(1,404,459)	(59,524,090)	(66,435,109)
Net liability	6,530,620	9,014,342	116,990,909	128,604,998
Payable within 1 year	2,712,900	2,483,722	20,595,967	16,764,887
Payable after 1 year before 5 years	3,817,720	6,530,620	96,392,942	111,840,111
Total	6,530,620	9,014,342	116,988,909	128,604,998

15.3 JEDB/SLSPC Estates

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	-	-	146,386,000	151,614,000
New leases obtained during the year	-	-	14,361,000	13,681,000
Repayments during the year	-	-	(14,692,000)	(18,909,000)
At the end of the year (Note 15.5)	-	-	146,055,000	146,386,000

15.4 Other Financial Lease Creditors

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	10,418,801	13,601,188	48,146,603	60,127,886
Leases obtained during the year	-	-	-	12,392,885
Repayments during the year	(3,182,387)	(3,182,387)	(17,997,381)	(23,522,778)
Transfer to discontinued Operations	-	-	-	(851,390)
At the end of the year	7,236,414	10,418,801	30,149,222	48,146,603

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 reporting date is represented by :-

	Group	
	2018	2017
	Rs.	Rs.
Gross Liability	146,053	146,384
	146,053	146,384
Less : Interest in Suspense	(59,592)	(60,092)
Net Present Value	86,461	86,292

15.7 The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 14.361 Million (2017 - Rs. 13,681 Million) and the gross liability to make contingent rentals for the remaining 27 years of lease term at the current rate would be estimated to Rs. 387.747 Million as at 31st March 2018 (2017 - Rs. 383.057 Million).

15.8 Interest Bearing Loans And Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Interest Rate	Repayment Terms
Company : Royal Ceramics Lanka PLC			
Commercial Bank of Ceylon PLC	Rs 175 Mn	AWPLR+1%	48 equal monthly installments
Commercial Bank of Ceylon PLC	Rs 24 Mn	AWPLR+1%	60 equal monthly installments
Commercial Bank of Ceylon PLC	Rs 3.0 Bn	At 8.75%	8 years-(first 48 monthly installment of Rs 20Mn each and subsequent 48 monthly instalments of Rs 42.5Mn each
Commercial Bank of Ceylon PLC	Rs. 300 Mn	AWPLR+1%	60 equal monthly installments with six months grace period commencing from April-2014
Commercial Bank of Ceylon PLC	Rs 109 Mn	AWPLR+.25%	59 equal monthly installments of Rs. 1816700 each and final installment of Rs. 1814700
Commercial Bank of Ceylon PLC	Rs 95 Mn	AWPLR+.75%	59 equal monthly installments of Rs. 1585000 each and final installment of Rs. 1485000
Commercial Bank of Ceylon PLC	Rs. 200 Mn	AWPLR+1.50%	59 equal monthly installments of Rs. 3335000 and a final installment of Rs. 3235000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 100 Mn	AWPLR+2.00%	59 equal monthly installments of Rs. 1,667,000 and a final installment of Rs. 1,647,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150 Mn	AWPLR+1.50%	60 equal monthly installments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 150 Mn	AWPLR+1.50%	60 equal monthly installments of Rs. 2,500,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	AUD 2.407 Mn	MP BID AND OFFER RATE+3.5%	59 equal monthly installments of AUD. 40,100 each and the final installment of AUD 41,100
Commercial Bank of Ceylon PLC	Rs.500 Mn	AWPLR+1.50%	59 equal monthly installments of Rs. 8,334,000 after a grace period of 6 months
Commercial Bank of Ceylon PLC	Rs.106 Mn	AWPLR+1.25%	59 equal monthly installments of Rs. 1,766,000 and the final installment of Rs 1,806,000
Commercial Bank of Ceylon PLC	Rs.100 Mn	AWPLR+1.5%	59 equal monthly installments of Rs. 1,666,000 and the final installment of Rs 1,706,000
DFCC Bank PLC	Rs 292 Mn	AWPLR+1.50%	60 equal monthly installment after a grace period of 12 months
Hatton National Bank PLC	Rs. 100 Mn	AWPLR+.75%	59 equal monthly installments of Rs. 1.67 Mn and the final installment of Rs. 1.47 Mn
Hatton National Bank PLC	Rs. 50 Mn	AWPLR+.75%	59 equal monthly installments of Rs. 833,400 and a final installment of Rs. 770,400 after a grace period of 6 months
Hatton National Bank PLC	Rs. 23 Mn	AWPLR+.75%	59 equal monthly installments of Rs. 383,400 and a final installment of Rs. 379,400 after a grace period of 6 months
Hatton National Bank PLC	Rs. 07 Mn	AWPLR+.75%	59 equal monthly installments of Rs. 116,700 and a final installment of Rs. 114,700 after a grace period of 6 months
Hatton National Bank PLC	Rs. 14 Mn	AWPLR+.75%	59 equal monthly installments of Rs. 233,330 and a final installment of Rs. 233520
Hatton National Bank PLC	Rs. 28.5 Mn	AWPLR+.75%	60 equal monthly installments of Rs. 475,000
Hatton National Bank PLC	Rs 5.5 Mn	AWPLR+1.%	59 equal monthly installments of Rs. 91600 and a final installment of Rs. 95600
Hatton National Bank PLC	Rs 12.9 Mn	AWPLR+1.%	60 equal monthly installments of Rs. 215000

Security	Security Amount Rs.	Balance As At 31st March 2018 Rs.Mn	Balance As At 31st March 2017 Rs.Mn
174.9 Mn in mortgage over properties at Baddegedaramulla, Meegoda, No 101, Nawala Road, Nawala and No 472, High level Road Kottawa	175Mn	-	20.06
Primary mortgage bond for 24Mn over the two LP Gas Tanks	24Mn	1.2	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 Ceramic PLC and 7,545,422 shares of LB Finance PLC (Market value as at 15/09/2014 - Rs 3,905 Mn)	3Bn	2200	2440
Primary mortgage bond over Land and Building at No 20, R.A.De Mel Mawatha, Colombo 03.	Rs 300 Mn	52	104
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 109Mn	50.86	72.66
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 95Mn	61.71	80.73
Additional mortgage bond over the property at Baddegedaramulla, Meegoda to be executed	Rs 200Mn	159.98	153.62
Additional concurrent mortgage bond with HNB bank PLC for Rs 100Mn over the factory property at Eheliyagoda to be executed by the company. (HNB interest -Rs 350.3 mn our total interest -AUD 2407000/- or equivalent in LKR and Rs 100Mn	Rs 100Mn	48.96	52.79
Corporate guarantee of Royal Porcelain (Pvt) Ltd. Additional mortgage bond for Rs. 110 Mn over the property bearing assessment No 20, R.A De Mel Mawatha , Kollupitiya to be executed	Rs 150Mn	125	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	130	145
Floating Primary Concurrent Mortgage for AUD 2407000 over the property at Eheliyagoda owned by the Company to be executed-(HNB 's interest Rs 350.3M)	AUD 2,407,000	185.19	238.203
Primary mortgage bond over Sacmi machine and other related machinery to be executed.	Rs.500Mn	474.99	-
Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd	Rs.106Mn	91.82	-
Corporate guarantee of Royal Porcelain (Pvt) Ltd			
Tertiary mortgage bond for Rs 100Mn executed over the property at R.A.De Mel Mawatha, Colombo 03.	Rs.100Mn	91.67	
Land and building bearing assessment No 223, Nawala Road,Narahenpita containing in extent Ao-Ro-Po5.4 of Royal Ceramics Lanka PLC (Plan no 3534)	Rs 292.Mn	262.79	292
Existing primary mortgage bond For Rs 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon	Rs 100Mn	21.04	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	15.83	25.83
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 23Mn	8.81	13.41
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 23Mn	2.68	4.08
Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs 14Mn	8.16	10.96
Corporate Guarantee from RPL	Rs 28.5Mn	19.95	25.17
Corporate Guarantee from RPL	Rs 5.5Mn	3.85	4.85
Corporate Guarantee from RPL	Rs 12.9Mn	9.03	11.61

15.8 Interest Bearing Loans And Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Interest Rate	Repayment Terms
Hatton National Bank PLC	Rs. 130 Mn	AWPLR+2.%	59 equal monthly installments of Rs. 2.15Mn each and a final installment of Rs. 3.15 Mn s
Hatton National Bank PLC	Rs.500 Mn	AWPLR+1.5%	47 equal monthly installments of Rs. 10,400,000 and a final installment of Rs. 11,200,000
Company : Royal Porcelain (Pvt) Ltd			
DFCC Bank PLC	Rs 150 Mn	AWPLR	60 equal monthly installments with Eighteen months grace period commencing from Octo-2012
Commercial Bank of Ceylon PLC	Rs 56 Mn	AWPLR+1%	59 equal monthly installments with three months grace period commencing from Dece-2012
Commercial Bank of Ceylon PLC	Rs 67 Mn	AWPLR+1%	59 equal monthly installments with three months grace period commencing from February-2013
Commercial Bank of Ceylon PLC	Rs.48 Mn	AWPLR+1%	60 equal monthly installments with six months grace period commencing from April-2014
Commercial Bank of Ceylon PLC	Rs 67 Mn	AWPLR+1%	60 equal monthly installments with six months grace period commencing from June-2014
Commercial Bank of Ceylon PLC	Rs 200 Mn	AWPLR+1%	60 equal monthly installments with six months grace period commencing from May-2014
Commercial Bank of Ceylon PLC	Rs 48.56 Mn	AWPLR+5%	60 equal monthly installments commencing from April-2014
Commercial Bank of Ceylon PLC	Rs 53 Mn	AWPLR+5%	60 equal monthly installments commencing from March-2014
Commercial Bank of Ceylon PLC	Rs 37 Mn	AWPLR+5%	59 equal monthly installments of Rs 615,000 and a final installment of Rs 715,000 following the grace period of 6 months
Commercial Bank of Ceylon PLC	Rs 28 Mn	AWPLR+5%	59 equal monthly installments of Rs 466,700 and a final installment of Rs 464,700 commencing from 25th August 2015
Commercial Bank of Ceylon PLC	Rs.114 Mn	AWPLR+1.25%	59 equal monthly installments
Hatton National Bank PLC	Rs 300 Mn	AWPLR+.75%	60 equal monthly installments of Rs 5,000,000 plus interest commencing after a grace period of six months.
Hatton National Bank PLC	Rs 200 Mn	AWPLR+1.50%	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.
Hatton National Bank PLC	Rs.90 Mn	AWPLR+1.50%	59 equal monthly installments
Company : Rocell Bathware Limited			
Hatton National Bank PLC	Rs.160 Mn	AWPLR+0.5%	54 equal monthly installments

Security	Security Amount Rs.	Balance As At 31st March 2018 Rs.Mn	Balance As At 31st March 2017 Rs.Mn
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 Ceramic PLC	Rs 130Mn	93.45	34.38
Existing primary mortgage bond For Rs 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon(including the existing building or the buildings which are to be constructed in the future	Rs.500Mn	160.81	-
Negative pledge over machinery for Rs 233Mn to be obtained			
		4,279.78	3,906.633
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 Appetizer Machine	Rs 56Mn	-	7.3 8
Corporate Guarantee from Royal Ceramics Lanka PLC			
Mortgage over Tile Printing Machine	Rs 67Mn	-	12
Corporate Guarantee from Royal Ceramics Lanka PLC			
Mortgage over Glazed Polishing Line	Rs.48Mn	9.6	19.2
Corporate Guarantee from Royal Ceramics Lanka PLC			
Mortgage over Digital Ceramic Printing Machine	Rs 67Mn	15.71	29.09
Corporate Guarantee from Royal Ceramics Lanka PLC			
Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Ltd	Rs 200Mn	42.55	82.75
Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks	Rs.48.6Mn	9.683	19.4
Mortgage over the Nano coating line , Unloading Polishing Machine, Batching and mill Feeding Machine and Air Compressor	Rs.53Mn	9.733	20.32
Corporate Guarantee from Royal Ceramics Lanka PLC			
Primary Mortgage over the Automatic easy Line Sorting Line	Rs. 37Mn	11.21	18.59
Corporate Guarantee from Royal Ceramics Lanka PLC			
Corporate Guarantee-RCL	Rs. 28Mn	13.06	18.66
Primary mortgage bond over Land at Marawila to be executed	Rs.114Mn	97.37	
Corporate Guarantee-RCL	Rs 300Mn	240	295
Corporate Guarantee-RCL	Rs 200Mn	160.04	196.67
Negative Pledge Over Machinery to be Purchased for Rs.90Mn	Rs.90Mn	90.02	
		698.976	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	17.78	53.33
Corporate guarantee from Royal Ceramics Lanka PLC	Rs 160 Mn		

