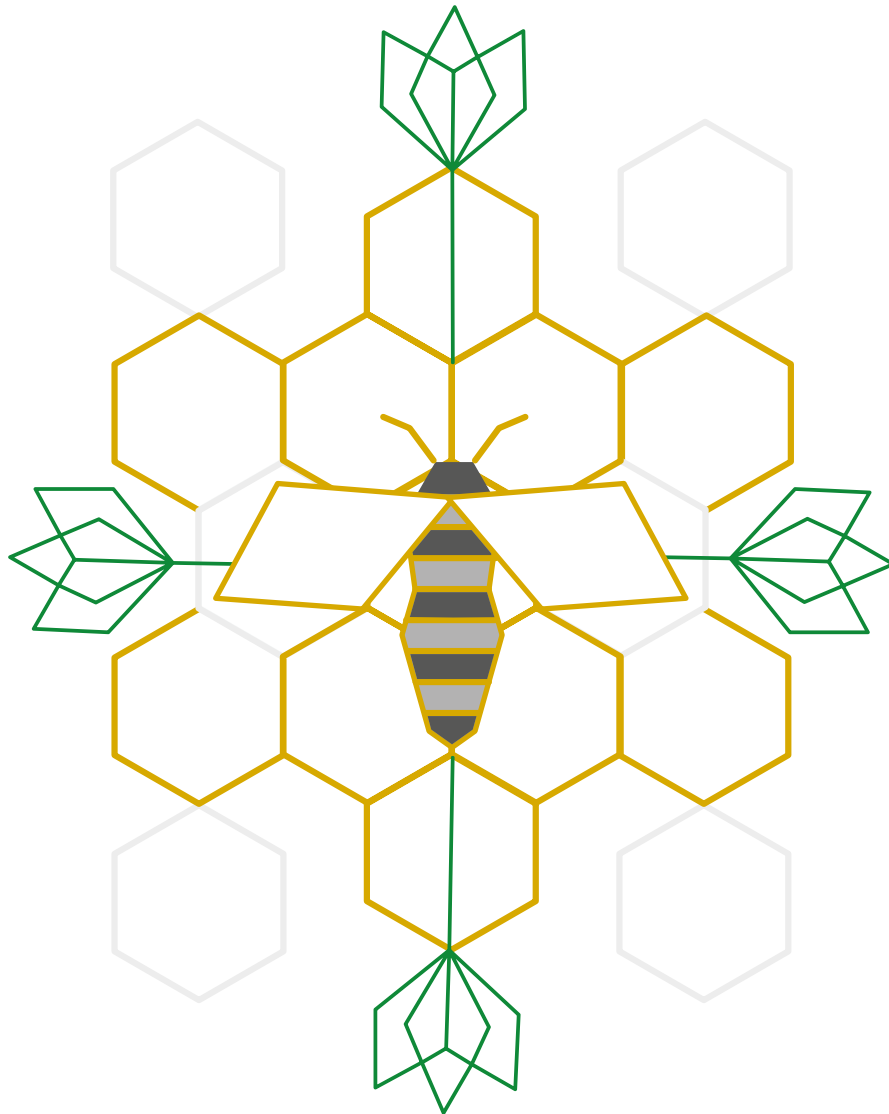
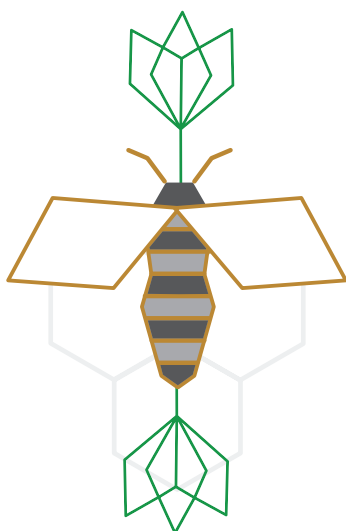


A Hive of Value





A Hive of Value

Rocell is a company that drives itself hard and we have always strived to go beyond our stakeholders' expectations in our quest for good returns. Since inception, your Company has delivered a stellar performance each year, continuously developing our many business segments while improving our products, services, people and processes. As we approach our thirtieth year of successful operations, we are proud to see that even in difficult times such as these, we have the inherent strength to thrive and grow.

The year under review was certainly a challenging one, as the results reported in this report indicate. Yet we remain confident of our strategies and our future. Over the past few years we have been prudently investing into our business sectors, expanding capabilities and broadening our portfolio while increasing our capacity for profitability, revenue, value addition and growth; the corporate fundamentals that underpin the strength of our Group.

The year ahead will see us continuing to develop your Company as a 'hive of value' as we explore all opportunities to enrich our stakeholders in a myriad different ways.



The beehive is an excellent metaphor for a high functioning business operation where consistent value delivery demands excellence in communication, adaptability, strategy, vision and above all – teamwork, to succeed.

Beehives operate by dividing tasks between the members of the colony and just a few honeybees can be responsible for pollinating a large crop. At Rocell we believe that every employee's input is vitally important for us to perform to our highest level; while work flow planning and a long term perspective ensure that what we invest today will deliver steady, sustainable value, tomorrow.



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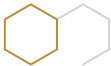
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Strategy

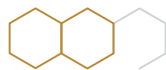
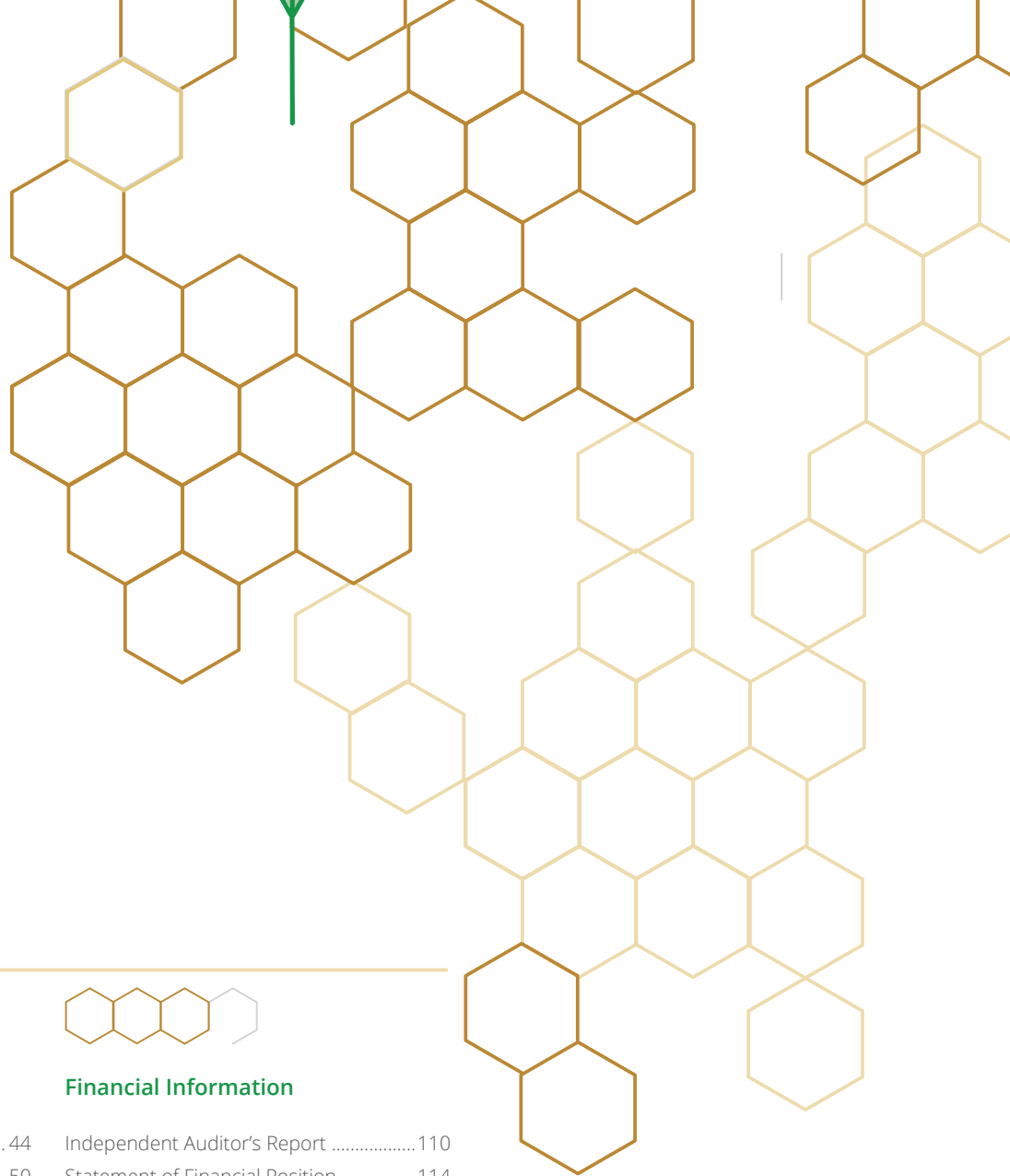
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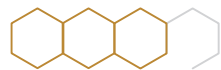
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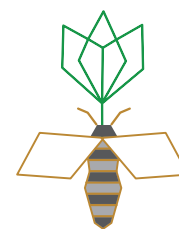
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AN OVERVIEW

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About the Report

GRI- 102-46, 102-48, 102-49, 102-50, 102-51,
102-52, 102-53, 102-54, 102-56

WELCOME TO OUR THIRD INTEGRATED ANNUAL REPORT

This is our third integrated report aiming to deliver insights as to how we created value during the financial year ended 31st March 2019. 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 10.

REPORTING FRAMEWORKS

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

| Regulatory Requirements | Voluntarily Adopted Frameworks for Reporting |
|--|---|
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Integrated Reporting Framework issued by the International Integrated Reporting Council. Core option of the GRI standards. 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 |

Reporting Enhancements

This year, we focused on improving the relevance and conciseness of our annual report.

- Improved disclosure of our material topics.
- The sector reviews demonstrated our value creation to multiple stakeholders.

ASSURANCE

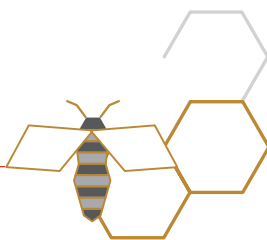
Assurance on the financial statements have been provided by Messrs. Ernst & Young.

CHANGES IN REPORTING

There were no re-statements of information nor changes to our reporting period during the year. The date of our most recent report was 31st March 2018.

For inquiries about this report, please contact:

Name : Haresh Somashantha
 Designation : Head of Finance & Treasury
 Email : haresh@rcl.lk
 Address : No 20, R A De Mel Mawatha, Colombo 3
 Website : www.rocell.com



Our Story. Our Brands. Our Aspirations.

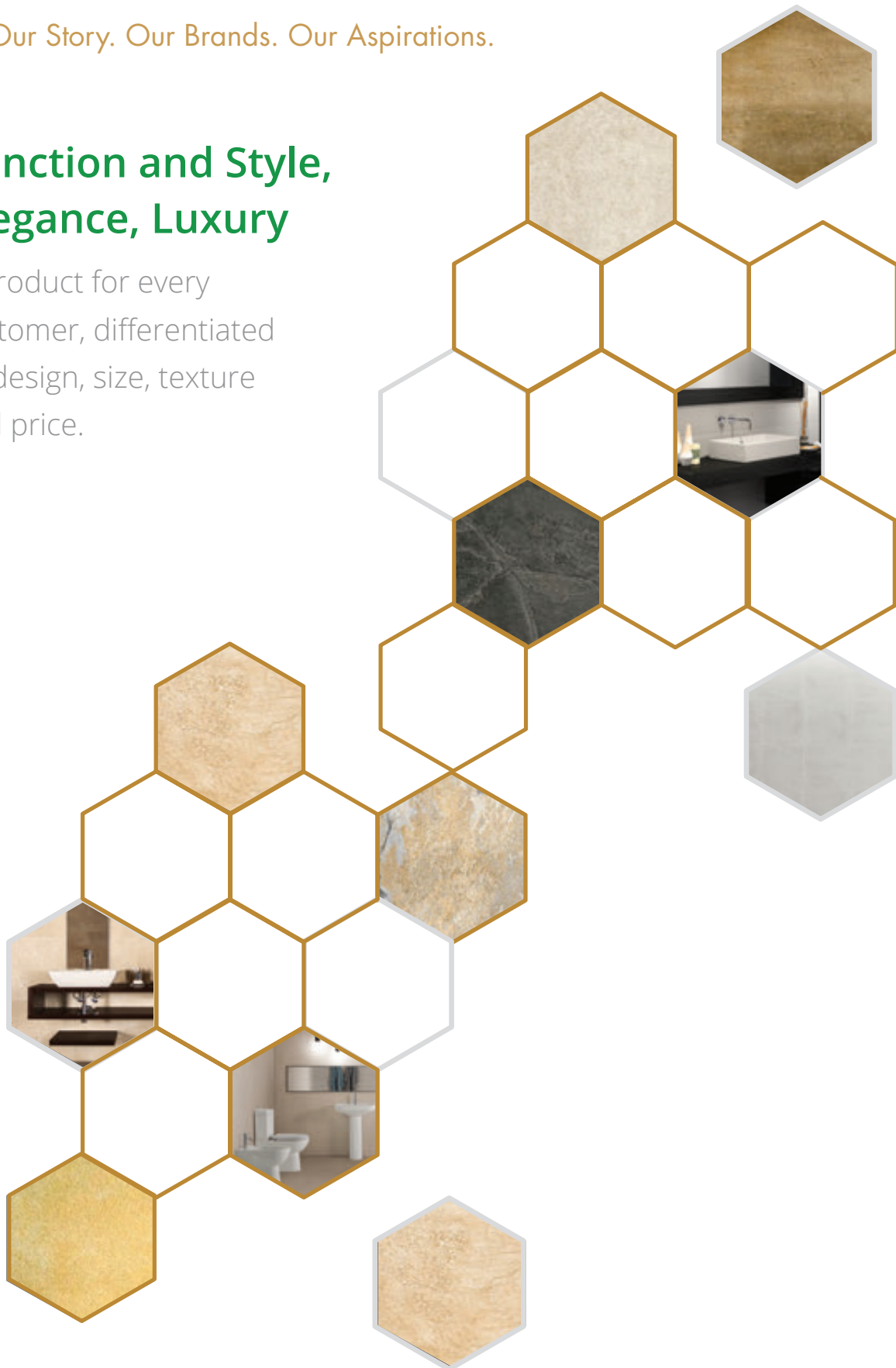
Royal Ceramics Lanka PLC (Rocell), is a market leader renowned as a trendsetter in the tile industry. Commencing operations in 1990, Rocell now has built world class facilities for the manufacture of tiles and bath ware and transformed into a holding company with interests extending its presence along the value chain and in the industries of Plantations, Packaging, Aluminium and Finance.



Our Story. Our Brands. Our Aspirations.

Function and Style, Elegance, Luxury

A product for every customer, differentiated by design, size, texture and price.





Our Resumé

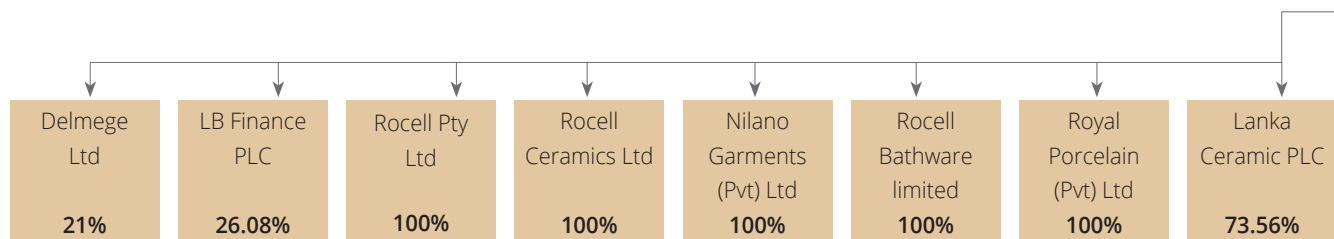
GRI- 102-1, 102-5, 102-6

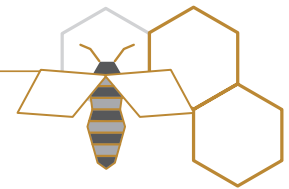
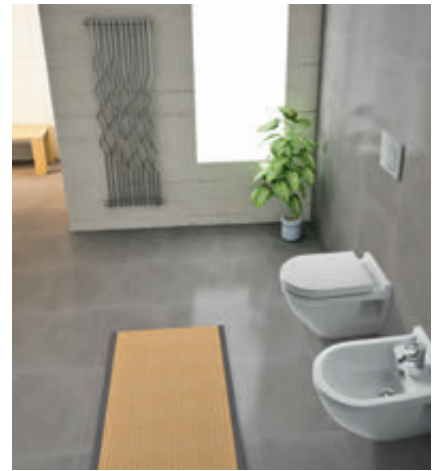
Royal Ceramics Lanka PLC (Rocell), was incorporated on 29th August 1990 and transitioned to a listed public company in 1994. Today, our organization is owned by 10,945 shareholders and holds a market capitalization of Rs. 6.5 Bn.

LEGEND

| | | | | | | |
|---|---|---|---|--|---|---|
|  |  |  |  |  |  |  |
| Tiles and associated items | Sanitaryware | Plantations | Aluminium | Packaging | Associates | Other |

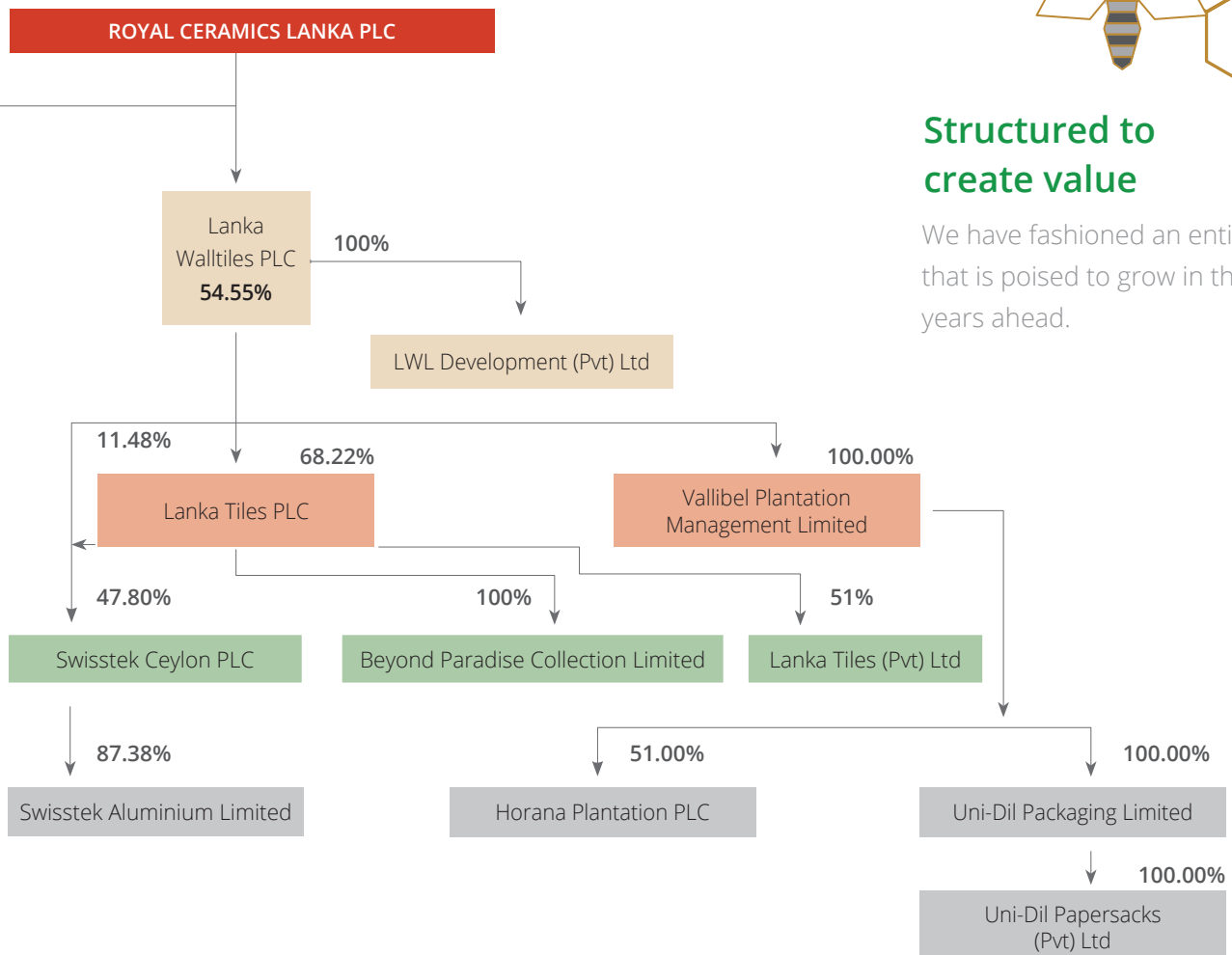
OUR GROUP STRUCTURE





Structured to create value

We have fashioned an entity that is poised to grow in the years ahead.



Our Resumé

GRI- 102-2, 102-7, 102-9

BRANDS AND PRODUCTS

11,471,423

 Square metres
of Tile

180,408

 Pieces of
Sanitaryware

174,990

 units of bathware
accessories

2,649

 Metric tonnes
of Tea

791

 Metric tons
of Rubber

4,373

 Metric tonnes
of Aluminium

20,260

 Metric tonnes
of Packaging

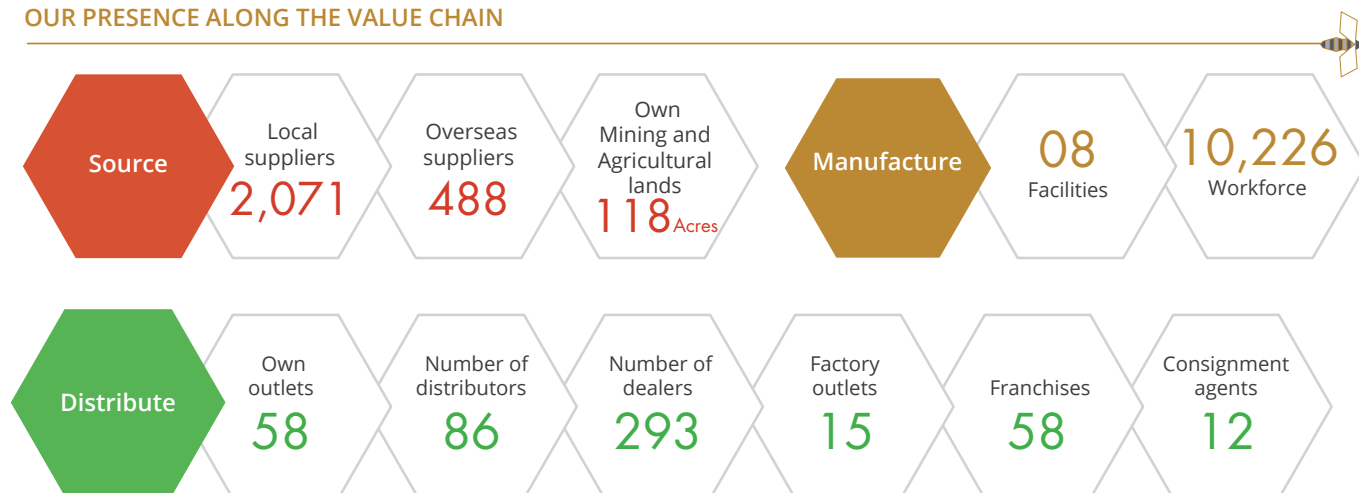
30,490

 Metric tonnes
of Grout and
Mortar

37,487

 Metric
tonnes of
Ball Clay,
Feldspar
and Kaolin


OUR PRESENCE ALONG THE VALUE CHAIN



SCALE OF OPERATIONS

Rs. 31,499Mn

Revenue

(2017/18 - Rs. 29,090Mn)

Rs. 3,083Mn

Profit

(2017/18 - Rs. 3,851Mn)

Rs. 61,200Mn

Assets

(2017/18 - Rs. 53,158Mn)

10,226

Employees

(2017/18 - 9,605)

Rs. 28,950Mn

Liabilities

(2017/18 - Rs. 38,095Mn)

ACCOLADES

Royal Ceramics Lanka PLC - Bronze Award and Top Ten award in extra large category of CNCI Achievers' award 2018.

Royal Ceramics Lanka PLC - Gold award in the manufacturing sector for turnover above Rs. 5 Bn at the Annual Report Awards Competition 2018.

Lanka Walltiles PLC - Gold Award in the manufacturing sector for turnover below Rs. 5 Bn at the Annual Report Award Competition 2018.

Lanka Tile PLC - Bronze Award in the manufacturing sector for turnover below Rs. 5 Bn at the Annual Report Award Competition 2018.

Economic Value Added

GRI- 102-3, 102-4, 102-6

DIRECT

| Rs. Mn | 2018/19 |
|---|---------|
| Economic value generated | 17,653 |
| Distributed to: | |
| Shareholders | 345 |
| Employees | 4,995 |
| Government | 5,965 |
| Lenders | 1,907 |
| Value retained for expansion and growth | 4,441 |

INDIRECT

Direct Employment

9,658

Indirect Employment

568

Exports

Rs. 858 Mn

Value of Imports

Rs. 10,537 Mn

Market Capitalisation

Rs. 6.55 Bn

During the year, the direct economic value added increased by 2.2% to Rs. 17,653 Mn. The value added was distributed across our stakeholders such as shareholders, employees, government and lenders. We retained 25% of value added for the expansion of the business.