15.8 Interest Bearing Loans And Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Interest Rate	Repayment Terms
Hatton National Bank PLC	Rs.70 Mn	AWPLR+0.75%	54 installment with grace period of 06 months
Hatton National Bank PLC	Rs 20 Mn	AWPLR+0.5%	59 equal monthly instalments
Commercial Bank of Ceylon PLC	Rs. 25 Mn	AWPLR+0.25%	53 equal monthly installments
Commercial Bank of Ceylon PLC	Rs 210 Mn	AWPLR+1.25%	60 equal monthly installment of Rs 3,500,000 with a grace period of six months
Commercial Bank of Ceylon PLC	Rs 57.7 Mn	AWPLR+0.75%	59 equal monthly installment of Rs 961,600 and a final installment of Rs 965,600.00
Commercial Bank of Ceylon PLC	Rs 70 Mn	AWPLR+0.5%	59 equal monthly installment of Rs 1,1165,000 and a final installment of Rs 1,265,000.00
Commercial Bank of Ceylon PLC	Rs.300 Mn	AWPLR+1.5%	60 equal monthly installment of Rs 5,000,000 with a grace period of 6 months
Pan Asia Bank	Rs 200 Mn	AWPLR+1.5%	60 equal monthly installment with a grace period of six months
Peoples Bank	Rs 160 Mn	AWPLR+1%	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	5.50%	60 equal monthly installment
Lanka Ceramic PLC			
Hatton National Bank PLC	Rs. 500 Mn	AWPLR based	08 annual installments
Lanka Walltiles PLC			
Hatton National Bank PLC	Rs. 300 Mn	AWPLR+0.5%	60 monthly installments
Hatton National Bank PLC	USD 1.8 Mn	LIBOR+3.75%	60 monthly installments
Commercial Bank of Ceylon PLC	Rs. 584 Mn	AWPLR+0.5%	60 monthly installments
Commercial Bank of Ceylon PLC	Rs. 80 Mn	AWPLR+0.75%	60 monthly installments
DFCC Bank	Rs. 200 Mn	AWDR+0.5%	60 monthly installments
Lanka Tiles PLC			
DFCC Bank	Rs. 150 Mn	AWPLR+0.5%	48 monthly installments

Security	Security Amount Rs.	Balance As At 31st March 2018 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 70 Mn	15.56	31.11
Corporate guarantee from Royal Ceramics Lanka PLC	Rs 70Mn		
Primary Mortgage bond for Rs 250Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed.	Rs 20 Mn	13.33	17.33
Corporate guarantee of RCL	Rs 20 Mn		
Primary Mortgage bond over Water closet casting machine for 25Mn	Rs 25 Mn	14.81	20.37
Primary mortgage bond over the shuttle Kiln burner machine for Rs 210 Mn	Rs 210 Mn	155.56	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	41.64	54.49
Corporate Guarantee-RCL	Rs 70 Mn	53.69	42.67
Primary Mortgage bond over Water Closet Machine, water treatment plant, Central UPS system for 240Mn to be executed.	Rs.240Mn	183.88	-
Corporate guarantee of RCL	Rs.60Mn		
mortgage bond for Rs 400Mn of force sale value of machinery as per bank's special valuation	Rs 200 Mn	-	164.59
Corporate Guarantee-RCL	Rs 160 Mn	83.7	36.05
		579.95	617.5
Corporate Guarantee of Royal Ceramics Lanka PLC	AUD 1,175,000	100.62	100.55
Mortgage for Rs, 500 Mn over investment property of land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1,12 P).	Rs 500 Mn	245.714	247.71
		245.714	247.71
Primary mortgage bond for Rs. 390 million over the project assets comprising land, building and machinery at Meepe	Rs. 390 Mn	-	45
Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.	USD 1.8 Mn	33.073	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 Mn	282.06	398.94
Primary Mortgage bond for Rs.80Mn over the ceramic printer	Rs. 80 Mn	10.632	26.64
Primary mortgage over movable machinery at Meepe	Rs. 200 Mn	-	30
		325.765	588.309
A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million		7.5	37.5

15.8 Interest Bearing Loans And Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Interest Rate	Repayment Terms
DFCC Bank	Rs. 165 Mn	AWPLR+0.5%	48 monthly installments
DFCC Bank	Rs. 287.712 Mn (USD 3Mn)	LIBOR+3.5%	85 monthly installments
DFCC Bank	Rs. 80 Mn	AWPLR+0.5%	59 monthly installments
Uni-Dil Packaging Limited			
HSBC	USD 310,000	LIBOR+3.8%	US$ 20,281 monthly installments
Standard Chartered Bank	USD 310,000	LIBOR+3.8%	US $ 114,079 Quarterly installments
Horana Plantations PLC			
Hatton National Bank PLC	Rs. 150 Mn	AWPLR+1.0%	72 monthly installments
	Rs. 200 Mn	AWPLR+1.0%	
	Rs. 200 Mn	AWPLR+0.75%	
	Rs. 250 Mn	AWPLR+3.00%	
Indian Bank	Rs. 75 Mn	AWPLR+0.65%	54 monthly installments
Hatton National Bank PLC	Rs. 100 Mn	AWPLR+0.75%	60 monthly installments
Hatton National Bank PLC	Rs. 130.114 Mn	AWPLR+1.5%	60 monthly installments
Sri Lanka Tea Board	Rs 33 Mn	11.96%	48 monthly installments
Industry Distress Financing Facility	Rs.46.935Mn	5.0%	
Replanting of Main Crops	Rs.100Mn	AWPLR + 2.00%	
Swisstek (Ceylon) PLC			
Bank of Ceylon	Rs. 25.817 Mn + 31.736 Mn	AWPLR+1.5%	58 monthly installments
Bank of Ceylon	Rs.170 Mn	AWPLR+1.5%	54 monthly installments
Commercial Bank	Rs.35 Mn	AWPLR+1.5%	60 monthly installments
Swisstek Aluminium Limited			
DFCC Bank	Rs. 290 Mn	AWPR+0.75%	78 monthly installments
	Rs.50 MN	AWPR+0.75%	60 monthly installments
	Rs.10 MN	AWPR+0.75%	60 monthly installments
	Rs.500 Mn	AWPR+1.4%	60 monthly installments
	Rs.193.032 Mn	AWPR+1.5%	60 monthly installments
Hatton National Bank PLC	Rs.80 MN	AWPR+1.5%	48 monthly installments
Vallibel Plantation Management Limited			
Commercial Bank of Ceylon PLC	Rs. 144.79 Mn	AWPR+1%	60 monthly installments
Total Long Term Loans - Group			

Security	Security Amount Rs.	Balance As At 31st March 2018 Rs.Mn	Balance As At 31st March 2017 Rs.Mn
A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million	Rs. 300 Mn	29.464	53.036
A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million		-	40.067
A primary mortgage over land, building and plant and machinery of Lanka Floor Tiles PLC at Ranala amounting to Rs.300 million		19.259	37.037
		56.223	167.64
Mortgage bond for USD 310,000 over Moveable machinery	USD 310,000	20.139	47.822
Primary concurrent Mortgage bond for LKR 170 Mn over Property	USD 170 Mn	233.562	298.484
		253.701	346.306
Primary mortgage for 550 million	Rs. 550 Mn	70.2	95.4
over the leasehold rights of Frocester Estate		116.75	150.05
Primary mortgage for 300 million	Rs. 300Mn	138.95	172.25
over the leasehold rights of Bambarakelly Estate		250	250
Primary mortgage over leasehold rights of Tillicoultry Estate		-	8.4
Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla		59.98	76.54
Primary mortgage over leasehold rights of Bambarakelly Estate		69.396	95.418
No security has been offered		25.667	33
No security has been offered		33.332	-
Primary Floating Mortgage for Rs.120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.		100	-
		864.275	881.058
Mortgage over immovable property at Balummahara, Imbulgoda		-	33.938
Mortgage over immovable property at Balummahara, Imbulgoda		152.99	-
Mortgage over immovable property at Balummahara, Imbulgoda		35	-
		187.99	33.938
Primary mortgage over land and building and machinery of LKR 500 Mn		26.026	70.641
		3.285	13.14
		3.504	5.506
		351.309	-
Movable Machinery		156.838	193.032
Simple Receipt		45.14	65.06
		586.102	347.379
12,750,000 shares of Horana Plantation PLC		19.99	51.19
		19.99	51.19
		8,199.09	8,017.891

16 RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	208,701,087	192,730,570	997,367,058	1,004,604,869
Interest cost	27,339,842	20,236,710	118,943,593	104,415,045
Current service cost	18,435,157	16,320,717	86,089,079	74,424,390
Benefits Paid	(22,103,999)	(27,409,095)	(124,552,699)	(119,784,257)
Actuarial (gain)/loss	13,485,638	6,822,185	102,882,911	(64,293,501)
Transfer to discontinued Operations				(1,999,488)
At the end of the year	245,857,725	208,701,087	1,180,729,942	997,367,058

16.1 Maturity Profile of the Defined benefit obligation

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Future Working Life Time				
Within the next 12 months	46,185,797	41,072,650	176,479,037	160,937,176
Between 1-2 Years	60,919,164	48,289,398	212,107,081	182,263,033
Between 2-5 Years	63,931,791	56,200,957	274,703,311	234,564,375
Over 5 Years	74,820,973	63,138,082	517,440,513	419,602,474
Total	245,857,725	208,701,087	1,180,729,942	997,367,058

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 2018		
Effect on DBO due to decrease in the discount rate by 1%	10,799,925	89,823,646
Effect on DBO due to increase in the discount rate by 1%	(9,956,511)	(82,112,026)
Salary Escalation Rate as at 31 March 2018		
Effect on DBO due to decrease in salary escalation rate by 1%	(11,073,763)	(72,317,073)
Effect on DBO due to increase in salary escalation rate by 1%	11,811,196	76,614,568

	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

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 2018 and 31 March 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2018 Rs.	2017 Rs.
Discount rate assumed	10.0% p.a	13.1% p.a
Future salary increase rate	10.0% p.a	12.5% 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.

16.3 Principle Assumptions used for Actuarial Valuation (Contd.)

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 2018.

The principal assumptions used are as follows:

		2018 Rs.	2017 Rs.
Discount rate (per annum)		10.0%	13.0%
Salary scale (per annum)	- Executives	10.0%	10.0%
	- Non Executives	10.0%	7.5%
Retirement Age		55 Years	55 Years

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2018 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

		2018 Rs.	2017 Rs.
Discount rate (per annum)		10.0%	12.0%
Salary scale (per annum)	- Executives	12.5%	12.5%
	- Non Executives	10%	10%
Retirement Age		55 Years	55 Years
Staff Turnover ratio		7% up to 49 years, thereafter 0%	8% up to 49 years, thereafter 0%

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%

Lanka Tiles PLC

The defined benefit liability as of 31 March 2018 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

Principal actuarial assumptions are as follows

		2018 Rs.	2017 Rs.
Discount rate		10.5%	12.0%
Future salary increases	- Executives	12.5%	12.5%
	- Non Executives	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 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

		2018 Rs.	2017 Rs.
Rate of interest		11.00% per annum	12.0% per annum
Future salary increases	- Workers	15.00% for every two years beyond	15.0% every two years beyond
	- Staff	12.50% for first three years & 2.00% per annum beyond	12.5% per annum
Head Office Staff		10.00% per annum beyond	10.0% per annum beyond
Retirement age	- Workers	60 years	60 years
	- Staff	60 years	60 years
	- Head Office Staff	55 years	55 years
Daily wage rate	- Tea	Rs.500	Rs.500.
	- Rubber	Rs.500	Rs.500.01

The company will continue as a going concern

Uni Dil Packaging Ltd and Uni Dil Paper Sacks (Pvt) Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Paper Sacks (Pvt) Ltd of the defined benefit plan gratuity as at 31 March 2018.

The valuation method used by the actuaries to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows

	2018 Rs.	2017 Rs.
Discount rate p.a	11.00%	12%
Future salary increases	11.00%	12%
Staff turnover factor	9.00%	9%
Retirement age (Years)	55	55

The Company will continue as a going concern.

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2018.