OUR PRESENCE



Local Market

58

Showrooms

8

Facilities

58

Franchise showrooms

379

Dealers & Distributors

15

Factory outlets

12

Consignment agents



Export Market 13



Financial Highlights

| | Unit | 2018/19 | 2017/18 | % variance |
|---|-------------|-------------|-------------|------------|
| Revenue | Rs. Mn | 31,499 | 29,090 | 8% |
| Gross Profits | Rs. Mn | 10,296 | 10,933 | -6% |
| Earnings Before Interest and Tax (EBIT) | Rs. Mn | 5,955 | 6,605 | -10% |
| Profit before tax | Rs. Mn | 4,086 | 5,373 | -24% |
| Profits after tax | Rs. Mn | 3,083 | 3,851 | -20% |
| Profits attributable to shareholders | Rs. Mn | 2,632 | 2,880 | -9% |
| Gross profit margin | % | 32.69 | 37.58 | -5% |
| Net profit margin | % | 9.8 | 13.2 | -3% |
| Return on assets (ROA) | % | 5.03 | 7.24 | -2% |
| Return on equity (ROE) | % | 9.5 | 13.2 | -4% |
| Interest cover | No of times | 3.12 | 4.84 | -36% |
| Financial Position | | | | |
| Assets | Rs. Mn | 61,200 | 53,158 | 15% |
| Capital expenditure | Rs. Mn | 4,036 | 3,645 | 11% |
| Interest bearing liabilities | Rs. Mn | 18,875 | 15,063 | 25% |
| Other liabilities | Rs. Mn | 10,075 | 8,888 | 13% |
| Shareholders' equity | Rs. Mn | 32,250 | 29,207 | 10% |
| Gearing: Debt/Equity | % | 58.53 | 51.57 | 6.8% |
| Net assets per share | Rs./share | 207.51 | 183.34 | 13% |
| Current ratio | No of times | 1.23 : 1 | 1.31 : 1 | -6% |
| Quick assets ratio | No of times | 0.39 : 1 | 0.47 : 1 | -17% |
| Shareholder Information | | | | |
| No of shares in issue | No | 110,789,384 | 110,789,384 | 0% |
| Market value per share | Rs./share | 59.00 | 105.40 | -44% |
| Dividend per share | Rs./share | 4.00 | 7.00 | -43% |
| Earnings per share | Rs./share | 23.75 | 26.00 | -9% |
| Market capitalization | Rs. Mn | 6,537 | 11,677 | -44% |
| Dividend payout ratio | % | 16.84 | 26.93 | -10% |

 Rs. **31,499** Mn 

Revenue

 Rs. **3,083** Mn 

Profit After Tax

 Rs. **61,200** Mn 

Assets

Non-Financial Highlights

| | Unit | 2018/19 | 2017/18 | % variance |
|--|--------|-------------|-------------|------------|
| Human Capital | | | | |
| Number of employees | Number | 10,226 | 9,605 | 6% |
| Female participation | Number | 3,627 | 3,602 | 1% |
| New recruits | Number | 2,109 | 979 | 115% |
| Investment in employee learning | Rs. Mn | 20.08 | 13.46 | 49% |
| Average training hours per employee | Hours | 4.52 | 1.99 | 127% |
| Employee retention rate | % | 82% | 85% | -3% |
| Manufactured and Intellectual Capital | | | | |
| Value of PPE | Rs. Mn | 28,478 | 25,780 | 10% |
| Capital expenditure | Rs. Mn | 4,036 | 3,645 | 11% |
| Depreciation and amortization | Rs. Mn | 1,696 | 1,530 | 11% |
| Investment in R&D | Rs. Mn | 76.5 | 69 | 11% |
| Social and Relationship Capital | | | | |
| Dealers | Number | 293 | 204 | 44% |
| Distributors | Number | 86 | 59 | 46% |
| Consignments agents | Number | 12 | 10 | 20% |
| Factory outlets | Number | 15 | 10 | 50% |
| Showrooms | Number | 58 | 56 | 4% |
| Franchises | Number | 58 | 51 | 14% |
| Member of Tilers Clubs | Number | 4,543 | 4,000 | 14% |
| Number of suppliers | Number | 4,371 | 3,876 | 13% |
| Payments to suppliers | Rs. Mn | 34,142 | 22,441 | 52% |
| CSR expenditure | Rs. Mn | 42 | 31 | 35% |
| No of beneficiaries of CSR activities | Number | 9,502 | 7,263 | 31% |
| Natural Capital | | | | |
| Raw materials consumed | | | | |
| Minerals | MT | 291,111 | 174,443 | 67% |
| Aluminium Billets | MT | 6,150 | 5,990 | 3% |
| Energy consumption | Kwh | 65,966,697 | 60,228,175 | 10% |
| Water withdrawn | Ltr | 386,201,405 | 226,701,686 | 70% |
| Effluents discharges | Ltr | 178,330,120 | 134,187,283 | 33% |

10,226



No. of Employees

Rs. 4,036 Mn



Capital Expenditure

Rs. 76.5 Mn



Investment in R&D

Chairman's Message

OUR FOCUS MOVING FORWARD WILL BE TO MAINTAIN OUR LEADERSHIP IN OUR DOMESTIC MARKET WHILE INCREASING OUR EXPORTS TO DRIVE GEOGRAPHIC DIVERSIFICATION OF REVENUES AND INCREASING FOREIGN EXCHANGE EARNINGS.

Dear Shareholders,

Having evolved as a conglomerate with expertise in manufacturing, we are now focused on unlocking the value of our manufacturing capital as we broaden our horizons to compete effectively in global markets. Years of consistent investments in capital expenditure, selection of state of the art plant and machinery without compromise, a relentless focus on quality and investing in building the capacity of our teams has strengthened our processes to deliver innovative products that meet the most exacting standards in the world. We are inspired by the encouraging responses received from potential customers who are global brand owners and are confident that we can delight them with innovative products and the logistical capability to move the products. Our focus moving forward will be to maintain our leadership in our domestic market while increasing our exports to drive geographic diversification of revenues and increasing foreign exchange earnings.

EMPOWERING CUSTOMERS

Our vision to manufacture products necessary for inspired interiors has driven our growth beyond our origins in tiles to bathware and sanitaryware accessories and a growing range of



complementary items. We are conscious of the need to empower a diverse clientele to design customized spaces factoring both personal taste and price points. The wide range of tiles, bathware and sanitaryware with elegant accessories empowers our customers, interior designers and architects to design calm retreats or vibrant spaces according to space, purpose and other requirements. Our showrooms located throughout the island enable customers to be inspired by the textures, hues, finishes and dimensions of our tiles assisted by our trained staff. Alternatively, customers can step into our Design Hub or Concept Stores which provide digital design facilities which enable customers to visualize their design concepts prior to purchase. This year we have used technology to

further empower customers with mobile apps, allowing customers to generate digital images using their selections with the app available on Android, iOS and Windows platforms. Rocell has also embarked on its journey to empower customers through its website which allows the customers to explore its collections and be inspired by a range of modern settings created for their use. With 7.2 mn internet subscribers as at the end of 2018, we will look to deliver more solutions to customers through innovative empowering solutions which complement our network of showrooms and dealers.

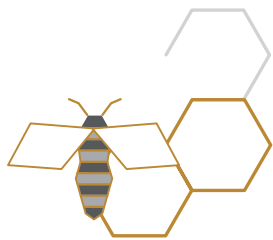
We also looked at how we could empower the less tech-savvy customer and launched a range of solutions for their benefit using our technology platforms. The launch of our call centre enabling customers to request a home visit by our showroom staff to better understand their requirements is one example. This enables customers to engage with our trained staff who use

their knowledge of our products to personalised solutions to the customers. which can then be followed up with higher levels of support at nearby showrooms.

BROADER HORIZONS

A strong customer focus throughout the Group has enabled us to identify key strategies for mutual benefit, reducing customer stress and increasing our opportunities for growth. Rocell increased the range of complementary products at the showroom to include sinks, kitchen cabinets, lights, laminated flooring, grout and mortar to ensure that customers could find items that complemented our tiles, easing the pain of having to mix and match from different stores providing a one-stop solution.

We also focused on increasing export sales given the subdued performance of the domestic market and are encouraged by the results. Signing of a key contract to manufacture bathware under license to a globally renowned



8.3%

Top Line Growth

Rs.4 Bn

Total Investment

Rs.3.08 Bn

Profit After Tax



Chairman's Message

I AM PLEASED TO REPORT THAT THE ROYAL CERAMICS GROUP RECORDED RS.3.08 BN AS PROFIT AFTER TAX FOR THE YEAR ENDED 31ST MARCH 2019 AND DELIVERED TOTAL ASSET GROWTH OF 15% AS WE PURSUED OUR VISION AMIDST UNCERTAINTY IN BOTH GLOBAL AND LOCAL MARKETS.

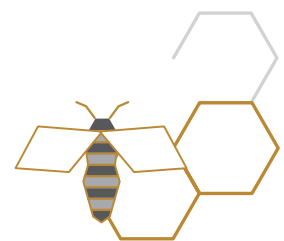


bathware brand marks a key milestone in our history as the process of obtaining the necessary approvals through a comprehensive due diligence exercise affirmed that we had world-class manufacturing facilities and robust processes. Having completed the lengthy process, we are now looking to reap the benefits of this in the year that has commenced, and have already

commenced shipment of an order at the time of writing. We believe that the escalating trade tensions between US and China will provide opportunities for Sri Lankan manufacturers and we are gearing ourselves to become positioned as a viable alternative manufacturing destination.

PERFORMANCE

I am pleased to report that the Royal Ceramics Group recorded Rs.3.08 bn as profit after tax for the year ended 31st March 2019 and delivered total asset growth of 15% as we pursued our vision amidst uncertainty in both global and local markets. The Rocell Group maintains its position as the market leader in tiles and sanitaryware despite intensifying competition from cheap imports in our core market. Moderate economic growth coupled with a contraction in the construction sector resulted in moderating demand for construction related industries within the Group including tiles, sanitaryware, bathware and aluminium products. I am pleased to note the successful entry into European markets by Swisstek Aluminium leveraging the country's GSP+ status to gain competitive advantage in pricing. Packaging recorded positive growth as it focused on customer acquisition and offering customized packaging solutions. The plantations sector was hampered by policy uncertainty and regulations together with declining prices for rubber resulting in a sharp decrease in profitability. L B Finance contributed 43% to profit after tax as an equity accounted investee having delivered consistent growth and profitability through technology-based processes and product innovation.



In view of our performance, your Board recommends a dividend of Rs.1.50 per share amounting to Rs.166 mn as the final dividend for the financial year ending 31st March 2019.

INVESTING FOR THE FUTURE

Your Group invested Rs.4.0 bn in enhancing manufactured capabilities this year, pursuing our goal to be future fit. A large portion of this investment was in Lanka Tiles which now has a state-of-the-art plant with the capability to manufacture the larger sizes required in line with global design trends. Royal Ceramic and Royal Porcelain both obtained the prestigious Certificate of Conformity to European standards issued by Euro Veritas Limited for glazed ceramic tiles and glazed vitreous tiles enabling entry into this quality conscious market which positions us towards growing our exports turnover. Additional investments facilitated enhancements to our existing facilities throughout the Group, ensuring that we are well-positioned for growth with future-ready products.

OPPORTUNITIES & CHALLENGES

Moderate economic growth, political and policy uncertainty combined with rising interest rates present several challenges for the year that has commenced. Given this stark scenario, we need to seek opportunities with renewed vigour to drive growth in previously overlooked areas both locally and globally. Escalating tensions between US and China present opportunities for wooing brand owners and retailers to consider Sri Lanka as an alternative sourcing destination or

merely as part of their broad-basing initiatives. The rupee devaluation also makes our products more competitive in export markets, particularly in the Euro Area as we enjoy GSP+ concessions. Our social and environmental compliance frameworks also provide a significant competitive advantage for wooing both investors and business partnerships for entry into other markets. Clearly, if we look for opportunities, I am confident that we will find them.

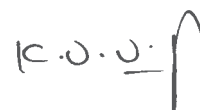
Moving forward, our relationships will be of immense importance. We need to build trusted partnerships based on fair dealing for mutual growth, supported by impeccable execution of orders received. It is also necessary to monitor the changing face of world trade as bilateral trade agreements find favour with populist governments. These could open pathways for new channels and we need to move early in seizing these opportunities.

Technology and Artificial Intelligence will play a key role in transforming the Group as a local player with global aspirations, as we deploy technology to provide insights into markets, consumption patterns and trends while also driving internal efficiencies and engaging customers through digital channels.

APPRECIATION

I wish to express my appreciation of the leadership given to the Royal Ceramics Group by Mr. Aravinda Perera who has repositioned the Group for a new era of

growth. I thank our business partners who are part of our journey and look to strengthen our partnerships as we move forward. I am appreciative of the contributions of my fellow Board members who have contributed their collective skills and experience to guide the affairs of the Company for their diligence. Our shareholders have supported our journey and I wish to thank them for their continued confidence as we step into the next phase of our growth.

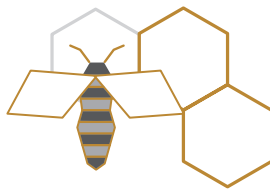


Dhammika Perera
Chairman

Managing Director's Message

This is an exciting time for the Royal Ceramic Group as we look forward to broadening our horizons, leveraging our expertise gained as the market leader in a number of our business sectors.