Principal Actuarial Assumptions are as follows

	2018 Rs.	2017 Rs.
Discount rate p.a	10.00%	12.00%
Future salary increases	12.50%	12.5%

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2018.

Principal Actuarial Assumptions are as follows

	2018 Rs.	2017 Rs.
Discount rate p.a	10.00%	13.10%
Future salary increases	10.00%	13%
Retirement age (Years)	55	55

17. OTHER NON CURRENT LIABILITIES

	Group	
	2018 Rs.	2017 Rs.
Capital grants (17.1)	136,532,000	138,189,000
Refundable Deposit	15,000,000	15,000,000
	151,532,000	153,189,000

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance as at 01.04.2017 Rs.'000	Received during the year Rs.'000	Amortised during the year Rs.'000	Balance 31.03.2018 Rs.'000
Sri Lanka Tea Board	Tea factory modernisation	Rate of depreciation applicable to plant and machinery (7.5% p.a.)	701	424	-	(53)	371
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	4,866	-	-	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	18,829	-	(1,129)	17,700

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance as at 01.04.2017 Rs.'000	Received during the year Rs.'000	Amortised during the year Rs.'000	Balance 31.03.2018 Rs.'000
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture and fittings (2.5% and 10% p.a.)	45,143	30,337	-	(1,600)	28,737
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	305	-	(17)	288
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	15,332	-	(716)	14,616
	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	3,629	-	(165)	3,464
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	8,014	-	(361)	7,653
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	56,163	4,617	(2,183)	58,597
	Rubber factory development	Rate of depreciation applicable to plant and machinery (7.5% p.a.)	675	160	-	(50)	110
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	130	-	-	130
Total			172,714	138,189	4,617	(6,274)	136,532

18. TRADE AND OTHER PAYABLES

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade Creditors (Note 18.2)	182,610,651	109,276,169	1,961,770,999	1,052,991,637
Accrued Expenses	141,856,002	100,497,636	198,213,382	156,480,900
Sundry Creditors	292,506,160	207,216,604	1,179,636,741	1,073,474,965
Payable to Related Parties (Note 18.1)	2,661,419,622	1,398,054,556	21,785,555	16,296,975
	3,278,392,435	1,815,044,965	3,361,406,677	2,299,244,477

18.1 Payable to Related Parties

		Company		Group	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Royal Porcelain (Pvt) Ltd	Subsidiary	2,227,153,858	1,119,467,867	-	-
Rocell Bathware Ltd	Subsidiary	423,258,675	261,093,586	-	-
Nilano Garments (Pvt) Ltd	Subsidiary	3,566,475	1,196,128	-	-
Lanka Ceramic PLC	Subsidiary	200,911	-	-	-
Swisstek Aluminium Limited	Subsidiary	1,696,534	-	-	-
Vallibel One PLC	Parent	5,543,169	16,296,975	21,785,555	16,296,975
		2,661,419,622	1,398,054,556	21,785,555	16,296,975

18.2 Trade Creditors includes following related party payables

		Company		Group	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
Lanka Ceramic PLC	Subsidiary	4,213,585	3,008,157	-	-
Unidil Packaging Limited	Subsidiary	148,945	11,660	-	-
Unidil Packaging Solution Limited	Subsidiary	13,435,734	5,377,084	-	-
Swisstek Ceylon PLC	Subsidiary	11,283,200	1,396,660	-	-
Lanka Walltiles PLC	Subsidiary	63,038	63,038	-	-
Ever Paint and Chemical Industries (Private) Limited	Subsidiary	462,518	530,068	-	-
Horana Plantations PLC	Subsidiary	-	15,402	-	-
Lanka Tiles PLC	Subsidiary	603,900	81,648	-	-
Delmege Forsyth Co. Limited	Associate	7,931	37,217	-	-
Grip Delmege (Pvt) Ltd	Affiliate	-	14,589	-	-
Singer (Sri Lanka) PLC	Affiliate	291,559	-	672,559	-
Haycarb PLC	Affiliate	105,984	-	105,984	-
Hayleys Consumer Products Limited	Affiliate	49,672	-	49,672	-
Hayleys Agriculture Holding Limited	Affiliate	-	-	2,024,000	19,464,000
Hayleys Agro Fertilizer (Private) Limited	Affiliate	-	-	42,204,000	18,477,000
Hayleys Agro Products (Private) Limited	Affiliate	-	-	24,000	88,000
Hayleys PLC	Affiliate	-	-	2,575,000	-
Hayleys Aventura (Pvt) Ltd	Affiliate	-	-	53,000	-
Ravi Industries Limited	Affiliate	-	-	840,000	-
Diesel & Motor Engineering PLC	Affiliate	-	-	478,000	-
		30,666,066	10,535,523	49,026,215	38,029,000

19 OTHER CURRENT LIABILITIES

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Provisions	64,417,060	104,136,472	164,536,284	203,609,258
Advances	420,097,065	568,556,621	434,870,053	568,583,662
Other Statutory Payables	48,118,800	58,685,002	142,768,196	132,855,945
	532,632,925	731,378,095	742,174,533	905,048,865

20. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

20.1 Favourable Cash and Cash Equivalent Balances

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	291,412,641	300,093,303	996,044,979	670,585,557
Short Term Bank Deposits	-	-	-	1,188,376,000
	291,412,641	300,093,303	996,044,979	1,858,961,557
Cash and Bank Balances attributable to discontinued operations			5,582,029	655,424

20.2 Unfavourable Cash and Cash Equivalent Balances

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Bank Overdraft	(335,779,594)	(359,179,882)	(2,347,691,755)	(2,009,727,257)
Bank Overdraft Attributable to Discontinued Operations	-	-	-	(622,132)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(44,366,953)	(59,086,579)	(1,346,064,747)	(150,732,408)

21 REVENUE

21.1 Summary

			Company		Group	
			2018	2017	2018	2017
			Rs.	Rs.	Rs.	Rs.
Sales	-	Export	214,960,750	151,380,305	1,054,366,378	846,950,038
	-	Local	3,695,215,018	4,133,355,964	31,484,116,649	28,449,046,200
Gross			3,910,175,768	4,284,736,269	32,538,483,027	29,295,996,238
Less: Sales Taxes	-	Value Added Tax	(457,886,424)	(459,831,672)	(3,448,035,832)	(2,883,149,807)
			3,452,289,344	3,824,904,597	29,090,447,195	26,412,846,431

21.2 Goods and Services Analysis

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Sale of Goods	3,452,289,344	3,824,904,597	29,090,447,195	26,412,846,431

22. OTHER OPERATING INCOME

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Dividends on long-term and current investments with Related Parties	897,628,369	1,124,457,762	-	-
Dividends on long-term and current investments	475,696	435,038	475,696	435,038
Net Profit on financial Assets at fair value through profit or loss	-	-	-	-
Profit on Disposal of Investments	1,283,138,171	-	1,453,491	-
Rental Income and Service Charge - Related Parties	452,332,138	384,940,840	-	-
Technical Fee Income - Related Parties	108,461,817	293,893,954	-	-
Sales Commission - Related Parties	3,442,519	8,313,504	-	-
Sales Commission - Others	-	-	2,406,652	2,683,498
Rent Income - Related Parties	2,958,600	2,804,600	-	-
Rent Income - Others	-	20,000	36,750,000	25,875,000
Profit/(Loss) on Disposal of Property, Plant and Equipment	3,533,260	(9,786,833)	8,364,455	(12,410,480)
Sundry Income	7,317,237	3,665,383	134,459,921	97,743,106
Amortisation of capital and revenue grants	-	-	6,274,000	4,760,000
Reversal of debtors impairment	-	-	-	5,623,000
Change in fair value of investment property	-	-	121,600,000	179,440,000
Change in fair value of consumable biological assets	-	-	44,995,000	89,187,000
	2,759,287,807	1,808,744,248	356,779,215	393,336,162

22.1 Other Operating Expenses

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Net loss on financial Assets at fair value through profit or loss	1,271,897	12,789,436	1,271,897	12,789,436
Technical Fee Expense - Related Parties	35,298,327	45,468,937	64,707,845	45,468,937
Impairment of long term investment	90,000,000	47,400,000	90,000,000	71,866,701
	126,570,224	105,658,373	155,979,742	130,125,074

23. FINANCE COST AND INCOME

23.1 Finance Cost

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Interest Expense on Overdrafts	28,345,156	27,695,717	211,703,417	174,851,244
Interest Expense on Loans and Borrowings	403,771,738	358,331,221	1,194,056,144	972,278,581
Finance Charges on Lease Liabilities	698,665	908,479	17,151,180	16,713,039
Less : Capitalisation of borrowing costs on immature plantations	-	-	(59,531,000)	(60,013,000)
	432,815,559	386,935,417	1,363,379,741	1,103,829,864

23.2 Finance Income

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Interest Income	7,245,386	776,863	131,574,147	152,283,356
	7,245,386	776,863	131,574,147	152,283,356

24. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Stated after Charging /(Crediting)				
Included in Cost of Sales				
Depreciation	117,820,870	108,729,443	1,182,408,224	1,008,238,666
Employee Benefits including the following	363,852,639	342,806,464	3,596,792,002	3,277,411,221
- Defined Benefit Plan Costs - Gratuity	22,593,684	12,438,675	142,328,082	117,852,777
- Defined Contribution Plan Costs - EPF and ETF	26,874,362	25,243,632	260,306,207	235,751,934
Operating lease rentals	-	-	371,784	838,000
Included in Administrative Expenses				
Depreciation	24,851,269	23,914,832	64,392,421	71,955,423
Employee Benefits including the following	202,442,152	265,622,906	585,032,479	617,057,071
- Defined Benefit Plan Costs -Gratuity	9,684,884	16,064,344	42,497,851	39,366,344
- Defined Contribution Plan Costs - EPF and ETF	17,345,770	18,376,437	44,069,585	41,896,437
Auditors' Fees and Expenses	1,123,400	1,440,000	11,754,104	10,066,418
(Gain)/Loss on translation of foreign currency	(2,337,912)	17,289,021	(17,753,424)	9,901,096
Amortisation of intangible assets	17,331,088	16,856,021	17,331,088	16,856,021
Included in Selling and Distribution Costs				
Depreciation	186,693,258	154,856,301	262,639,597	226,785,367
Employee Benefits including the following	509,060,090	472,647,682	777,056,262	742,392,700
- Defined Benefit Plan Costs -Gratuity	13,496,431	8,054,408	18,609,007	21,620,314
- Defined Contribution Plan Costs - EPF and ETF	37,441,338	33,411,551	49,861,218	44,281,551

25. INCOME TAX EXPENSE

25.1 The major components of income tax expense for the years ended 31 March are as follows :

	Company		Group	
	2018	2017	2018	2017
Statement of Profit or Loss	Rs.	Rs.	Rs.	Rs.
Current Income Tax				
Current Income Tax charge	-	-	958,906,614	986,721,439
Dividend Tax	-	-	105,660,175	101,827,996
Under/(Over) Provision of current taxes in respect of prior years	(250,669)	-	(1,123,365)	5,083,265
Unrecoverable ESC	18,509,082	-	18,509,082	-
Share of Associate Company Income Tax	-	-	-	-
	18,258,413	-	1,081,952,506	1,093,632,700
Deferred Income Tax				
Deferred Tax Charge/(Reversal) (Note 25)	200,319,903	130,700,624	419,243,484	248,212,393
Deferred Tax on Un distributable Associate Profit	-	-	-	(7,308,645)
Income tax expense reported in the statement of profit or loss	218,578,316	130,700,624	1,501,195,990	1,334,536,448
Statement of Other Comprehensive Income				
Deferred Income Tax related to items charged or credited directly to equity :				
Deferred Tax effect on Employee Benefits	(3,775,979)	(1,867,011)	(23,027,539)	12,635,224
Deferred Tax effect on Revaluation of Land and Buildings	397,290,044	-	1,542,110,816	-
Income tax expense reported in equity	393,514,065	(1,867,011)	1,519,083,277	12,635,224