The Royal Ceramic Group recorded top line growth of 8.3% to reach Rs.31.5 bn in turnover despite a contraction in the construction sector and a moderation in the country's economic growth. Profit for the year of Rs.3.08 bn reflects a decrease of 20% as intense competition exerted pressure on margins. Total assets increased by 15% to Rs.61.2 bn as we invested in capital expenditure and working capital to position ourselves for growth.



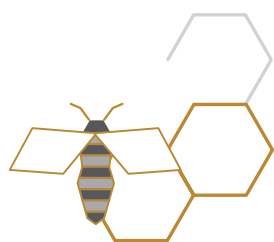
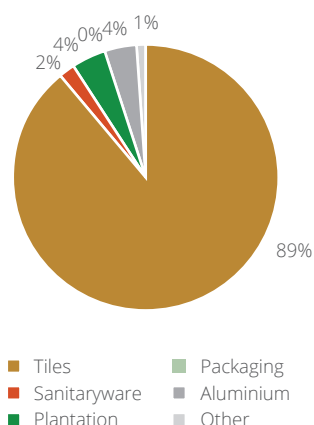
GEARED FOR GROWTH

The Group invested Rs.4 bn in capital expenditure of which Rs.3.6 bn was invested in the Tiles sector to ensure that our products are in line with the latest design trends using state-of-the-art energy efficient plants. Our capacity for the manufacture of tiles increased from 35,000 sqm per day to 41,000 sqm per day as we geared up to drive growth beyond our shores. Rocell realigned its product portfolio to cater to design trends in export markets such as Australia. Production at Lanka Tiles was disrupted due to the installation of the new kiln and the manufacture of larger sizes of tiles which required time for product development, dampening productivity. Lanka Tiles also expanded the number of contract manufacture operations locations in India from eight to thirteen factories during the year to compete effectively with the imported tiles on price while widening our portfolio. Uni Dil Packaging also expanded capacity to cater to the requirements of the broader client portfolio. Lanka Ceramics expanded the clay mining capacity to supply to our manufacturing operations.



REVENUE GROWTH OF 8.3% TO RS.31.5 BN WAS STRONGLY SUPPORTED BY THE TILES, SANITARYWARE AND PACKAGING SECTORS WHICH ALL DELIVERED SIGNIFICANT GROWTH OFFSETTING THE DECLINE IN THE PLANTATIONS, ALUMINIUM AND OTHER SECTORS.

Capital Expenditure by Sector



Rs.31.5 Bn

Turnover

15%

Total Assets Growth

OPERATING CONTEXT

Contraction of the construction sector by 2.1% had a significant impact on our operations as the demand for our product is derived from the activity in this sector. Additionally, growth in credit to the private sector granted by Licensed Commercial Banks (LCBs) for construction activities and for personal housing moderated to 14.1% and 13.1% respectively in 2018 compared to 22.5% and 21.4% growth recorded in 2017 reflecting moderate activity in these key segments. Moderation in demand was exacerbated by increasing imports from low cost producers entering the market which exerted pressure on margins as we needed to stay competitive. Increasing raw material prices due to supply disruptions, inflation and devaluation of the rupee, high energy cost and labour cost combined to make this year an extremely challenging one for the tiles sector which accounts for 66% of Group revenue and 78% for Group assets. Subdued consumer demand impacted the packaging sector as it derives its demand from industries that are engaged in the manufacture of consumer products. The financial services sector experienced significant market volatility stemming from fiscal and monetary policy measures and

external factors together with increasing non-performing loans which were reflected in the performance of the sector.

PERFORMANCE

Revenue growth of 8.3% to Rs.31.5 bn was strongly supported by the tiles, sanitaryware and packaging sectors which all delivered significant growth offsetting the decline in the plantations, aluminium and other sectors. Gross profit declined by 5.8% to Rs.10.3 bn as the overall gross margin declined from 37.6% to 32.7% due to lower revenue yields stemming from price competition in the tiles and aluminium sectors, an increased depreciation charges 11% to Rs.1.7 bn and falling rubber prices in the Plantations sector. Finance costs increased by 40% to Rs.1.9 bn due to increased borrowings to finance capacity expansion and also due to increasing interest rates. The share of profit from LB Finance increased during the year by 17.9% to Rs.1.3 bn as the Company recorded a stellar performance amidst significant external challenges. Profit before tax declined by 24% due to margin pressures across all sectors except packaging, which delivered a commendable 400% increase in profit before tax supported by revenue growth, improved margins and management of costs. Taxation decreased by 34% due to reduced profits and a decrease in dividend tax from the previous year. The loss of Rs.11 mn on discontinued operations arises from the classification of Ever Paint and Chemical Industries (Pvt) Ltd., which is not included in the segment presentation of consolidated performance. Accordingly, the Group recorded a profit after tax of Rs.3.08 bn which is a decline of 20% over the previous year due to the reasons discussed above.

Managing Director's Message

SANITARYWARE DELIVERED TOP LINE GROWTH OF 20% TAKING THE SEGMENT TURNOVER TO RS.2.47 BN DESPITE THE MODERATION IN DEMAND FACTORS, MAINTAINING ITS MARKET SHARE OF 40%.

SECTOR REVIEW

The tiles sector faced significant price competition which they have countered using several measures to retain their position as the market leader delivering revenue growth of 10% for the year. Introduction of larger tile sizes was a key development as this takes us into a new era of design, enhancing our competitiveness in the local market as well as in the export markets. Gross margins declined significantly due to competition and an increase in fuel cost. Total productivity maintenance system was introduced across the sector to drive productivity and improve margins and we are observing positive results which are masked by the larger impacts on margins. Administrative and distribution expenses both increased by 15% as we pursued export market opportunities. Segment assets increased by 22% to Rs.40.7bn reflecting investments in expanding capacity while an increase of 29% in liabilities to Rs.24.9bn reflects the increased borrowings to fund the expansion.

Sanitaryware delivered top line growth of 20% taking the segment turnover to Rs.2.47 bn despite the moderation in demand factors, maintaining its market share of 40%. Gross profit increased by 7% although margins declined due to lower capacity utilisation, inability

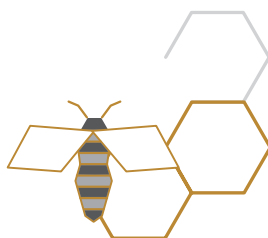
to pass on increased production cost to the customers and a focus on quality to drive export market growth. Distribution expenses increased by 45% to Rs.600 mn as we explored export market opportunities which are expected to yield results in the year that has commenced. Interest expenses increased by 67% to Rs.189 mn as borrowings increased to finance expansions. Consequently, net profit after tax declined by 63% to Rs.90 mn. Prospects for this sector's growth are positive as we have signed to manufacture under license for globally reputed brands and we continue to engage customers online and in our concept stores to drive growth.

Packing Materials delivered top line growth of 26% to Rs.3.7bn and also improved its gross margins to deliver a gross profit of Rs.374mn compared to Rs.273Mn in the previous year. Enhanced capacity, aggressive client acquisition and a focus on high margin

products supported the improved performance of this sector. Although Administration and Distribution costs increased during the year, growth was curtailed well below the top line growth rate. Finance costs increased by 17% to Rs.127mn resulting in a profit before tax of Rs. 74mn. The taxation charge increased significantly to Rs.55mn during the current year due to deferred tax charges resulting in a profit after tax of Rs.19.9mn which is still an increase of 21% over the previous year.

The plantations sector revenue declined by 10% as both tea and rubber prices declined during the year. Bi-annual wage negotiations resulting in industry wide wage increases together with the government ban on planting oil palm added to industry challenges. Finance costs also increased by 43%, decreasing profitability which declined by 94% to record a profit of Rs.2.1mn. We continue our strategy of crop diversification although in a more limited manner.

The aluminium sector faced many challenges stemming from the contraction in the construction sector as the large players including Swisstek Aluminium had enhanced capacity leading to unprecedented levels of competition. This led to a 6% decline in revenue to Rs.3.1bn and a near halving in gross profit to Rs. 533mn. Distribution costs were curtailed sharply to 47% of the previous year to minimize losses.



Rs.3.08 Bn

Profit After Tax

40%

Sanitaryware market share

Finance costs increased by 187% to Rs.335mn as capacity expansions were funded through borrowings. This resulted in a profit before tax of Rs.179mn which attracted a deferred tax reversal of Rs.54mn. Accordingly, Swisstek Aluminium recorded a loss of Rs.145mn for the year.

L B Finance, our Associate company, delivered strong growth in a year marked by policy uncertainty, reduced vehicle imports, interest rate volatility and increasing non-performing loans for the financial services sector. This equity accounted investee contributed Rs.1.3bn to profit after tax, an increase of 17.9% over the previous year's share of profit reflecting the strength of the brand, an island-wide footprint and high levels of customer satisfaction. A strong balance sheet supports the positive outlook for this Company.

OUTLOOK

The forecasts for 2019 both globally and locally point to moderation in growth. However, there are opportunities within these forecasts for Sri Lankan companies. The escalation of US - China trade sanctions is one such

case where the country should unite to woo manufacturers to consider Sri Lanka as a viable and ethically compliant manufacturing destination following the example set by the apparel sector. There are significant opportunities to drive production and supply chain efficiencies through deployment of technology and artificial intelligence, making our products more competitive in global markets. It is also important to focus on realigning the country to its former growth trajectory in the aftermath of the Easter Sunday attacks with positive action and we are conscious of our responsibilities in this regard.

The Rocell Group is well-positioned to explore opportunities in export markets having invested in world-class manufacturing facilities with quality and process certifications by international reputed agencies. Our designs have also been aligned to cater to international markets with international design expertise ensuring that we are on point with current design trends. Additionally, the Group has developed a strong sustainability mindset, having adopted the 3R concepts and implemented sustainability reporting in a holistic manner throughout the Group, which will provide a competitive advantage in complying with the requirements of potential brand owners and customers. As noted at the outset, we are encouraged by the interest shown by potential buyers and we have made considerable progress in developing these relationships to tangible orders. Our priority in the year that has commenced will be to ensure we deliver beyond expectations.



The Rocell Group is well positioned to explore opportunities in export markets having invested in world class manufacturing facilities with quality and process certifications by international reputed agencies.

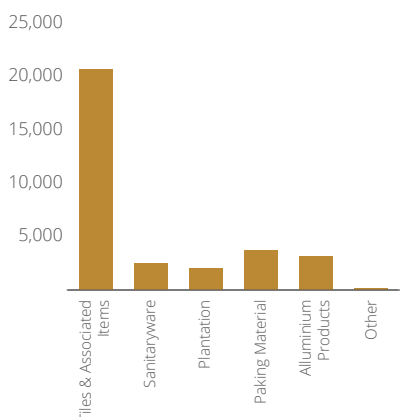
ACKNOWLEDGEMENTS

I thank the Board for charting our course and providing the necessary guidance through the year. I take this opportunity to thank the CEO's of the subsidiaries who have provided leadership to our teams. I thank all the employees of the Rocell Group for inspiring customers. Our business partners have shared our growth journey and I extend my sincere appreciation of their contribution, while looking to their support in the future to realise mutual goals. I thank our shareholders for the support and confidence extended and look forward to delivering another profitable year.

Aravinda Perera
Managing Director

Sectorwise Revenue

Rs.Mn



Board of Directors

(from left to right)

Mr. A M Weerasinghe

Mr. Aravinda Perera

Mr. Dhammika Perera

Mr. Harsha Amarasekera

Mr. Tharana Thoradeniya

Mr. G A R D Prasanna

Mr. R N Asirwatham

Mr. L N De S Wijeyeratne

Mr. Nivran Weerakoon

Ms. Niruja Thambiayah





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 & finance, leisure, aluminium extrusion, packaging, plantations, lifestyle, healthcare, consumer and hydro power generation. He has over thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Uni Dil Packaging Limited, Delmege Limited, and LB Microfinance Myanmar Company Ltd. He is the Co- Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products 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 presently the Chairman of Singer Finance Lanka PLC. He is also a Director of Pan Asia Banking Corporation PLC, Royal Porcelain (Private) Limited, Rocell Bathware Limited and further to the Directorships, he chairs the Audit Committees of Hayleys PLC, Hayleys Aventura (Private) Ltd, Hayleys Advantis Ltd and Fentons Ltd.

He was the former Chairman of Siyapatha Finance PLC, a Director of Sampath Centre Ltd., The Colombo Stock Exchange and Lanka Bangla Finance Limited in Bangladesh.

He passed out from the University of Moratuwa in 1980 with an Honours Degree in Mechanical Engineering. 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 MBA from the Postgraduate 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 honoured with the "Award for the Outstanding Contribution to the Banking Industry – 2015" by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

Mr. A M Weerasinghe

Director

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. Mr. Weerasinghe 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 Lanka Ceramic PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd, Trade Huts (Pvt) Ltd and Weerasinghe Gems (Pvt) Ltd, and Deputy Chairman of Lanka Tiles PLC, Lanka Walltiles PLC and serves as Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

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 Limited, Vallibel Plantation Management Limited, Dipped Products (Thailand) Ltd, Uni Dil Packaging (Pvt) Limited, Fentons Ltd and Swisstek Aluminium Limited, 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. R N Asirwatham

Director

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 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 and Yaal Hotels Private Limited.

Mr. Harsha Amarasekera

(President's Counsel)

Director

Mr. Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Swisstek (Ceylon) PLC (Chairman), Swisstek Aluminium Limited (Chairman), Vallibel One PLC, Expolanka Holdings PLC, Chevron Lubricants Lanka PLC, Ambeon Capital PLC, Amana Bank 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

Director

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 and Delmege Group of Companies.

Mrs. Niruja Thambiayah

Director

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 Wijeyratne

Director

Mr. Wijeyaratne is a Fellow of the Institute of Chartered Accountants in Sri Lanka and counts over 35 years of experience in Finance and General Management both in Sri Lanka and overseas.

He is currently an Independent Non-Executive Director of several listed companies. 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, Zambia Consolidated Copper Mines Ltd.

He also served as a Director of DFCC Bank PLC and LB Finance PLC. Mr. Wijeyaratne was a member of the Corporate Governance and Quality Assurance Board of the Institute of Chartered Accountants of Sri Lanka as well as the Accounting Standards and Monitoring Board of Sri Lanka.

Mr. Nivran Weerakoon

Director

(Appointed on 17th May 2019)

Mr. Nivran Weerakoon is a Fellow of the Chartered Institute of Management Accountants UK (FCMA) and holds a Master of Business Administration (MBA) from the University of West London UK.

He currently serves on the Board of Directors of Lanka Electricity Company (Private) Limited (LECO) and Media Monkey (Pvt) Ltd.

He has previously held many senior management positions including the positions of Executive Director and Chief Executive Officer in a number of private companies.

The Corporate Management



1 Aravinda Perera
Managing Director

2 Tharana Thoradeniya
Director Marketing and Business
Development

3 Haresh Somashantha
Head of Finance & Treasury

4 Nandajith Somaratne
General Manager Manufacturing

5 Anura Jayatissa
Head of Bathware Factory Complex

6 Neil Bogahalande
Head of Human Resources

7 Kumudu Keerthirathna
Head of Eheliyagoda Factory
Complex

8 Dhammika Ranaweera
Head of Horana Factory Complex

9 Wasantha Sarathchandra
Group Financial Controller



10 Sidath Rodrigo
Head of Retail

11 Aravinda Sirinatha
Head of Sales Administration

12 Thilini Guneratne
Chief Internal Auditor

13 Nalin Fernando
Head of IT

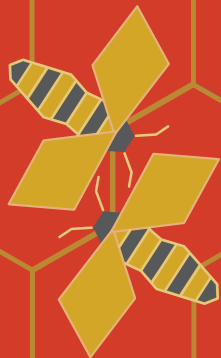
14 Sudeeptha Seneviratne
Head of Brands

15 Rohan Mendis
Senior Export Manager

16 Shammika De Silva
Head of Warehouse Operation

17 Upul Disanayake
Senior Manager - Logistics

Our strategy is
determined through
our synergies and
collaborative efforts -
we're working together
to create lasting value.





STRATEGY

The Strategic Report **32**

Strategy **34**

Stakeholder Engagement **36**

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The Strategic Report

We focus on utilizing and renewing our capital resources to create value in six diverse sectors. Our ability to generate revenue is driven on product quality, innovation, brand image, customer relationships and a wide retail and distribution network.

Value Creation



Governance

Managing our strategic investments



Horana Plantations



Tile Grouts



Aluminium Extrusions



Licensed Finance Company



Consumer



Other

Value Delivered

SHAREHOLDERS

9.5%
ROE

6.78%
Dividend
yield

Rs. 23.75
Earnings
per share

CUSTOMERS

11.5 Mn
sqm of Tiles

2,649 MT
of Tea

30,490 MT
of Grout
and Mortar

37,487 MT
of Ball Clay, Feldspar
and Keolin

4,373 MT
of Aluminium

20,260 MT
of environmentally
friendly packaging
materials

174,990 Units
of bathware
accessories

SUPPLIERS

- Amount paid to local suppliers were Rs. 23,605 mn
- Payments to international suppliers of Rs. 10,537 mn

EMPLOYEES

- Salaries & Wages of Rs. 5,043 mn
- Investment in training Rs. 21 mn

COMMUNITIES

- Direct and indirect Employment opportunities
- Trainings for tile layers
- CSR spend of Rs. 42 mn

GOVERNMENT

- Taxes (Direct & Indirect) Rs. 5,965 mn
- Development of manufacturing infrastructure
- Export revenue of Rs. 868 mn

Impacts



Reforestation



US\$ 4,768,160
earned from
exports



Import
substitution




16,108 MT of
Waste Disposed



697 Mn Litres
of waste water
treated and
discharged

Strategy

Our prudent and clear corporate strategy continued to drive performance and value creation despite a challenging economic landscape.

| Strategy | Initiatives in 2018/19 |
|---|--|
| MARKET LEADERSHIP  | Innovation <ul style="list-style-type: none"> Invest Rs 76.5 mn on research and development. Launch new products and designs. Markets <ul style="list-style-type: none"> Contract manufacturing of sanitary ware for global brands. Increasing customer touch points. Focus on direct sales to large scale projects. |
| FINANCIAL STABILITY  | <ul style="list-style-type: none"> Effectively manage liquidity. Funding capacity expansions. Managing financial leverage. |
| OPERATIONAL EXCELLENCE  | People <ul style="list-style-type: none"> Improve employee productivity. Develop capabilities. Maintain high levels of staff engagement. Excellence in manufacturing <ul style="list-style-type: none"> Capacity expansion. Total Productivity Management (TPM) initiatives to streamline processes and drive cost efficiencies. Reduced time taken to manufacture products. |
| INTEGRATING SUSTAINABILITY PRINCIPLES  | <ul style="list-style-type: none"> Provide indirect employment opportunities. Continue CSR projects. Strictly comply with environmental standards. Waste management. |

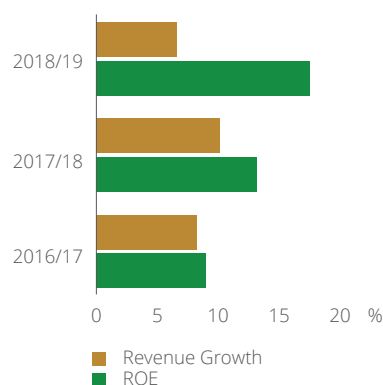


How we performed this year



Revenue
Growth

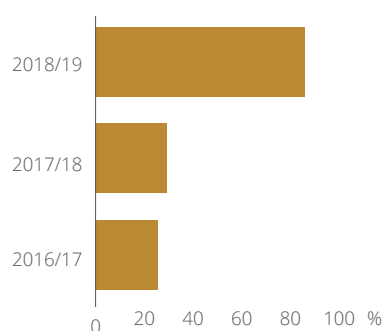
8.3%



- Gearing ratio was 58.53% compared to 51.57% last year.
- Inventory turnover days increased from 121 to 138.
- Cash operating cycle was 146 compared to 130 last year.
- Negotiated with suppliers on price and credit terms.
- Shareholder funds increased by 10%.

- Revenue per employee was 3.08 mn compared to Rs. 3.03 mn last year.
- Retention rate of 82%.
- 7,860 of workforce engaged in training programmes.
- Cost savings of Rs. 480 mn from TPM initiatives.

Cost to Income Ratio



- Supported communities through 568 indirect employments opportunities.
- CSR spend of Rs. 42 mn.



Priorities for 2019/20

- Engage and strengthen customer relationships.
- Open franchise showrooms.
- Develop innovative product designs.
- Increase contract manufacturing of sanitary ware products.
- Diversify revenue by driving sales of new products such as kitchen sinks.

- Manage working capital.
- Maintain adequate funding capacity.
- Evaluate investment opportunities.

- Focus on cost efficiency.
- Develop competencies by recruiting specialized expertise, training and development.
- Adopting best practices such as complying with ISO 27000 on IT security.

- Training and development of franchisors.
- Comply with environmental standards.
- Minimizing waste.
- Ensure safe disposal of hazardous waste.



Stakeholder Engagement

Several stakeholders interconnect with our diverse businesses to support value creation and performance. Understanding and effectively managing stakeholders in an equitable manner is integral to drive a sustainable and resilient business model.

| Customers | Influencers | Franchisees, Distributors & 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. | We engage with them through a dedicated team headed by a senior manager | We engage with investors through formal mechanisms which are typically signed off by the Board |
| How we engage: <ul style="list-style-type: none"> • Our own retail stores • Visits to large customers • Trade Exhibitions & Fairs • Customer feedback | How we engage: <ul style="list-style-type: none"> • Ongoing engagement with Sri Lanka Institute of Architects • Register of architects • Tilers clubs • Discounts to architects and tilers | How we engage: <ul style="list-style-type: none"> • Dedicated teams to handle distribution networks • Regular assessments on performance and feedback • Annual conferences | How we engage: <ul style="list-style-type: none"> • Quarterly Financial Statements • Press Releases • Annual Report • Annual General Meeting • CSE Announcements |
| Concerns: <ul style="list-style-type: none"> • Aesthetic appeal • Product quality • Price • Availability • Accessibility | Concerns: <ul style="list-style-type: none"> • Aesthetic appeal • Range • Product information • Product quality • Price • Availability | Concerns: <ul style="list-style-type: none"> • Incentives & Rewards • Customer demand • Marketing communications • Logistics • Support for growth | Concerns: <ul style="list-style-type: none"> • Earnings & Dividends • Growth prospects • Environment & Social impact • Governance • Share price and liquidity |
| How we managed concerns: <ul style="list-style-type: none"> • Product quality certification • Product quality assurance processes • Driving cost efficiencies • Managing price and volume growth • Island-wide presence | How we managed concerns: <ul style="list-style-type: none"> • 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 | How we managed concerns: <ul style="list-style-type: none"> • Advertising and marketing communications to create demand • Product innovation to drive customer demand • Dedicated teams to support availability and product information • Capacity building support | How we managed concerns: <ul style="list-style-type: none"> • Defended market leadership • Implementation of strategy • Enhanced manufacturing capacity • Corporate governance • Risk management |
| Refer Social and Relationship Capital Report on page 86 | Refer Social and Relationship Capital Report on page 86 | Refer Social and Relationship Capital Report on page 86 | |

| 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: <ul style="list-style-type: none"> • An open-door policy • Formal performance appraisals, • Regular meetings with unions • Communication of company performance | How we engage: <ul style="list-style-type: none"> • Supplier assessment and feedback • Managing relationships • Visits • Meetings | How we engage: <ul style="list-style-type: none"> • Filing returns • Facilitating visits | How we engage: <ul style="list-style-type: none"> • Recruit from local communities where skills are available • Entertain grievances from community • Strategic philanthropy |
| Concerns: <ul style="list-style-type: none"> • Remuneration • Employee benefits • Conducive workplace • Training & Development • Career progression | Concerns: <ul style="list-style-type: none"> • Increased business • Transparent procurement processes • Timely payments • Constructive feedback | Concerns: <ul style="list-style-type: none"> • Compliance with regulations • Timely filing of returns • Timely payments | Concerns: <ul style="list-style-type: none"> • Employment opportunities • Socio economic progress • Environment related issues • Support for community needs |
| How we managed concerns: <ul style="list-style-type: none"> • Benchmarked remuneration and benefits to industry standards • Fair and transparent performance appraisal system • Collective agreement renewals • Employee engagement initiatives | How we managed concerns: <ul style="list-style-type: none"> • Established procurement processes • Quality assurance processes to provide constructive feedback • Ensured timely payments | How we managed concerns: <ul style="list-style-type: none"> • Ongoing processes to ensure regulatory compliance • Engaging with regulators to seek clarification • Providing feedback on new regulations | How we managed concerns: <ul style="list-style-type: none"> • 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 Human Capital Report on page 79 | Refer Social and Relationship Capital Report on page 86 | Refer Social and Relationship Capital Report on page 86 | Refer Social and Relationship Capital Report on page 86 |

Materiality

GRI- 102-47

Materiality assessments sharpen our focus on the core drivers of value creation. Every year, economic variables, stakeholder concerns, risks and emerging opportunities are evaluated to identify material issues. These are prioritized in accordance to their impacts to stakeholders and the

businesses operations of the Group. During the year, six material topics were considered to have a high impact. Reporting guidelines such as GRI were used to provide full disclosure on material topics within three broad categories namely economic, social and environmental. The material topics were actively managed and

monitored by implementing strategies to manage these factors to create value for the organisation or stakeholders or mitigated if the topic posed a threat and where it was practical and cost effective to do so. In addition, these topics became a reference source to determine our principal risks and opportunities as described in page 39.



Principal Risks

As a Group of diverse businesses, we are impacted by several risks and uncertainties throughout the year. Accordingly, effective risk management is fundamental in successfully navigating market volatility. We consider factors that have a material impact on our performance and value creation to be the principal risks of the Group as discussed in page 40.