25.2 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Accounting Profit (Profit before Taxation)	2,247,381,111	1,489,817,515	5,373,095,327	6,166,595,980
Share of results of associates	-	-	(1,107,034,890)	(1,041,753,417)
	2,247,381,111	1,489,817,515	4,266,060,437	5,124,842,563
Exempt Profit	(2,181,242,236)	(1,124,892,800)	(2,432,323,730)	(1,214,641,917)
Non deductible expenses	544,964,756	584,292,163	2,248,873,529	2,005,573,720
Deductible expenses	(632,919,948)	(521,261,985)	(2,693,747,227)	(2,511,659,672)
Tax losses utilized	(2,624,359)	(151,044,725)	(126,257,031)	(442,803,725)
Interest Income	4,539,568	776,863	4,539,568	124,766,863
Rent Income	2,958,600	2,824,600	5,491,020	25,875,000
Qualifying Payment Relief	-	(316,681,881)	(91,488,000)	(432,367,882)
Taxable Income	(16,942,508)	(36,170,250)	1,181,148,566	2,679,584,950
Income Tax on Profit of the local sales @ 28%	-	-	897,759,486	905,241,308
Income Tax on Profit of the local sales @ 20%	-	-	25,568,084	20,266,000
Income Tax on Profit of the local sales @ 15%	-	-	16,458,913	39,398,476
Income Tax on Profit of the export sales @ 12%	-	-	19,120,940	21,815,655
Dividend Tax @ 10%	-	-	105,659,367	101,827,996
Deferred Tax on Un distributable Associate Profit	-	-	-	(7,308,645)
Charge/(Reversal) of Deferred Tax (Note 25.5)	200,319,903	130,700,624	419,243,484	248,212,393
Unrecoverable ESC	18,509,082	-	18,205,219	-
Adjustment of taxes in respect of prior years	(250,669)	-	(819,502)	5,083,265
	218,578,316	130,700,624	1,501,195,990	1,334,536,448

25.3 Deferred Tax Assets

	Company		Group	
	2018	2017	2018	2017
Statement of Financial Position	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	194,858,475	323,692,088	207,034,475	336,220,088
Transferred from Deferred Tax Liability	398,975,493	-	398,975,493	(1,992,000)
Charge/(Reversal) for the year	(200,319,903)	(130,700,624)	(196,667,903)	(129,044,624)
Deferred Tax release on components of other comprehensive Income	3,775,979	1,867,011	2,633,979	1,851,011
Deferred Tax on Revaluation surplus	(397,290,044)	-	(397,290,044)	-
At the end of the year	-	194,858,475	14,686,000	207,034,475
The closing net deferred tax assets relate to the following;				
Capital allowances for Tax purposes	-	(308,614,035)	(27,261,354)	(329,010,035)
Revaluation surplus on Land and Buildings	-	-	(1,218,000)	(3,610,000)
Defined Benefit Obligation	-	57,114,724	720,337	57,498,724
Unutilised tax losses	-	446,357,786	42,445,017	482,155,786
	-	194,858,475	14,686,000	207,034,475

25.4 Deferred Tax Liability

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Statement of Financial Position				
At the beginning of the year	-	-	1,211,769,933	1,082,522,076
Transferred from Deferred Tax asset	398,975,493	-	398,975,493	(1,992,000)
On acquisition of subsidiary	-	-	-	4,892,498
Recognised in Profit or loss	-	-	221,959,744	111,861,124
Recognised in other comprehensive income	-	-	1,125,055,212	14,486,235
At the end of the year	398,975,493	-	2,957,760,382	1,211,769,933
The closing net Deferred tax liability relate to the following;				
Capital allowances for tax purposes	390,722,185	-	2,449,215,316	1,469,678,108
Revaluation surplus on Land and Buildings	397,290,044	-	1,543,244,792	227,201,498
Defined Benefit Obligation	(68,840,163)	-	(260,532,714)	(157,411,673)
Unutilised tax losses	(320,196,573)	-	(732,930,575)	(298,545,000)
Provisions	-	-	(41,236,437)	(29,153,000)
	398,975,493	**-**	**2,957,760,382**	**1,211,769,933**

25.5 Statement of Profit or Loss

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	(308,614,035)	46,638,930	77,520,392	155,073,209
Defined Benefit Obligation	60,890,703	(2,196,615)	35,767,218	(14,226,124)
Provision	-	-	(3,154,737)	(391,000)
Unutilised tax losses	448,043,235	86,258,309	309,110,611	107,756,309
	200,319,903	130,700,624	419,243,484	248,212,394
Deferred Tax on Un distributable Associate Profit	-	-	-	(7,308,645)
Share of Associate Company Deferred Tax	-	-	-	-
Total Deferred Tax Charge/(Reversal) for the year	200,319,903	130,700,624	419,243,484	240,903,750

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.200,633/- (2017-Rs.238,405/-) 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 ended by 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;

	Group	
	2018	2017
	Rs.	Rs.
Tax loss brought forward	1,631,021,706	1,782,066,431
Loss for the year	21,816,323	-
Adjustments for prior years	(487,462,518)	-
Utilised during the year	(2,624,359)	(151,044,725)
Tax loss carried forward	1,162,751,152	1,631,021,706

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	
	2018	2017	2018	2017
Amount Used as the Numerator:	Rs.	Rs.	Rs.	Rs.
Net Profit for the year attributable to equity holders of the parent				
Continuing operations	2,028,802,795	1,359,116,891	2,901,233,708	3,570,644,085
Discontinued operations	-	-	(20,848,383)	(195,549,696)
Net Profit for the year attributable to equity holders of the parent	2,028,802,795	1,359,116,891	2,880,385,325	3,375,094,389

	2018	2017	2018	2017
Number of Ordinary Shares Used as the Denominator:	Number	Number	Number	Number
Weighted Average number of Ordinary Shares in issue	-	-	-	-
Applicable to basic Earnings Per Share	110,789,384	110,789,384	110,789,384	110,789,384

26.3 There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

27. DIVIDEND PER SHARE

	Company/Group	
	2018	2017
	Rs.	Rs.
1st Interim Dividends for 2017/18	553,946,920	-
Final Dividends for 2016/2017	443,157,536	-
1st Interim Dividends for 2016/17	-	553,946,920
Final Dividends for 2015/2016	-	443,157,536
Total Gross Dividends	997,104,456	997,104,456
No of shares	110,789,384	110,789,384
Total Dividend per Share	9.00	9.00

28. SEGMENT INFORMATION

Primary Reporting Format - Business Segments

For management purposes, the group is organised into business units based on its products and services and has seven reportable segments, as follows:

Tile and Associated Items	Packing Material	Finance	Other
Sanitary Wear	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."

28. SEGMENT INFORMATION (Contd.)

	Tiles and Associated Items		Sanitary ware		Plantation		Packaging Material	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue								
Sales to external customers	18,783,512,028	17,477,412,663	2,049,442,223	1,974,941,590	2,248,280,500	1,945,860,931	2,654,272,109	2,175,430,659
Inter-Segment Sales	-	-	105,983	1,249,478	181,500	1,417,069	288,479,906	218,928,006
Total Revenue	18,783,512,028	17,477,412,663	2,049,548,206	1,976,191,068	2,248,462,000	1,947,278,000	2,942,752,015	2,394,358,665
Results								
Gross Profit	8,490,926,870	8,462,317,990	876,670,200	838,814,047	202,098,000	115,828,000	273,427,425	350,763,930
Other Income	216,312,492	262,961,518	7,022,788	6,247,145	51,563,012	43,940,000	92,915,497	71,027,090
Distribution Expenses	(3,267,113,480)	(2,768,672,154)	(413,902,080)	(354,825,234)	-	-	(106,993,079)	(90,514,921)
Administrative Expenses	(1,101,866,102)	(1,212,386,625)	(39,579,634)	(49,248,000)	(112,290,000)	(94,436,000)	(136,391,733)	(125,071,767)
Other Operating Expenses	(147,732,851)	(58,258,373)	(8,246,891)	-	-	-	-	-
Finance Costs	(905,102,912)	(768,952,426)	(113,012,829)	(63,483,526)	(91,607,000)	(96,868,000)	(108,051,155)	(77,902,585)
Finance Income	134,895,177	168,873,054	522,970	235,391	-	129,000	-	-
Share of Associate Company's Profit	-	-	-	-	-	-	-	-
Net Profit before Income Tax	3,420,319,195	4,085,882,984	309,474,524	377,739,822	49,764,012	(31,407,000)	14,906,955	128,301,747
Income Tax Expense	(1,169,005,051)	(1,071,691,507)	(63,633,619)	(76,399,262)	(13,271,000)	(2,063,000)	1,530,800	(28,106,158)
Net Profit for the Year	2,251,314,144	3,014,191,477	245,840,905	301,340,560	36,493,012	(33,470,000)	16,437,755	100,195,589
As at 31st March								
Assets and Liabilities								
Segment Assets	33,491,635,122	27,150,186,632	4,797,508,995	4,072,543,525	3,696,818,000	3,619,693,000	2,900,553,376	2,506,001,331
Total assets	33,491,635,122	27,150,186,632	4,797,508,995	4,072,543,525	3,696,818,000	3,619,693,000	2,900,553,376	2,506,001,331
Segment liabilities	19,295,743,474	14,684,211,416	1,524,128,142	1,139,250,823	2,308,928,000	2,258,207,000	1,770,285,758	1,357,263,052
Total Liabilities	19,295,743,474	14,684,211,416	1,524,128,142	1,139,250,823	2,308,928,000	2,258,207,000	1,770,285,758	1,357,263,052
Other Segment Information								
Total cost incurred during the period to acquire								
Property, Plant and Equipment	2,780,968,375	2,537,952,577	78,043,039	527,568,513	244,621,000	206,381,000	40,310,000	413,944,280
Depreciation and Amortisation	1,013,933,816	937,174,717	126,559,513	104,040,604	221,291,000	132,615,000	81,847,000	65,117,386
Provisions for retirement benefit liability	107,822,036	87,228,097	6,469,618	4,571,696	74,718,000	73,291,000	13,474,000	7,953,308

Aluminium Products		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3,340,583,000	2,825,101,760	-	-	14,357,336	16,863,205	29,090,447,195	26,415,610,809	-	(2,764,378)	29,090,447,195	26,412,846,431
-	(692,760)	-	-	164,574,664	265,966,974	453,342,053	486,868,766	(453,342,053)	(486,868,766)	-	-
3,340,583,000	2,824,409,000			178,932,000	282,830,179	29,543,789,248	26,902,479,575	(453,342,053)	(489,633,144)	29,090,447,195	26,412,846,431
1,013,412,000	942,078,000	-	-	76,114,000	152,953,575	10,932,648,494	10,862,755,544	-	-	10,932,648,494	10,862,755,542
5,569,000	4,388,000	-	-	159,811,750	216,931,124	533,194,539	605,494,877	(176,415,324)	(212,158,716)	356,779,215	393,336,162
(398,456,000)	(338,526,000)	-	-	(14,153,000)	(30,021,877)	(4,200,617,638)	(3,582,560,186)	160,045,843	103,826,891	(4,040,571,795)	(3,478,733,295)
(164,718,000)	(155,290,000)	-	-	(56,167,000)	(52,992,057)	(1,611,012,469)	(1,689,424,449)	16,002,328	118,580,185	(1,595,010,141)	(1,570,844,264)
-	-	-	-	-	-	(155,979,742)	(58,258,373)	-	(71,866,701)	(155,979,742)	(130,125,074)
(116,621,000)	(88,008,000)	-	-	(34,217,000)	(37,584,282)	(1,368,611,896)	(1,132,798,819)	5,232,155	28,968,955	(1,363,379,741)	(1,103,829,864)
-	-	-	-	1,021,000	5,723,623	136,439,147	174,961,068	(4,865,000)	(22,677,711)	131,574,147	152,283,356
-	-	1,107,109,661	1,021,867,684	(74,771)	19,885,733	1,107,034,890	1,041,753,418	-	(1)	1,107,034,890	1,041,753,417
339,186,000	364,642,000	1,107,109,661	1,021,867,684	132,334,979	274,895,839	5,373,095,328	6,221,923,078	-	(55,327,098)	5,373,095,327	6,166,595,979
(84,978,000)	(38,981,000)	-	-	(66,178,000)	(14,333,128)	(1,395,534,870)	(1,231,574,055)	(105,661,120)	(102,962,393)	(1,501,195,990)	(1,334,536,448)
254,208,000	325,661,000	1,107,109,661	1,021,867,684	66,156,979	260,562,711	3,977,560,457	4,990,349,023	(105,661,120)	(158,289,490)	3,871,899,337	4,832,059,531
3,928,890,000	2,712,829,000	-	-	1,042,727,000	949,704,181	49,858,132,493	41,010,957,669	3,299,601,757	4,256,390,999	53,157,734,250	45,267,348,668
3,928,890,000	2,712,829,000	-	-	1,042,727,000	949,704,181	49,858,132,493	41,010,957,669	3,299,601,757	4,256,390,999	53,157,734,250	45,267,348,668
2,600,456,000	1,569,242,000	-	-	495,564,000	321,331,360	27,995,105,374	21,329,505,651	(4,044,248,320)	(2,624,462,029)	23,950,857,054	18,705,043,621
2,600,456,000	1,569,242,000	-	-	495,564,000	321,331,360	27,995,105,374	21,329,505,651	(4,044,248,320)	(2,624,462,029)	23,950,857,054	18,705,043,621
489,727,000	289,484,000	-	-	10,848,000	27,503,648	3,644,517,414	4,002,834,018	-	-	3,644,517,414	4,004,303,948
62,468,000	64,187,000	-	-	23,802,000	12,892,913	1,529,901,329	1,316,027,620	-	-	1,529,901,329	1,323,835,477
4,000,000	3,523,000	-	-	1,904,000	1,613,814	205,032,673	178,180,915	-	-	205,032,673	178,839,435

28. SEGMENT INFORMATION (Contd.)

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

	Company/Group	
	2018	2017
	Rs.	Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	3,977,560,457	4,990,349,023
Dividend Tax on Intercompany dividend Income	(105,661,120)	(101,826,436)
Deferred Tax effect on Associate undistributable Profit	-	7,308,645
Impairment Provision for Ever Paint	-	(71,866,701)
Inter-segment elimination	-	8,095,000
Group Net Profit for the year	3,871,899,337	4,832,059,531
Reconciliation of assets		
Segment assets	49,858,132,493	41,010,957,669
Assets of discontinued operations	85,247,716	137,815,270
Investment in subsidiaries (elimination)	4,023,367,625	4,523,437,276
Inter company balances (elimination)	(4,052,524,984)	(3,091,149,287)
Share of associate company's accumulated profit net of dividend received (elimination)	3,243,511,399	2,686,287,740
Group assets	53,157,734,250	45,267,348,668
Reconciliation of Liabilities		
Segment Liabilities	27,995,105,374	21,329,505,651
Liabilities of discontinued operations	8,276,664	137,943,723
Deferred Tax effect on Associate undistributable Profit	-	-
Inter company balances (elimination)	(4,052,524,984)	(2,762,405,562)
Group Liabilities	23,950,857,054	18,705,043,811

29. CONTINGENT LIABILITIES

a) Companies with in the group issued corporate guarantees in favour of Royal Ceramics Lanka PLC ,Royal Porcelain (Pvt) Ltd, Rocell Bathware Ltd and Ever Paint and Chemical Industries (Pvt) Ltd guaranteeing loans, interest and other charges of the loans as stated in note 15.

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above mentioned companies amounting to Rs. 100 Mn and at the reporting date total guaranteed value is Rs. 28.28 Mn.

Royal Ceramics Lanka PLC has received assessments issued by the Department of Inland Revenue claiming the additional income tax of Rs. 159 Mn and penalty of Rs. 80 Mn for the year of assessments 2013/14 and 2014/15. The Company has filed appeals against the assessments as at the reporting date. The Directors believe, based on the information currently available, the amounts provided in the accounts based on the proposal submitted is reasonable and that the ultimate resolution of such assessments is not likely to have a material adverse effect on the Company. Accordingly, provision for additional income tax and penalties including the resulting adjustment of deferred taxation on carried forward tax losses have not been made in these financial statements.

b) Lanka Walltiles PLC

As at the reporting date, 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 and 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 Plantation PLC

Horana Plantation 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 13.3 to the Financial Statements)

d) Royal Porcelain (Private) Limited

The Company has accounted for income tax liability of Rs. 126 Mn in relation to the income tax assessment issued by the Department of Inland Revenue for the year of assessment 2014/15. The Directors believe, based on the information currently available, the resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for penalties has been made in these Financial Statements.

e) Rocell Ceramic Limited

The Minister of Land has issued the Section 2 Notice of the Land Acquisition Act to acquire the Kiriwattuduwa Land owned by the wholly owned subsidiary of the Group namely Rocell Ceramics Limited. The Company has challenged the decision and filed a fundamental rights application in the supreme court. The legal case is pending as at the reporting date and the court has ordered that the case will be mentioned on 26 June 2018 to ascertain the possibility of a settlement. The Directors believe, based on the opinion of the independent legal counsel, that the settlement will be in favour of the Company.

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

30. CAPITAL COMMITMENTS

30.1 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	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Contracted but not provided for	356,596,675	554,289,045	364,075,216	699,162,714
	356,596,675	554,289,045	364,075,216	699,162,714

No provision has been made in these Financial Statements in this regard as at 31st March 2018

30.1 Capital commitments (Contd.)

Lease commitments

a) Lanka Ceramic PLC is committed to pay lease rental under finance leases as follows;

	Value Rs.
Less than 1 year	3,842
Between 1 to 5 years	4,394
Over 5 years	-

b) Lanka Tiles PLC is committed to pay Rs. 375,000/- and 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

d) Swisstek Aluminium Limited has a commitment on letter of credits amounting to Rs.1,939 million as at the reporting date.

31. EVENTS AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting Directors recommended payment of a final dividend of Rs 2/- per share for the year ended 31 March 2018 on 24 May 2018.

Other than the above there have been no material events occurring after the balance sheet date that require adjustment or disclosure in the financial statements.

32. ASSETS PLEDGED

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

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 Ltd

Import Loan 1 (Hatton National Bank PLC)	Immovable Property	110,000,000
	Stock and Debtors	145,000,000
Import Loan 2 (Standard Chartered Bank)	Stock and Debtors	40,000,000
	Immovable Property	70,000,000
Import Loan 3 (DFCC Bank)	Stock and Book Debtors	150,000,000

Uni Dil Packaging Solutions Ltd (Previously known as "Uni Dil Paper Sacks (Pvt) 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 Hong Kong & Shanghai Banking corporation.

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 Millennium Branch Colombo 1	Primary Mortgage for - Rs. 3.50 Million Secondary Mortgage for - Rs. 2.45 Million Tertiary Mortgage for - Rs.30.00 Million over leasehold rights of Mahanilu Estate	14.50% p.a.	10,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	11.72% p.a. (AWPLR+0.5%)	200,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.	11.97% 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.

Swisstek Aluminium Ltd

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs 000
Hatton National Bank (Import Loan)	Trading Stock and Trade Debtors	AWPLR (11.79%)	300,000
DFCC Bank (Term loan)	Primary mortgage over plant and machinery	AWPLR (11.79%)	200,000
DFCC Bank (Import loan and Bank Overdrafts)	Secondary mortgage over stock and book debtors	AWPLR (11.79%)	800,000

33. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

33.1 Transactions with the Related Entities - Company

	Parent		Subsidiaries	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Nature of Transaction				
Statement of Profit or Loss				
Sale of Goods	-	-	29,050,923	62,103,212
Purchase of Goods/Services	-	-	(385,636,701)	(245,285,390)
Rendering of Services	-	-	1,401,569,890	1,118,193,710
Dividend Income	-	-	572,519,281	685,560,496
Dividend Payments	(558,023,400)	(536,023,400)	-	-
Technical Fee	(35,298,327)	(45,468,937)	122,452,453	338,092,669
Investments made by the Company	-	-	(106,344,740)	(321,462,794)
Reimbursement of Expenses net of fund Transfer	-	-	(2,865,491,829)	(2,602,311,191)
Impairment of Investment	46,052,133	29,171,962	(90,000,000)	(47,400,000)
Statement of Financial Position				
Balance Outstanding as at End of the Year				
Trade Debtors	-	-	4,709,184	9,624,427
Due from Related Parties	-	-	464,220,440	147,732,675
Due to Related Parties	(5,543,169)	(16,296,975)	(2,655,876,612)	(1,381,757,581)
Trade Creditor	-	-	(30,210,920)	(10,483,717)

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 15.8.

	Associates and other		Affiliates	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Nature of Transaction				
Statement of Profit or Loss				
Sale of Goods	-	-	10,377,621	4,450,110
Purchase of Goods/Services	-	-	(9,548,710)	(2,861,855)
Rendering of Services	-	-	-	-
Dividend Income	325,109,088	438,897,269	-	-
Dividend Payments	-	-	-	-
Technical Fee	-	-	-	-
Investments made by the Company	-	-	-	-
Impairment of Investment	-	-	-	-
Reimbursement of Expenses net of fund Transfer	-	-	-	-
Impairment of Investment	-	-	-	-
Statement of Financial Position				
Balance outstanding as at end of the year				
Trade Debtors	412,772	-	1,398,440	69,360
Due from Related Parties	-	-	-	-
Due to Related Parties	-	-	-	-
Trade Creditor	(7,931)	(37,217)	(447,215)	(14,589)

33.1.1 Transactions with the Related Entities - Group

	Parent		Affiliates	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Nature of Transaction				
Statement of Profit or Loss				
Sale of Goods	-	-	30,972,495	16,745,879
Purchase of Goods/Services	-	-	(33,725,392)	(18,982,334)
Dividend Payments	(558,023,400)	(536,023,400)	-	-
Technical Fee	(89,849,922)	(45,468,937)	-	-
Reimbursement of Expenses net of fund Transfer	70,607,343	29,171,962	-	-
Balance outstanding as at end of the year				
Trade Debtors	-	-	3,890,199	9,498,804
Due from Related Parties	-	-	-	-
Due to Related Parties	(21,785,555)	(16,296,975)	-	-
Trade Creditor	-	-	(49,026,215)	(38,043,589)

Parent company is Vallibel One PLC

Transactions With the Subsidiaries of the Group include Royal Porcelain (Pvt) Limited, Rocell Bathware Limited, Royal Ceramics Distributors (Pvt) Ltd, Ever Paint & Chemical industries (Pvt) Ltd, Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek Aluminium Ltd. Horana Plantation PLC, Uni-Dil Packaging Ltd, Uni Dil Packaging Solutions 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.

33.2 Transactions with Key Management Personnel (*)

33.2.1 Compensation to Key Management Personnel

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Nature of Transaction				
Short term Employee Benefits	136,379,880	133,288,419	234,832,880	239,425,847
Post Employment Benefits	16,797,360	15,321,169	42,441,360	39,970,169
	153,177,240	148,609,588	277,274,240	279,396,016

33.2.2 Other Transactions with Key Management Personnel

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Rent Expenses	8,098,800	7,848,800	8,098,800	7,848,800
Transport Expenses	1,191,154	1,338,100	1,191,154	1,338,100
Sales	160,160	1,239,775	160,160	4,429,230

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

33.2.3 Transactions, arrangements and agreements involving companies controlled by or with significant influence of the Key Management Personnel.**

a) Statement of Profit or Loss

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Sale of Goods/Services	10,490,712	10,686,758	27,890,495	16,745,879
Purchase of Goods/Services	9,548,710	2,861,855	11,868,392	18,982,334
Dividend Income	393,750	337,500	393,750	337,500

b) Statement of Financial Position

	Company		Group	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Balance outstanding as at end of the year				
Cash and Cash equivalents	265,858,044	31,082,757	266,205,112	33,730,198
Trade Debtors	1,398,440	69,360	2,992,427	419,803

** 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management of the Group oversees the management of these risks. The Senior management of the Group determine on financial risks and the appropriate financial risk governance framework for the Group. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, equity investments classified as fair value through profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt and short term borrowings with floating interest rates. The Group manages its risk by striking a balance between long term and short term debts. The company has easy access to funds at competitive interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the long term and short term borrowings. With all other variables held constant, the Groups profit before tax is affected through the impact on floating rate borrowings as follows;

	Change in exchange rate	Change in Profit before tax
2018	100 (1%)	Rs. 49.8 Mn
2017	100 (1%)	Rs. 43.4 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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.