RISK GOVERNANCE

The Board is responsible for risk management of the Group and is assisted in this by the Audit Committee who review the risks in more detail. They are assisted by internal auditors who conduct risk - based audits and submit reports which include risk assessments and an evaluation of the strategies implemented to identify, measure, monitor, manage and mitigate risks. Additionally, the Corporate Management Team monitor the risk landscape for emerging risks and communicate the same to the Managing Director and where material, to the Board. The Board also monitors the risk landscape to facilitate effective discharge of their functions and considers the same in reviewing performance and provides guidance to the Management in managing risks effectively, reflecting the risk appetite of the Board.

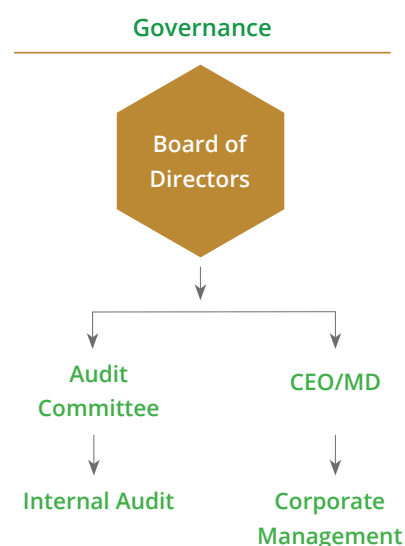
MONITORING RISK

Close monitoring of risks and periodic reporting is important for effective risk control. Key performance indicators are monitored monthly by divisional managers and reported to Managing Director and the Board. In addition, risks are independently evaluated by the Audit committee every year and the findings are used to formulate policies.

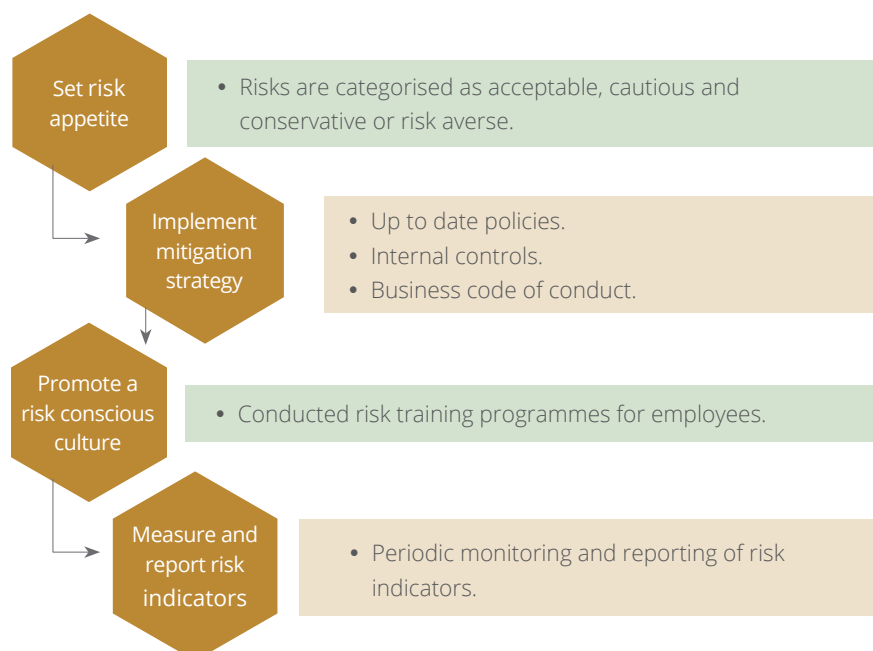
DEVELOPMENTS IN 2018

The Group whistle blowing policy was formulated to be implemented with effect from April 2019 to serve objectives of maintaining high standards of corporate governance and to serve as a channel of corporate risk management. It will open a forum for employees to speak about their genuine concerns in relation to the activities that would be

harmful to the interest of the company and its stakeholders. Moreover it will serve the purpose of establishing a mechanism to investigate and address such legitimate concerns/wrong doings and to mitigate risk thereon.



Managing principal risks



Principal Risks

Subdued Economic Growth

General economic factors such as rising interest rates and subdued economic growth impacted consumer confidence and household disposable income in 2018. This had a severe impact on tile demand as construction activity weakened.

Risk indicators

- Housing approvals declined by (11%) during the 1st half of the year.
- Consumer confidence index declined by (0.5%) in December 2018 compared to the previous month.
- Tile demand in export markets declined by 2.3% to 603,454 sqm.

Mitigating factors

- Driving export revenue by reaching new markets and contract manufacturing for global brands.
- Renewed focus on sales through projects to large scale customers.
- Expanding regional presence by opening franchise showrooms.
- Cater to niche customers with value added products such as large size porcelain tiles.
- Revenue diversification.

Failure to attract and retain employees.

Resignations, absenteeism, trade union actions, etc impact our ability to reach objectives and could negatively impact customer service especially in stores.

Risk indicators

- Average rate of retention was 82% in 2018.
- Employee productivity in the tile sector was 3,794 sqm per employee.

Mitigating factors

- Maintained good relationships with trade unions and collective agreements for workers and staff signed every 2 and 3 years respectively in the plantation sector.
- In tiles sector, collective agreements are renewed every 3 years.
- Measure employee satisfaction through surveys.
- Providing a decent compensation package and benefits.
- Creating a healthy and safe work environment.
- Provide necessary protective gear to factory employees and ensure machinery and equipment is evaluated prior to purchase.

Cyber Risks

- Maintain up to date IT systems.
- Working on compliance to ISO standards in information technology.

Commodity price risk

Global growth subdued during the year due to geopolitical tensions, trade wars and weakening financial conditions. This affected demand in export markets.

Risk indicators

- Tea prices declined by 4.4% and rubber prices remained the same level as last year of USD 2.26 per Kg.

Mitigating factors

- Tracked global forecasts of tea and rubber prices.

Intense Competition

Intense competition with importers of low-priced tiles, has a significant impact on our profitability and margins as cost increases cannot be passed onto consumers.

Risk indicators

- Market share in the tile segments slightly improved to 38% from 34% recorded for last year.
- Gross profit margins declined to 40% in the tiles sector.

Mitigating factors

- Leverage our tile specialisms to create differentiated and niche products.
- Increase imports of low -priced tiles from OEM manufacturing bases in India.
- Introduced total productive maintenance programmes to reduce cost of production.



Depreciation of the Rupee

Sharp depreciation of the rupee towards the end of the year had a severe impact on costs of production as over 90% of stains, chemicals and spare parts are sourced from outside Sri Lanka.

Risk indicators

- Rupee depreciated by 16% against the USD over Jan to December 2018.
- Cost of Sales in the tile sector increased by 21%.

Mitigating factors

- Negotiated with suppliers on prices and trading terms.
- Expanding local supply of raw materials such as clay.
- Setting up manufacturing bases in low cost regions such as India and China.

Reputation risk

Non-compliance to regulations, standards and certification could impair our reputation.

Mitigating factors

- Maintained stringent compliance to environmental licenses and certifications such as Green label certificates, CEA, etc.
- Environmental policies were up to date.
- Actively engage with government bodies, regulators and industry associations.

Dynamic global environments

Global growth subdued during the year due to geopolitical tensions, trade wars and weakening financial conditions. This affected demand in export markets.

Risk indicators

- Global economic growth subdued to 3.7% from 3.8% last year.
- Growth in domestic exports subdued to 4.6% in 2018 compared to 10% last year.

Mitigating factors

- Increase presence in local markets by importing low priced tiles.
- Launch new product designs to niche customers.

Political and policy uncertainties

Changes in policies such as rising taxes and interest rates impact our profitability.

Mitigating factors

- Staying up to date with regards to information on policy changes which are communicated by Chambers of Commerce.
- Engaged with Government, chambers and panels to provide industry recommendations.

Loss of key suppliers

We have maintained strong relationships with suppliers and widened our product sourcing across regions and geographies. We are able to successfully re-source materials from one manufacturer to another.

Disruptions to manufacturing process due to machinery shut downs and repairs.

- Perform routine maintenance checks on machinery and equipment.
- Stringent procurement practices to ensure suppliers are thoroughly evaluated prior to purchasing machinery.
- Entered into agreements with suppliers for the purpose of attending to breakdowns

Climate change

Risk indicators

- Crop losses
- Availability of raw materials such as ball clay, feldspar and silica sand.

Mitigating factors

- Forest health inspections.
- Surveys conducted on industry pests and diseases.
- Compliance with environmental standards.
- Safe disposal of waste.

Leverage

The Group has a debt of Rs. 18,875 mn which is a revolving credit facility with financial covenants attached to the loan.

Risk indicators

- Debt to equity ratio of 58.53%

Mitigating factors

- Discussions on loan renewals were conducted in advance.
- Availability of unused credit lines
- Conditions on loan covenants are periodically monitored and reported to the Board of directors.



We oversee our
resources responsibly
- ensuring we maintain
consistent development
across our diverse
business sectors.



STEWARDSHIP AND ACCOUNTABILITY

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Operating Environment

The macro environment has a significant impact on our performance. Several macro variables such as economic growth, inflation, interest rates and Government policies impact both demand and profitability. We closely monitor changes in our macro landscape to evaluate potential risks and emerging opportunities.

KEY MACRO VARIABLES

Economic Performance and construction activity

Global markets faced several challenges in 2018 due to geopolitical tensions, trade wars and weakening financial conditions. This decelerated global growth to 3.7% compared to 3.8% in the previous year following weaker demand, trade barriers and supply disruptions. The domestic economy was further impacted by changing government policies, political conflicts and setback in construction activity. Investment expenditure grew at a slower pace of 3.2% during the 1st half of the year compared to 23% in the corresponding period last year. This impacted economic growth which declined to 3.1% from 3.3% last year despite the recovery of Agricultural sector.

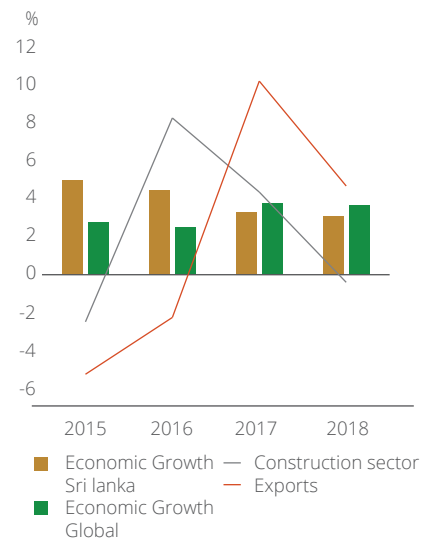
Strategic impact

- Demand for tiles declined in local and export markets.
- Consumers in local markets preferred low-priced tiles imported from regional counterparts.
- The US / China trade wars increased opportunities in our key export markets.

Link to material topic

4

5



Government Policies

With a favourable inflation outlook, the Central Bank maintained a neutral monetary policy to support economic growth. Interest rates and reserve ratios were revised since April 2018 when the standard lending rate (SLR) was reduced to 8.5%. Nevertheless, average weighted lending rate (AWLR) continued to increase throughout the year due to persistently high liquidity deficits in domestic money markets.

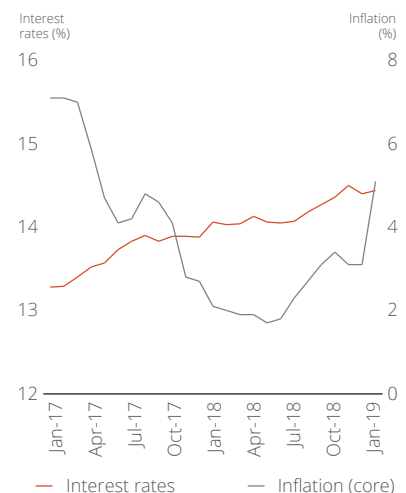
Headline inflation (NCPI) declined to 0.4% in December 2018 compared to 7.1% in December 2017 supported by lower food prices which offset the impact of exchange rate depreciation and rising fuel prices.

Strategic impact

- Cost of borrowing increased.
- Profitability was impacted by the increase in corporate tax rate on export revenue to 28% in 2018 from 12% last year.

Link to material topic

4



- Fiscal policies continued to focus on fiscal consolidation and tax rates were revised to increase government tax revenue and curtail import expenditure.

Exchange rate depreciation

During the year, the rupee depreciated by 16.4% against the US dollar. The sharp exchange rate depreciation towards the latter part of year was triggered by the escalating political crisis.

Rising energy costs

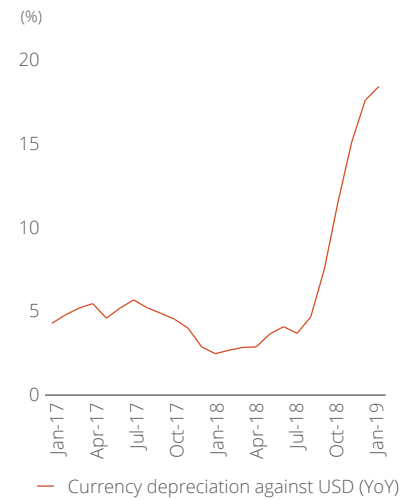
Rising crude oil prices and the implementation of the fuel pricing formula increased energy and transportation costs in 2018.

Strategic impact

- Cost of production increased.
- Rising fuel costs impacted distribution costs.

Link to material topic

4



Environmental concerns

The impacts of climate action have been severe across the globe. With rising environmental concerns, several countries have joined global initiatives such as the sustainability development goals. This increases environmental responsibilities of the corporate sector requiring strict compliance to environmental regulations and standards.

Strategic impact

- Increasing costs of compliance.

Link to material topic

6

Changing consumer preferences

With increasing urbanization and changing lifestyles, consumer preferences have been fast changing. Operators in the consumer retail sector need to continuously replenish product ranges to suit latest consumer trends.

Strategic impact

- Launch of new product ranges affect the smooth flow of production lines.

Link to material topic

5

Operating Environment

TILES AND SANITARY WARE SECTOR



The tile and sanitary ware sectors are driven by construction and refurbishment of houses and commercial properties. In domestic markets, floor tiles continued to have a significant 38% share of tile demand. Wall tiles, considered a niche product, accounted for a smaller portion of the tile market.

Consumption

Demand for tiles continued to moderate as construction activity decelerated by 0.4% over the first nine months of 2018 compared to 7.2% in the corresponding period of 2017. Rising borrowing costs, subdued investor confidence and proposals to impose VAT on condominium housing units, deterred investment expenditure. Credit granted by commercial banks for personal housing decelerated to 13.1% compared to the 21% of last year. Housing approvals continued to decline by 11% during the first half of the year.

Supply

The tile supply includes local production and imports. During the year, imports decreased at a marginal level of 1.3% compared to last year driven by unhealthy economic conditions prevailed in the country. Local production also increased at a slower pace of 0.6% compared to the last year due to constraints of the production capacities. Sharp currency depreciation against the USD and rising energy costs affected domestic manufacturing activities in 2018.

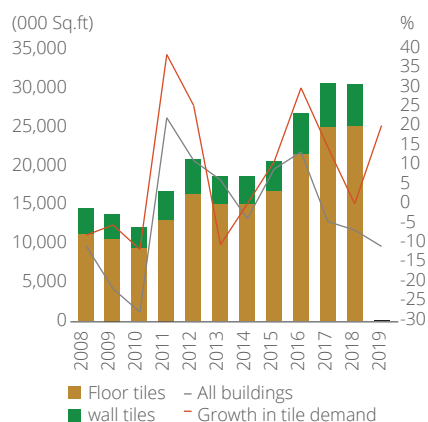
Competitive landscape

The tile industry is a fragmented industry comprising of low -cost importers offering commoditised products and tile specialists catering to both local and export markets. Price competition continued to be intense as the lack of anti-dumping laws not effectively implemented in the country allowed low cost importers to flourish in domestic markets. This had a severe impact on domestic manufacturers who were unable to pass on rising costs of production to consumers.

In domestic markets, floor tiles continued to have a significant 38% share of tile demand. Wall tiles, considered a niche product, accounted for a smaller portion of the tile market.

| Strategic impact | Link to material topic |
|--|------------------------|
| Declining demand impacted revenue growth. | 3 |
| Rising costs of production pressurized margins as cost increases couldn't be passed onto consumers due to intense price competition. | 4 |
| | 5 |

Tile market



PLANTATION SECTOR



Extreme weather conditions combined with the ban on broad spectrum weedicide continued to hamper the plantation sector. During the year both tea and rubber production saw a decline of 1%.

Extreme weather conditions combined with the ban on broad spectrum weedicide continued to hamper the plantation sector. During the year both tea and rubber production saw a decline of 1%.

Volume of tea exported during the year fell to 282 mn Kg, lowest since 2000. The average FOB price declined to US \$ 5.06/kg from a highest ever of US \$ 5.29/kg of the previous year. Consequent to banning of glyphosate, tea growers were forced to use alternative products and this resulted in higher MCPA levels. This had an adverse impact on the exports to Japan as shipments were only made after testing for chemical residue levels. US sanctions imposed on Iran also had an adverse effect on tea prices, particularly for the Low Grown teas.

The positive effect that should have come from strengthening oil prices coupled with the weakening Sri Lanka Rupee was also mitigated as currencies

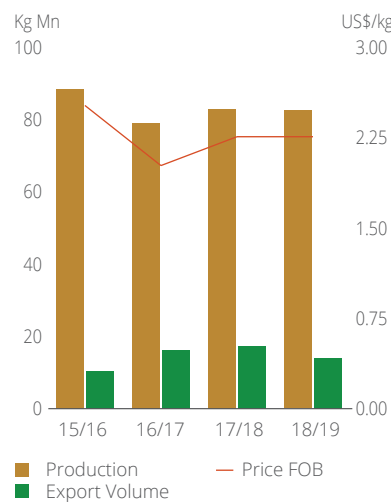
of most tea importer countries also depreciated against the US Dollar.

World rubber prices continued its downward trend in 2018. This combined with the escalating production cost poses a risk to rubber plantations in the country. Rubber production declined by

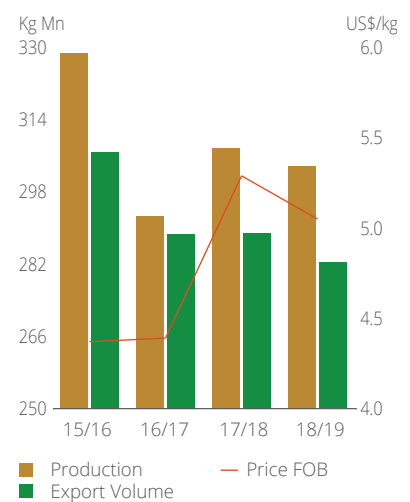
0.6% to 82.6 mn kgs in 2018 from 83.1 mn kg.

The volume of rubber exported during the year fell by 18.9% to 14 mn Kg. The average FOB price which was US \$ 2.26/kg maintained at the same level by end of the year.

Rubber Industry



Tea Industry



Operating Environment

ALUMINIUM



Demand for aluminium is closely associated with the growth of the construction sector. While the local demand for aluminium extrusions are met with both imports and local production we have over 1,500 fabricators catering to industrial, residential and commercial markets.

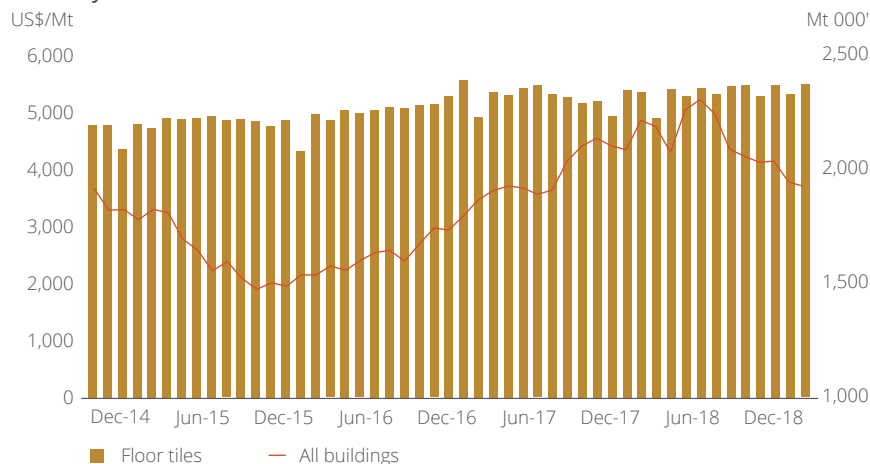
Demand for aluminium is closely associated with the growth of the construction sector. While the local demand for aluminium extrusions are met with both imports and local production, we have over 1,500 fabricators catering to industrial, residential and commercial markets.

2018 saw the slowest growth in the global aluminium production since 2009 with an output of 64.34mn MT, up by 1.5% from the previous year. China continues to dominate the market as it accounted for 56% of the global production in 2018.

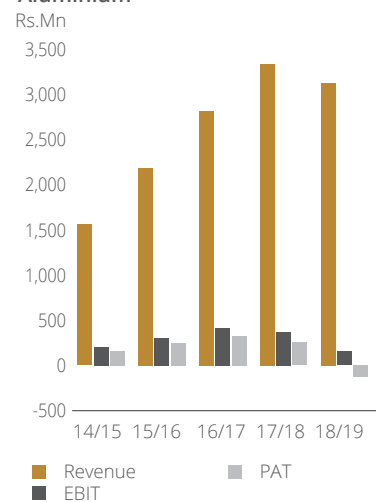
Aluminium prices trended mostly downward in 2018 despite reaching a

multi year high in April when US imposed sanctions on Russian aluminium giant UC Rusal, one of the biggest aluminium producers in the world and the largest supplier outside of China. However as demand slowed down from China, the largest consumer and producer of aluminium and the country's political tension with the US drove prices down.

Monthly Aluminium Prices and Production



Aluminium



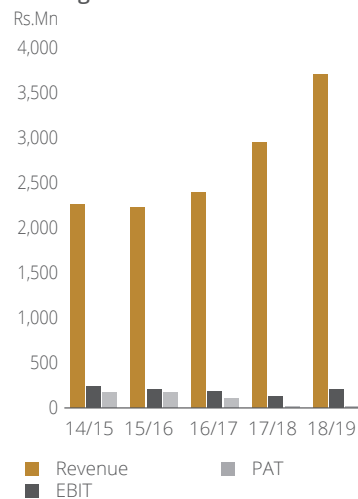
PACKING MATERIALS



During 2018 agricultural exports saw a marginal decline of 1%, however industrial exports such as Food and beverage and textile increased by a healthy 25% and 13% respectively.

Growth in FMCG and construction sectors had a positive impact on demand for packing material. During the last two years paper was trading at relatively high prices and this combined with the depreciating Rupee had an adverse impact on cost of productions. The local packing material industry is largely dependent on key exports such as tea, rubber and garments. During 2018 agricultural exports saw a marginal decline of 1%, however industrial exports such as food and beverage and textile increased by a healthy 25% and 13% respectively. This had a positive impact on the demand for corrugated packaging.

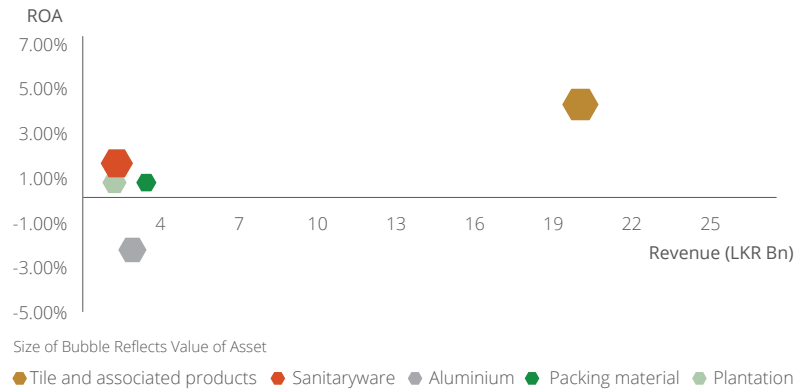
Packing



Business Line reviews

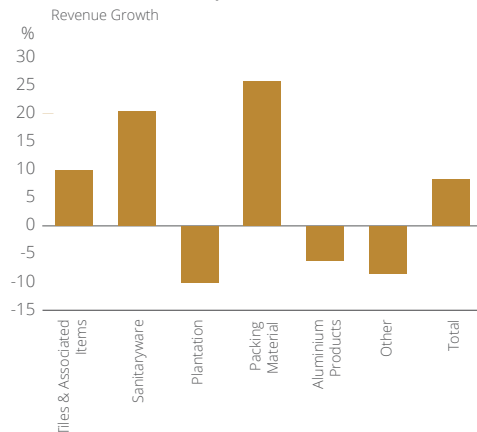
Royal Ceramics Lanka PLC continued to lead the tile industry for the twenty ninth year, with a market share of 38% for floor tiles and 29% for wall tiles.