	Change in exchange rate	Change in Profit before tax
2018	5%	Rs. 0.7 Mn
2017	5%	Rs. 9.4 Mn

The Groups listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about the future values of the investments securities. The Group manages the equity price risk by diversification and placing limits on individual and total investment equity instruments. The group Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was Rs. 43.0 Mn (2017 - 44 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 3.7 Mn (2017 - 5.2 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 homogeneous 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 2018

	On demand Rs	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	Total Rs
Company						
Interest-bearing loans and borrowings	335,779,594	616,766,681	783,822,166	4,308,371,842	-	6,044,740,283
Trade and other payables	-	3,278,392,435	-	-	-	3,278,392,435
	335,779,594	3,895,159,116	783,822,166	4,308,371,842	-	9,323,132,718
Group						
Interest-bearing loans and borrowings	1,338,605,755	6,184,115,548	1,794,917,952	5,650,813,473	176,069,000	15,144,521,728
Trade and other payables	-	3,361,406,678	-	-	-	3,361,406,678
	1,338,605,755	9,545,522,227	1,794,917,952	5,650,813,473	176,069,000	18,505,928,406

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 Rs	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

35. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Interest Bearing Borrowings	4,980,772,261	4,341,003,239	15,063,005,969	12,371,787,027
Trade and Other payables	3,278,392,435	1,815,044,965	3,361,406,677	2,299,244,477
Less: Cash and Cash Equivalents	(291,412,641)	(300,093,303)	(996,044,979)	(670,585,557)
Net Debt	7,967,752,053	5,855,954,902	17,428,367,667	14,000,445,948
Equity	9,665,809,541	8,026,864,220	29,206,877,196	26,562,305,047
Gearing ratio	45%	42%	37%	35%

36. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Company Name	Country of incorporation and location of operation	2018	2017
Lanka Ceramic PLC	Sri Lanka	26.44%	19.70%
Lanka Walltiles PLC	Sri Lanka	46.11%	49.00%
Lanka Tiles PLC	Sri Lanka	60.62%	62.60%
Vallibel Plantation Limited	Sri Lanka	46.11%	49.09%
Swisstek (Ceylon) PLC	Sri Lanka	68.11%	69.39%
Swisstek Aluminium Limited	Sri Lanka	64.54%	73.25%
Horana Plantation PLC	Sri Lanka	72.52%	74.04%
Uni Dil Packaging Limited	Sri Lanka	46.11%	49.09%
Uni Dil Packaging Solutions Limited	Sri Lanka	46.11%	49.09%
LWL Development (Private) Limited	Sri Lanka	46.11%	49.00%
Beyond Paradise Collection Limited	Sri Lanka	60.62%	62.60%
Lanka Tiles (Pvt) Ltd	India	79.92%	-
Swisstek Development (Pvt) Limited	Sri Lanka	68.11%	-

	2018 Rs. 000's	2017 Rs. 000's
Accumulated Balances of Material Non - Controlling Interest		
Lanka Ceramic PLC	144,689	164,250
Lanka Walltiles PLC	2,296,830	2,214,705
Lanka Tiles PLC	3,749,067	3,769,465
Vallibel Plantation Limited	144,566	138,204
Swisstek (Ceylon) PLC	703,858	752,745
Swisstek Aluminium Limited	857,344	837,697
Horana Plantation PLC	1,030,333	1,056,034
Uni Dil Packaging Limited	517,350	563,930
Uni Dil Packaging Solutions Limited	73,999	74,671
LWL Development (Private) Limited	19,466	23,337
Beyond Paradise Collection Limited	30,416	30,736
Lanka Tiles (Pvt) Ltd	8,763	-
Swisstek Development (Pvt) Limited	53	-
Less - Cross investments	(1,134,928)	(1,355,468)
Add - Attributed Goodwill	452,480	193,308
Accumulated Material Non- Controlling Interest	8,894,287	8,463,614

	2018 Rs. 000's	2017 Rs. 000's
Profit allocated to Material Non - Controlling Interest		
Lanka Ceramic PLC	14,364	10,548
Lanka Walltiles PLC	152,852	243,264
Lanka Tiles PLC	518,311	632,620
Vallibel Plantation Limited	1,897	(3,626)
Swisstek (Ceylon) PLC	86,416	67,033
Swisstek Aluminium Limited	168,830	220,580
Horana Plantation PLC	21,932	14,951
Uni Dil Packaging Limited	3,950	45,832
Uni Dil Packaging Solutions Limited	4,830	4,105
LWL Development (Private) Limited	(2,567)	(9,252)
Beyond Paradise Collection Limited	661	12
Lanka Tiles (Private) Limited	(811)	-
Accumulated Material Non- Controlling Interest	970,666	1,226,066

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

	Lanka Ceramic PLC	Lanka Walltiles PLC	Lanka Tiles PLC	Vallibel Plantation Mgt Limited	Swisstek (Ceylon) PLC
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Summarised statement of profit or loss for year ended 31 March 2018:					
Revenue	178,932	3,316,247	6,126,307	15,000	736,784
Cost of sales	(102,818)	(2,106,806)	(3,745,803)	-	(561,592)
Administrative expenses	(56,167)	(208,646)	(404,447)	(1,817)	(39,607)
Finance costs	(40,498)	(113,185)	(21,768)	(4,693)	(33,779)
Profit before tax	248,374	867,409	1,232,587	33,825	184,138
Income tax	(66,178)	(176,368)	(348,721)	(1,849)	2,943
Profit for the year from continuing operations	182,195	691,041	883,866	31,976	187,081
Total comprehensive income	97,189	972,313	755,105	31,976	42,270
Attributable to non-controlling interests	(8,115)	282,551	440,251	1,897	(12,221)
Dividends paid to non-controlling interests	-	224,249	154,709	-	32,437
Summarised statement of profit or loss for year ended 31 March 2017:					
Revenue	282,830	3,345,337	5,176,372	8,651	607,948
Cost of sales	(129,876)	(2,013,574)	(2,860,809)	-	(451,062)
Administrative expenses	(52,992)	(210,028)	(381,312)	(3,024)	(32,170)
Finance costs	(37,584)	(105,269)	(31,749)	(8,083)	(19,997)
Profit before tax	320,214	944,672	1,397,280	34,452	157,336
Income tax	(14,333)	(171,908)	(359,002)	(1,363)	(29,768)
Profit for the year from continuing operations	305,881	772,764	1,038,278	33,089	127,568
Total comprehensive income	305,801	786,035	1,051,993	33,089	127,982
Attributable to non-controlling interests	10,532	249,768	641,205	(3,626)	67,320
Dividends paid to non-controlling interests	47,280	150,471	116,046	-	25,040
Summarised statement of financial position as at 31 March 2018:					
Current Assets	90,477	2,430,193	3,906,972	2,812	310,188
Non- Current Assets	1,086,611	5,390,644	4,107,887	346,407	1,391,178
Current Liabilities	197,659	1,678,628	1,022,724	35,719	328,790
Non- Current Liabilities	297,905	1,161,169	807,990	-	339,220
Total equity	681,524	4,981,039	6,184,144	313,500	1,033,354
Attributable to:					
Equity holders of parent	543,996	3,272,636	2,588,037	328,675	486,064
Non-controlling interest	137,528	1,708,403	3,596,107	(15,175)	547,290
	681,524	4,981,039	6,184,144	313,500	1,033,354

Swisstek Aluminium Limited	Horana Plantation PLC	Unidil Packaging Limited	Unidil Packaging Solutions Limited	LWL Development (Private) Limited	Beyond Paradise Collection Limited	Lankatiles (Private) Limited
Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
3,340,583	2,248,462	2,170,766	779,297	-	-	-
(2,327,171)	(1,982,948)	(1,946,922)	(729,713)	-	-	-
(164,718)	(125,264)	(126,778)	(9,614)	(6,053)	(56)	(1,234)
(116,621)	(86,914)	(90,469)	(17,581)	-	-	-
339,186	104,674	4,993	9,915	(5,674)	-	-
(84,978)	(20,329)	1,621	(90)	(267)	-	-
254,208	84,345	6,614	9,825	(5,408)	1,070	(1,015)
254,852	49,147	1,065	8,365	(5,408)	1,070	(1,274)
169,246	(3,591)	1,391	4,157	(2,567)	661	(1,018)
3,518			-	-	-	-
2,824,409	1,947,278	2,026,154	438,233	-	-	-
(1,882,331)	(1,831,450)	(1,706,397)	(407,227)	-	-	-
(155,290)	(100,063)	(109,697)	(7,093)	(19,251)	(413)	-
(88,008)	(88,785)	(69,739)	(8,164)	-	-	-
364,642	(29,589)	126,764	9,819	(18,298)	187	-
(38,981)	(700)	(26,511)	(1,595)	(267)	(168)	-
325,661	(30,289)	100,253	8,224	(18,565)	19	-
328,548	(3,194)	102,382	8,281	48,473	52,515	-
222,695	35,012	46,877	4,133	23,598	32,873	-
5,832	-	-	-	-	-	
2,533,654	381,700	1,395,912	523,675	8,364	1,800	78
1,395,237	3,312,306	974,339	158,735	310,696	223,800	-
2,044,755	786,721	967,850	519,365	276,844	175,428	-
555,701	1,486,488	280,499	2,573	-	-	-
1,328,435	1,420,798	1,121,903	160,471	42,216	50,172	78
471,091	390,465	674,695	86,472	22,749	19,756	(8,685)
857,344	1,030,333	447,208	73,999	19,466	30,416	8,763
1,328,435	1,420,798	1,121,904	160,471	42,217	50,172	78

	Lanka Ceramic PLC Rs. 000's	Lanka Walltiles PLC Rs. 000's	Lanka Tiles PLC Rs. 000's	Valibel Plantation Mgt Limited Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's
Summarised statement of financial position as at 31 March 2017:					
Current Assets	105,903	1,899,320	3,869,300	3,437	236,327
Non- Current Assets	1,049,200	4,599,846	3,917,636	346,761	1,136,870
Current Liabilities	106,167	1,211,412	1,140,651	48,684	247,778
Non- Current Liabilities	215,167	768,181	624,405	19,990	40,590
Total equity	833,769	4,519,575	6,021,880	281,524	1,084,827
Attributable to:					
Equity holders of parent	802,171	2,930,189	2,445,741	313,376	491,525
Non-controlling interest	31,598	1,589,386	3,576,139	(31,852)	593,302
	833,769	4,519,575	6,021,880	281,524	1,084,827
Summarised cash flow information for year ending 31 March 2018:					
Operating Cash Flow	138,661	145,311	417,142	5,975	46,464
Investing Cash Flow	(10,401)	173,712	(336,408)	25,110	(162,918)
Financing Cash Flow	(187,447)	(273,474)	(591,920)	(31,200)	83,211
Net increase / (decrease) in cash and cash equivalents	(59,187)	45,549	(511,186)	(115)	(33,243)
Summarised cash flow information for year ending 31 March 2017:					
Operating Cash Flow	68,432	657,648	179,626	(5,094)	77,707
Investing Cash Flow	215,509	95,899	(230,226)	36,270	(35,285)
Financing Cash Flow	(442,059)	(810,689)	(629,195)	(31,200)	(39,695)
Net increase / (decrease) in cash and cash equivalents	(158,118)	(57,142)	(679,795)	(24)	2,727

Swisstek Aluminium Limited	Horana Plantation PLC	Unidil Packaging Limited	Unidil Packaging Solutions Limited	LWL Development (Private) Limited	Beyond Paradise Collection Limited	Lankatiles (Private) Limited
Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
1,749,855	372,996	1,009,336	477,056	4,188	600	-
962,974	3,242,907	1,002,615	169,101	290,710	223,800	-
1,275,256	705,106	508,122	492,309	247,275	175,298	-
293,986	1,484,427	355,091	1,741	-	-	-
1,143,587	1,426,369	1,148,738	152,107	47,623	49,102	-
305,890	370,335	659,480	77,436	24,287	18,366	-
837,697	1,056,034	489,259	74,671	23,337	30,736	-
1,143,587	1,426,369	1,148,738	152,107	47,623	49,102	-
101,538	247,530	(76,450)	33,322	14,704	-	-
(489,727)	(257,037)	(37,255)	(3,085)	(19,976)	-	-
368,192	3,030	77,873	(22,376)	-	-	-
(19,997)	(6,477)	(35,832)	7,861	(5,272)	-	-
(221,903)	48,364	94,254	(100,542)	71,151	-	-
(289,439)	(211,221)	(402,460)	(11,484)	(70,637)	-	-
477,322	117,781	249,709	100,248	-	-	-
(34,020)	(45,076)	(58,498)	(11,778)	514	-	-

37. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

	L. B. Finance PLC		Delmege Limited	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Revenue / Operating Income	12,876,879,950	11,291,156,332	7,028,582,750	7,414,953,764
Cost of sales / Operating Expenses	(5,068,165,348)	(4,389,212,331)	(5,197,320,910)	(5,536,361,985)
Other Income and Gains	-	-	73,871,437	80,399,078
Administrative expenses	-	-	(642,104,448)	(637,592,583)
Selling and Distribution Costs	-	-	(745,795,144)	(717,602,989)
Other Operating Expenses	-	-	-	-
Finance costs	-	-	(549,334,812)	(492,528,754)
Finance Income	-	-	84,349,605	40,899,596
Tax on Financial Services	(1,336,693,019)	(1,027,100,778)	-	-
Profit before tax	6,472,021,583	5,874,843,223	52,248,478	152,166,127
Income tax Expenses	(2,226,968,696)	(1,956,638,912)	(50,782,429)	(51,363,136)
Loss After Tax From Discontinued Operations	-	-	(19,824,760)	
Profit for the year	4,245,052,887	3,918,204,311	(18,358,711)	100,802,991
Other Comprehensive income	(21,113,516)	(17,901,006)	(1,125,186,735)	2,054,564,412
Total Comprehensive income	4,223,939,371	3,900,303,305	(1,143,545,445)	2,155,367,403
Group share of profit for the year	1,107,109,793	1,021,867,684	(74,771)	19,885,733
Group share of Total comprehensive income for the year	1,101,603,388	1,017,199,102	(219,270,249)	403,871,874

	Company		Group	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Current Assets	67,536,354,250	55,462,986,377	4,608,361,049	4,823,579,611
Non- Current Assets	53,287,092,061	47,300,048,713	4,655,900,018	4,805,380,987
Current Liabilities	73,122,821,782	56,592,077,833	3,562,938,717	5,475,801,506
Non- Current Liabilities	32,351,689,572	33,661,277,686	3,342,073,840	650,110,137
Total Equity	15,348,934,957	12,509,679,571	2,359,248,510	3,503,048,955
Group's Carrying amount of the investments	5,655,651,809	4,879,157,641	750,797,080	970,067,329
Group Share of Contingent liabilities	11,623,574	19,776,643	-	-
Capital and other commitments	329,124,604	239,493,895	-	-

38 FAIR VALUE MEASUREMENT

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

01 In the principal market for the asset or liability, or

02 In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments and are the most observable

Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves

Level 3 : Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

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.

38.1 Assets Measured at Fair Value

As at 31 March		2018			
		Fair Value Measurement Using			
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total Fair Value
	Notes	Level 1	Level 2	Level 3	
		Rs.	Rs.	Rs.	Rs.
Other Financial Assets	12.				
Investments at fair value through profit or loss		42,887,966	-	-	42,887,966
		42,887,966	-	-	42,887,966
Property, Plant and Equipment	3.6				
Freehold and Clay Mining Land		-	-	7,387,889,468	7,387,889,468
Buildings				6,347,026,022	6,347,026,022
Consumable Biological Assets				536,574,000	536,574,000
Investment property				1,287,007,000	1,287,007,000
		42,887,966	-	15,558,496,490	15,601,384,456

There were no transfers into and transfers out of the hierarchy levels during 2017 and 2018.

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.

Fixed rate financial instruments

Fair value of interest bearing borrowing at fixed interest rate is amounted to Rs.1,436.3 Mn as at the reporting date.

In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending rate published by the CBSL were used.

2017			
Fair Value Measurement Using			
Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total Fair Value
Level 1	Level 2	Level 3	
Rs.	Rs.	Rs.	Rs.
43,981,389	-	-	43,981,389
43,981,389	-	-	43,981,389
-	-	5,254,615,689	5,254,615,689
		5,566,994,212	5,566,994,212
		490,534,000	490,534,000
		706,000,000	706,000,000
43,981,389	-	12,018,143,901	12,062,125,290

38.2 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.

39 BUSINESS COMBINATIONS AND ACQUISITION OF NON CONTROLLING INTEREST

39.1 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 and 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 and 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
	10,094,331
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 at Rs. 26,544,000/- (on a leasehold land). The fair value of building was determined by Mr. A.A.M. Fathihu, an independent professionally qualified valuer in reference to market based evidence (valuation report dated 7th October 2016).

Significant unobservable input (Level 3):

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

Significant increases/(decrease) in estimated price per perch/ 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/-.

39.2 Acquisition of additional interest

Acquisition of additional interest in 2018

In Swisstek Aluminium Limited

On 13th July 2017, the Group acquired an additional 7.6% interest in the voting shares of Swisstek Aluminium Limited, increasing its effective ownership interest to 34.35%. Cash consideration of Rs. 106,344,740/- was paid to the non-controlling shareholders. The carrying value of the net assets of Swisstek Aluminium Limited was Rs. 1,187,151,455/-. Following is a schedule of additional interest acquired in Swisstek Aluminium Limited.

	Rs.
Cash consideration paid to non-controlling shareholders	106,344,740
Carrying value of the additional interest in Swisstek Aluminium Limited	90,165,421
Difference recognised in retained earnings	16,179,319

In Lanka Walltiles PLC

On 31st August 2017, Lanka Ceramic PLC which is a subsidiary of the company offered a share repurchase offer to all of its shareholders to buy back 80% of its own shares in exchange of 1 : 1.4148 no of Lanka Walltiles shares or payment Rs. 190/- per share in cash. The company has accepted the offer of Lanka Walltiles shares and Lanka Ceramic PLC has received the SEC approval for the same on 8th November 2017. Upon completion of the above transaction on 10th November 2017, effect to the Company's holding in Lanka Ceramic PLC and Lanka Walltiles PLC is summarised in the below table.

	Before the share repurchase offer	After the share repurchase offer	Increase/ (Decrease) in holding 01.08.2016 Rs.
Effective holding in Lanka Ceramic PLC	80.30%	73.56%	-6.74%
Effective holding in Lanka Walltiles PLC	51.00%	53.89%	2.89%

39.2 Acquisition of additional interest (Contd.)

Following schedule summarises the effect to key financial statement figures as the date of transaction

	Group Rs.	Company Rs.
Investments in Subsidiaries	-	1,281,684,680
Non Controlling Interest	(38,697,547)	-
Retained Earnings	(145,995,604)	-
Profit on Disposal of Investment	-	1,281,684,680

Acquisition of additional interest in 2017

In Lanka Ceramic PLC

On 5 August 2016, the Group acquired an additional 3.37% interest in the voting shares of Lanka Ceramic 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 Ceramic PLC (excluding goodwill on the original acquisition) was 5,761,053,169/-. Following is a schedule of additional interest acquired in Lanka Ceramic PLC.

In Swisstek Ceylon PLC

On 8 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	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

40. CHANGE IN ACCOUNTING POLICY

The Group has changed its Accounting Policy in relation to Accounting for Investment Property by changing from cost model to Fair Value model according to LKAS 40. Retrospective adjustments have been made according to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to reflect the change in accounting policy in the financial statements.

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 2018). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and Current Open Market Value of land.

The Total effect to the financial statements of the Group is summarised below.

	Previously reported amount	Adjustment amount Rs.	Restated amount Rs.
Statement of financial position			
Investment Property			
Balance as at 1st April 2016	238,714,000	288,536,000	527,250,000
Balance as at 1st April 2017	238,024,000	467,976,000	706,000,000
Retained Earnings			
Balance as at 1st April 2016	11,885,270,727	231,695,235	12,116,965,962
Balance as at 1st April 2017	14,234,596,434	375,786,069	14,610,382,503
Non Controlling Interest			
Balance as at 1st April 2016	7,828,990,753	56,840,764	7,885,831,517
Balance as at 1st April 2017	8,463,614,034	92,189,930	8,555,803,964
Statement of Profit or Loss			
For the year ended 31st March 2017			
Other Operating Income	213,896,161	179,440,000	393,336,161
Statement of Cash Flows			
For the year ended 31st March 2017			
Profit before Tax	5,987,155,979	179,440,000	6,166,595,979
Adjustments for Non-cash items			
Change in fair value of investment property	-	(179,440,000)	(179,440,000)

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. 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:

During the year 2017/18, Management has reassessed the recoverability of the remaining assets and liabilities as at the reporting date. Management is continued to take steps to dispose the remaining assets of the company.

	2018 Rs.	2017 Rs.
Net Revenue	2,355,780	24,814,745
Cost of Sales	(12,905,648)	(35,159,348)
Operating Income	(10,549,868)	(10,344,603)
Other Operating Income	3,682,929	12,480,219
Distribution Expenses	(7,343,182)	(29,199,525)
Administrative Expenses	(5,499,304)	(12,378,507)
Finance Expenses	(3,463,161)	(24,626,803)
Other Expenses	2,324,203	(131,480,477)
Loss for the year from discontinued operations	(20,848,383)	(195,549,696)

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

	2018 Rs.	2017 Rs.
Assets		
Property, Plant and Equipment	45,282,742	75,143,049
Inventories	18,560,493	37,000,685
Trade and Other Receivables	15,822,452	25,016,112
Cash and Cash Equivalents	5,582,029	655,424
Assets Held for Sale	85,247,716	137,815,270
Liabilities		
Trade and Other Payables	(7,873,906)	(14,442,266)
Interest Bearing Loans and Borrowings	-	(121,501,969)
Retirement Benefit Liability	(401,756)	(1,999,488)
Liabilities Directly Associated with the Assets Held for Sale	(8,275,662)	(137,943,723)
Net Assets Directly Associated with Disposal Group	76,972,052	(128,453)

The net cash flows incurred by EPCI is as follows:

	2018 Rs.	2017 Rs.
Operating	(6,806,461)	(29,317,817)
Investing	35,286,143	2,461,459
Financing	(120,879,837)	(27,650,537)
Net cash (outflow)/inflow	(92,400,154)	(54,506,894)

Earnings Per Share	2018 Rs.	2017 Rs.
Basic, profit/(loss) for the year from discontinued operations	(1.04)	(1.77)

Write-down of assets held for sale

following the classification, a write-down of Rs. 131,480,477/- was recognised at the end of the previous reporting period to reduce the carrying amount of 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 in 2017.

The fair value of land and buildings amounting to Rs. 36 Mn was determined by Mr. A. A. M. Fathihu, an independent professionally qualified valuer in reference to market based evidence (valuation report dated 9 April 2018).

Significant unobservable input (Level 3)

Price per square feet is in the range of Rs. 3,000/- to Rs. 2,000/-
Price per perch is in the range of Rs. 85,000/- to Rs. 5,000/-

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

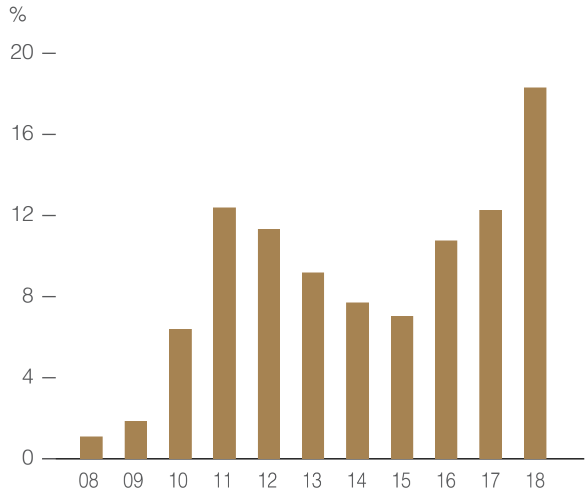
TEN YEAR SUMMARY – COMPANY

Trading results (RS.'000)	SLFRS							SLAS		
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Turnover	3,452,289	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
Other Income	2,759,288	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
Profit before interest	2,680,197	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
Interest	(432,816)	(386,935)	(360,784)	(376,515)	(518,989)	(364,554)	(834,642)	(72,735)	(132,419)	(215,386)
Profit After Interest Before Tax	2,247,381	1,489,818	1,177,680	635,642	668,861	918,762	1,270,331	1,467,488	747,223	225,697
Tax Reversal/Expense	(218,578)	(130,701)	15,315	143,881	185,780	67,724	(15,716)	(93,663)	(36,611)	(20,011)
After Tax Profit from Discontinued Operations	-	-	-		-	31,386	-	-	-	-
Net Profit	2,028,803	1,359,117	1,192,996	779,524	854,641	1,017,873	1,254,614	1,373,825	710,612	205,686

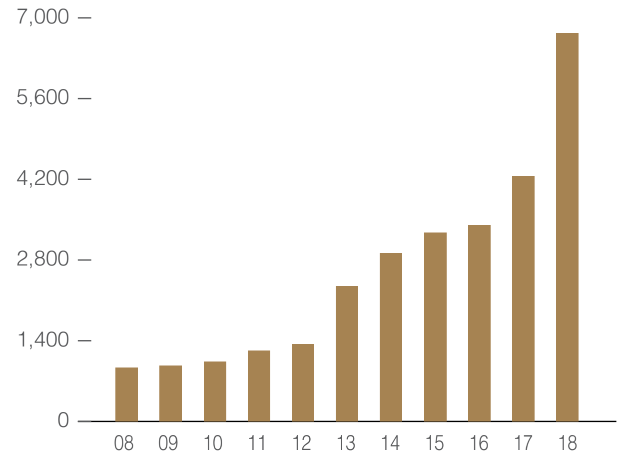
Statement of Financial Position (RS.'000)	SLFRS							SLAS		
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Stated Capital	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	1,368,673	814,726	814,726
Capital Reserve	830,591	213,634	213,634	213,634	213,634	213,634	-	-	365,714	367,343
Retained Earnings	7,466,545	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
Shareholders Funds	9,665,810	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
Fixed Assets	6,730,677	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
Investments	9,618,309	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
Other Financial Assets	146,928	43,981	56,771	131,735	197,210	196,470	192,395	183,962		
Current Assets	2,801,554	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
Current Liabilities	(5,525,765)	(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)
Non Current Liabilities	(3,958,965)	(3,515,723)	(3,088,016)	(3,487,254)	(3,859,125)	(1,226,138)	(1,183,183)	(460,667)	(321,345)	(520,319)
Total Equity	9,665,810	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

Ratios and Statistics	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Ordinary Dividends (Rs.'000)	997,104	997,104	664,736	443,158	-	221,579	443,158	276,973	138,487	110,789
Dividend per Share (Rs)	9.00	9.00	6.00	4.00	-	2.00	4.00	2.50	1.25	1.00
Dividend Payout Ratio (%)	49	73	56	57	-	22	35	20	19	54
Earnings Per Share (Rs.)	18.31	12.27	10.77	7.04	7.71	9.19	11.32	12.40	6.41	1.86
Market value per share-closing (Rs.)	105.40	119.00	100.10	111.00	79.30	99.50	115.00	157.00	113.00	27.50
Market value per share-Highest (Rs.)	134.70	125.30	137.00	125.00	112.00	118.50	167.50	335.00	116.50	51.00
Price Earnings Ratio (Times)	5.76	9.70	9.30	15.77	10.29	10.83	10.16	12.66	17.62	14.81
Net Assets Per Share (Rs.)	87.24	72.45	69.13	64.34	61.27	53.59	44.47	37.15	21.04	15.87
Return on Equity (%)	21	17	16	11	13	17	25	33	30	12

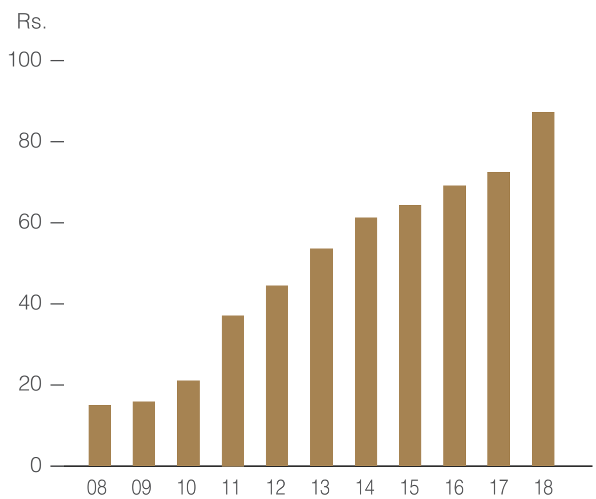
EARNINGS PER SHARE



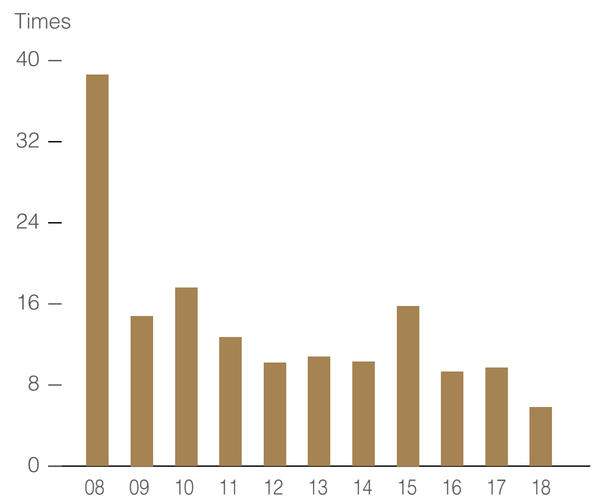
FIXED ASSETS



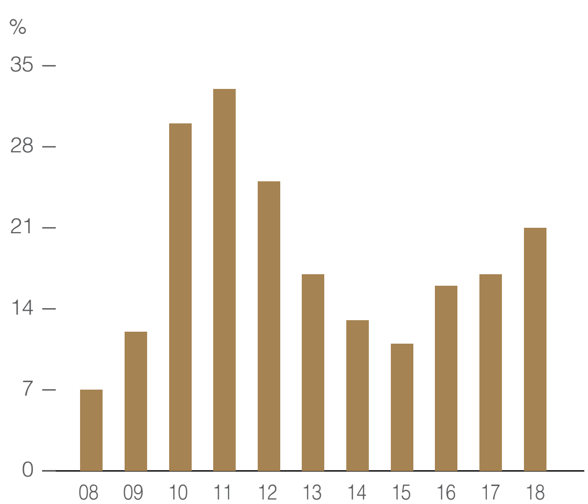
NET ASSETS PER SHARE



PRICE EARNINGS RATIO



RETURN ON EQUITY



GROUP VALUE ADDED STATEMENT

	2018			2017 Restated		
	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Turnover		32,538,483			29,295,996	
Finance and Other Income		488,353			545,620	
Share of Associate Company's profit		1,698,108			1,562,177	
		34,724,945			31,403,793	
Less: Cost of Material and Services bought in		(17,448,680)			(14,679,301)	
		17,276,265			16,724,491	
Value Allocated						
To Employees						
Salaries and Wages and Other Benefits		4,958,881	29%		4,606,554	27%
To Government						
Income Tax	2,092,269			1,854,960		
VAT/NBT	3,925,164	6,017,433	35%	3,333,572	5,188,532	31%
To Providers of Capital						
Dividends	1,404,165			1,330,580		
Finance Cost	1,366,843	2,771,008	16%	1,128,457	2,459,037	15%
To Expansion and Growth						
Retained in Business	2,019,502			3,163,389		
Depreciation	1,509,440	3,528,943	20%	1,306,979	4,470,368	27%
		17,276,265	100%		16,724,491	100%

SHARE INFORMATION

SHARE DISTRIBUTION

Shareholding as at 31st March 2018

There were 10,847 registered shareholders as at 31st March 2018, distributed as follows

Number of Shares Held	Number of Shareholders	Number of Shares	% Shareholding
1 - 1,000	9,663	2,023,589	1.83
1,001 - 10,000	939	3,020,518	2.73
10,001 - 100,000	199	5,802,026	5.24
100,001 - 1,000,000	39	10,353,670	9.35
1,000,000 & over	7	89,589,581	80.85
Total	10,847	110,789,384	100.00

42.50% of shares were held by public as at 31st March 2018

Category Shareholders	Number of Shareholders	Number of Shares	% Shareholding
Local Individuals	10,399	10,857,787	9.80
Local Institutions	320	87,393,396	78.89
Foreign Individuals	115	558,279	0.50
Foreign Institutions	13	11,979,922	10.81
Total	10,847	110,789,384	100.00

SHARE PRICES FOR THE YEAR

	2017/18		2016/17	
	Date	Date	Date	Price
Highest during the year	28.06.2017	134.70	03.10.2016 & 30.09.2016	126.00
Lowest during the year	27.03.2018	105.10	01.04.2016	100.20
As at end of the year		105.40		119.00

SHARE INFORMATION

TWENTY MAJOR SHAREHOLDERS

NO	Name	Number of shares as at 31.03.2018	% of Issued Capital	Number of shares as at 31.03.2017	% of Issued Capital
1	Vallibel One PLC	62,002,600	55.964	62,002,600	55.964
2	Employees Provident Fund	15,277,998	13.790	15,277,998	13.790
3	Pershing LLC S/A Averbach Grauson & Co	4,522,423	4.082	2,944,983	2.658
4	HSBC Intl Nom Ltd-BBH- Grandeur Peak Emerging Markets Opportunities Fund	2,965,133	2.676	3,593,775	3.244
5	HSBC Intl Nom Ltd-MSCD-Briarwood Capital Partners LP	1,972,748	1.781	1,972,748	1.781
6	National Savings Bank	1,748,679	1.578	1,834,159	1.656
7	BNYMSANV Re-Compass Asia Partners, L.P.	1,100,000	0.993	1,100,000	0.993
8	HSBC Intl Nom Ltd-BBH Grandeur Peak Global Reach Fund	893,948	0.807	1,352,145	1.220
9	Mr.A.M. Weerasinghe	749,928	0.677	749,928	0.677
10	AIA Insurance Lanka PLC A/C No.7	745,000	0.672	700,379	0.632
11	Mrs. S. N. Fernando	550,000	0.496	527,410	0.476
12	Mercantile Investments and Finance PLC	550,000	0.496	550,000	0.496
13	Amaya Leisure PLC	521,600	0.471	521,600	0.471
14	Employees Trust Fund Board	479,349	0.433	828,880	0.748
15	MAS Capital (Private) Limited	473,095	0.427	473,095	0.427
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	339,525	0.306	411,662	0.372
18	Pinnacle Trust (Pvt) Limited	266,491	0.241	193,500	0.175
19	Jinadasa Brothers (Pvt) LTD	239,928	0.217	-	-
20	HSBC Intl Nom Ltd-BBH- Grandeur Peak Global Micro Cap Fund	224,570	0.203	267,000	0.241
		96,092,425	86.734	95,771,272	86.444
	Others	14,696,959	13.266	15,018,112	13.556
	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.

CASH AND CASH EQUIVALENT
Short-term highly liquid assets those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CONTINGENCIES
A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

CURRENT RATIO
Current assets divided by current liabilities

DEBT TO EQUITY RATIO
Interest bearing borrowings divided by equity

DEFERRED 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, tax, depreciation and amortisation divided by finance 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 ASSETS
Net profit for the year divided by assets

RETURN ON EQUITY
Net profit for the year divided by Equity

REVENUE RESERVES
Reserves considered as being available for distributions and investments.

SHAREHOLDERS' FUNDS
Total of issued and fully paid up capital and reserves.

VALUE ADDITIONS
The quantum of wealth generated by the activities of the group and its application.

WORKING CAPITAL
Capital required to finance the day-to-day operations (current assets minus current liabilities)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Eighth (28th) Annual General Meeting of Royal Ceramics Lanka PLC will be held at the Winchester hall, the Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo on the 29th day of June 2018 at 09.00 a.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 2018 and the Report of the Auditors thereon.

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

3. To re-elect Mr. G A R D Prasanna, 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 75 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 75 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-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 2018/2019 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

P W Corporate Secretarial (Pvt) Ltd
Secretaries
At Colombo

25 May 2018

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 in this Report.

3. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 20, R.A. de Mel Mawatha, Colombo 03, by 9.00am on 27th June 2018.

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 29th June 2018 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. G A R D Prasanna, 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 75 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 75 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-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.		
5.	To authorize the Directors to determine payments for the year 2018/2019 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 Eighteen

……………………
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 Officers 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. 20, R. A. de Mel Mawatha, Colombo 3, by 9.00 a.m on 27th June 2018.

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 and Ceramic Tiles

BOARD OF DIRECTORS
Mr. K.D.D. Perera
Chairman

Mr. A.M. Weerasinghe
Deputy Chairman

Mr. M.Y.A. Perera
Managing Director

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

HEAD OFFICE AND REGISTERED OFFICE
20, 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.
Rocell Bathware Ltd.
Royal Ceramics Distributors (Pvt) Ltd.
Ever Paint and Chemical Industries (Pvt) Ltd.
Lanka Ceramic PLC
Nilano Garments (Pvt) Ltd
Rocell Pty Limited
Rocell Ceramics Limited
Lanka Walltiles PLC and its subsidiaries

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
Ernst & 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.

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No 20, R.A. De Mel Mawatha, Colombo 3, Sri Lanka.
www.rocell.com