PERFORMANCE IN 2018/19

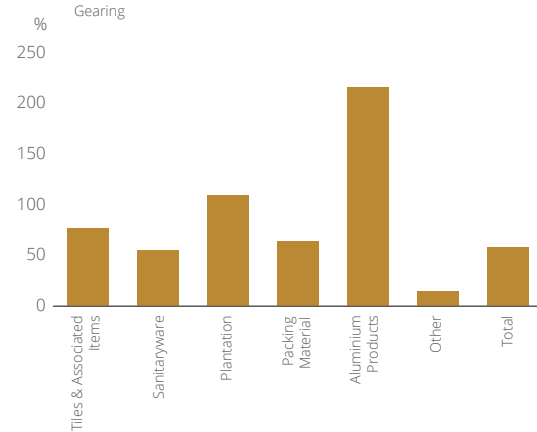


DELIVERY OF STRATEGIC PRIORITIES

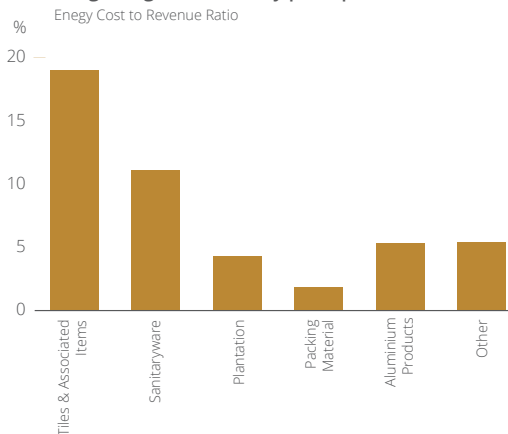
Market Leadership



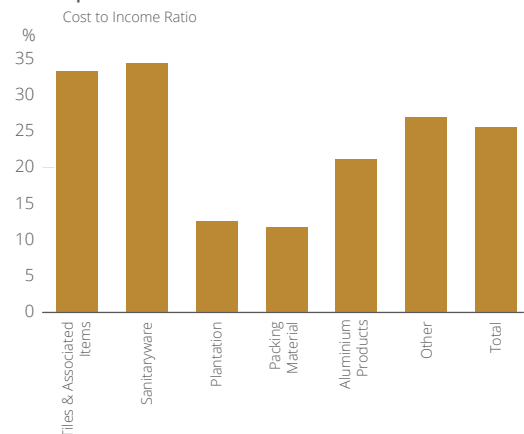
Financial Stability



Integrating sustainability principles



Operational Excellence



TILES AND ASSOCIATED PRODUCTS

Royal Ceramics Lanka PLC continued to lead the tile industry for the twenty ninth year, with a market share of 38% for floor tiles and 29% for wall tiles. Our comprehensive and differentiated

product portfolio caters to every consumer segment in mass and niche markets. Our manufacturing facilities produce high quality tiles catering to both the local market and exports while

OEM manufacturing bases in India and China facilitate imports of low- priced tiles to complete a comprehensive portfolio of wall and floor finishing products.



| Financial Capital | 18/19 | 17/18 |
|----------------------------|--------|--------|
| Revenue (Rs. Mn) | 20,641 | 18,784 |
| PAT (Rs. Mn) | 1,744 | 2,251 |
| GP margin | 39.8% | 45.2% |
| Total Assets (Rs. Mn) | 40,700 | 33,491 |
| Total Liabilities (Rs. Mn) | 24,887 | 19,296 |
| ROA (%) | 4.3 | 7 |



| Manufactured Capital | 18/19 | 17/18 |
|--------------------------|--------|--------|
| PPE (NBV) (Rs. Mn) | 13,939 | 12,077 |
| Capex (Rs. Mn) | 3,594 | 2,780 |
| Depreciation (Rs. Mn) | 1,197 | 1,014 |
| Capacity (Sq.m per day) | 41,000 | 35,000 |
| Capacity Utilization (%) | 95 | 95 |
| Locations | 04 | 04 |



| Human Capital | 18/19 | 17/18 |
|--------------------------------------|-------|-------|
| Employees | 3,157 | 2,706 |
| Remuneration (Rs.Mn) | 2,909 | 2,693 |
| Employee Productivity (SQM/employee) | 3,794 | 4,150 |
| No of new recruits | 785 | 467 |
| Investment in Training (Rs. Mn) | 12 | 9.3 |



| Natural Capital | 18/19 | 17/18 |
|-----------------------|---------|---------|
| Materials (Mt) | 253,293 | 181,574 |
| Energy (Mn KWH) | 51 | 47.2 |
| Water (Mn ltrs) | 176 | 129 |
| Waste water (Mn ltrs) | 97 | 94 |
| Waste (MT) | 19,218 | 14,433 |



| Social & Relationship Capital | 18/19 | 17/18 |
|-------------------------------|-------|-------|
| Distributors | 77 | 59 |
| Dealers | 77 | 71 |
| Franchisees | 45 | 42 |
| Tiler Club Members | 4,543 | 4,000 |
| Suppliers | 2,047 | 1,655 |



| Intellectual Capital | 18/19 |
|---------------------------|---------------------|
| Certifications | Locations Certified |
| ISO 14001 | 04 |
| ISO 9001 | 04 |
| CE certification | 04 |
| Green label certification | 04 |
| OHSAS 18001 | 04 |

< Nurturing capitals >

- Driving customer loyalty by providing innovative and high -quality products that suit latest consumer trends,
- Building capacity by investing Rs. 3,594 mn on domestic tile facilities.
- Expanding overseas capacity to thirteen factories.
- Creating a learning environment for employees to drive productivity.
- Engaging with policymakers and industry Groups such as the Ceramic Council to implement product quality standards.
- Connecting with franchisers, distributors and tilers through training programmes and technological platforms such as tabs.
- Fostering community relationships by initiating CSR projects and providing indirect employment opportunities.

Business Line reviews

PRESENCE IN THE VALUE CHAIN

| | | | | | |
|--------------------|--------------------------|---------------------------|----------------------|-----------------|---------------------|
| Ball Clay | Tiles | | | | Tile Grout |
| Lanka Ceramics PLC | Royal Ceramics Lanka PLC | Royal Porcelain (Pvt) Ltd | Lanka Wall Tiles PLC | Lanka Tiles PLC | Swisstek Ceylon PLC |

PERFORMANCE

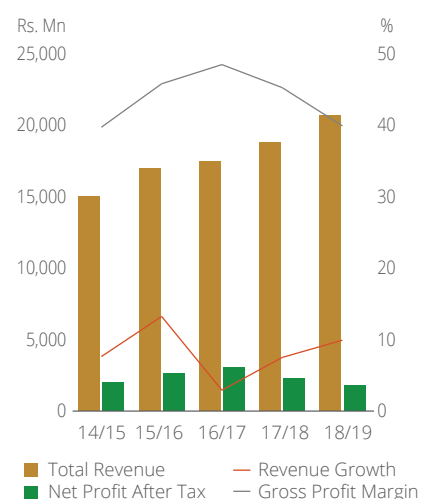
Revenue growth improved to 10% compared to 7.5% last year despite sluggish demand and intense competition. Our products, tiles and associated products, cater to local and export markets.

Revenue from local markets increased by 11.5% to Rs. 19,772 mn although housing approvals continued to slow-down. We drove revenue growth by importing low-priced tiles, opening franchise showrooms and launching new product ranges. During the year, we expanded our OEM capacity to 13 factories in India from 8 last year. With increased capacity in OEM manufacturing bases, we were well positioned to cater to the increasing demand for low priced tiles. In 2018, we provided our customers with 1,320,385 sqm of low-priced tiles compared to 648,649 sqm in the previous year. These products were conveniently accessible to consumers through our fully-fledged retail network consisting of showrooms, franchisers, consignment agents, distributors and dealers. We further expanded our presence by opening 4 franchise showrooms, 3 factory outlets and automating distribution channels by

launching a Tile Visualizer app in 2018. In the meantime, we continued our initiatives to diversify revenue. Our new product portfolio consisting of kitchen sinks, provided a revenue stream of Rs. 26 mn in 2018/19.

While export revenue dropped mainly due to moderated global demand, severe price conjunction and unfavourable global economic conditions we complied with globally accepted standards for quality parameters. Export orders from US increased during the year. However, exports to Australia were severely impacted by weakening construction activity and changing consumer preferences. Accordingly, we revamped our product portfolio with new designs and textures to cater to latest consumer trends in niche markets and gain market share.

Revenue from tiles and associated products consisting of mortar and grout improved by 55% in 2018/19 as we re-aligned the brand portfolio by progressively moving from external brands. Being a pioneer in the local mortar market, we exclusively focused on promoting our brand; Swisstek. In addition, our subsidiary, Swisstek Ceylon, expanded capacity by 33% by investing Rs. 178 mn in 2018.



PROFITABILITY

Gross profits remained in line with last year. Gross profit margins narrowed to 39.8% from 45.2% in the previous year. During the year, cost of manufacturing increased by 13% due to the currency depreciation and rising energy costs such as LPG. However, we were not able to pass on increasing costs to consumers due to intense price competition resulting in narrower gross profit margins. This was further exacerbated with the closure of certain tile factories to install larger kilns and redesign production lines to manufacture our new product range.

Several measures were taken to enhance operational efficiency by streamlining processors, enhancing employee productivity and increasing supply chain efficiencies. The Total Productive Maintenance (TPM) system was implemented across all our factories to improve process efficiencies and reduce time taken to manufacture products. This provided a cost saving of Rs. 480 mn in 2018. In addition, we worked on improving employee productivity by investing on training and development and recruiting specialized expertise. Our supply chain has a significant impact on our cost management as raw materials

account for 10% of production costs. Accordingly, we benefited from cost efficiencies and a steady source of clay supply from our subsidiary Lanka Ceramics supporting cost efficiencies. During the year, Lanka Ceramics catered 73% of in-house ball clay demand and 24% of in-house Feldspar demand. New mines were explored in 2018 and a large deposit was identified in the Akuressa region consisting of 30 acres of ball clay deposits to be acquired in the forthcoming year.

Operating profits declined by 12.5% to Rs. 3,787 mn due to increasing costs of production and selling and distribution expenses. Our initiatives to open 4 new franchise showrooms, provide tabs to sales dealers and automate distribution channels resulted in a 15% increase in selling and distribution expenses in 2018/19. In addition, finance costs increased by 26% to Rs. 1,144 mn with rising market interest rates and new borrowings to fund the capacity expansions. Profits after tax declined by 23% and ROA declined to 4.3% from 7% last year due to the issues outlined above.

RISKS AND OPPORTUNITIES

Opportunities

- Increasing tourism activity.
- Signing of free trade agreements.
- Commencement of Large-scale government projects such as Colombo Port City, Western Region Megapolis, Hambantota Industrial Zone, etc.
- Escalating trade wars between US and China.

Risks

- Increasing corporate taxes for export industries from 12% to 28%.
- Intense competition from low cost importers.
- Subdued construction activity.
- Weakening external demand with subdued global growth.
- Currency depreciation.
- Rising energy costs such as LPG.
- Imposition of VAT on condominium housing units to be effective from 1 April 2019.
- Shortage of skilled labour.



OUTLOOK

The year 2019 will continue to be challenging and intensely competitive. We will continue to focus on developing a resilient and diversified business model to progressively achieve our long-term aspirations. Expanding manufacturing capacity in low cost regions such as India, introducing more value added products including designer walltiles, opening franchised showrooms and enhancing operational efficiencies will continue to be our strategic priorities. Export markets will continue to play an integral role with emerging opportunities of US/China trade wars. We will leverage on our tile specialisms and conformity to globally accepted certifications to competitively expand our presence in global markets.

Business Line reviews

SANITARY WARE

Rocell bathware, has gained renown as a premier manufacturer of sanitary ware since inception in 2009. World class manufacturing facilities coupled with innovation driven by in house design

capabilities has supported growth of a strong domestic franchise. We are excited about opportunities for growth in exports as we enhance our business

model to cater to exacting specifications of global brands.

SECTOR HIGHLIGHTS



| Financial Capital | 18/19 | 17/18 |
|----------------------------|-------|-------|
| Revenue (Rs. Mn) | 2,467 | 2,050 |
| PAT(Rs. Mn) | 90 | 246 |
| GP Margin (%) | 38 | 43 |
| Total Assets (Rs. Mn) | 5,487 | 4,798 |
| Total Liabilities (Rs. Mn) | 2,133 | 1,524 |
| ROA (%) | 1.6 | 5 |



| Manufactured Capital | 18/19 | 17/18 |
|--------------------------|---------|---------|
| PPE (NBV) (Rs. Mn) | 1,947 | 2,016 |
| Capex (Rs. Mn) | 67 | 78 |
| Depreciation (Rs. Mn) | 134 | 127 |
| No of locations | 01 | 01 |
| Capacity (pcs per annum) | 326,000 | 326,000 |
| Capacity Utilization (%) | 75 | 86 |



| Human Capital | 18/19 | 17/18 |
|---|-------|-------|
| Employees | 362 | 358 |
| Remuneration (Rs. Mn) | 299 | 295 |
| Employee Productivity (units/ employee) | 608 | 783 |
| Investment in Training (Rs. Mn) | 0.058 | 0.41 |



| Natural Capital | 18/19 | 17/18 |
|-------------------|-------|-------|
| Materials (Mt) | 3,586 | 2,835 |
| Energy (Mn Kwh) | 3.5 | 2.5 |
| Water (Mn litres) | 36.4 | 29.6 |
| Waste (MT) | 2,292 | 1,697 |



| Social & Relationship Capital | 18/19 | 17/18 |
|-------------------------------|-------|-------|
| Distributors | 33 | 36 |
| Dealers | 26 | 35 |
| Consignment agents | 3 | 4 |
| Tiler club members | 865 | 800 |



| Intellectual Capital |
|---|
| CE certifications |
| ISO 9001 |
| ISO 14001 |
| Green Label Certification |
| 4 - star rating in water efficiency labelling scheme. |

< Nurturing capitals >

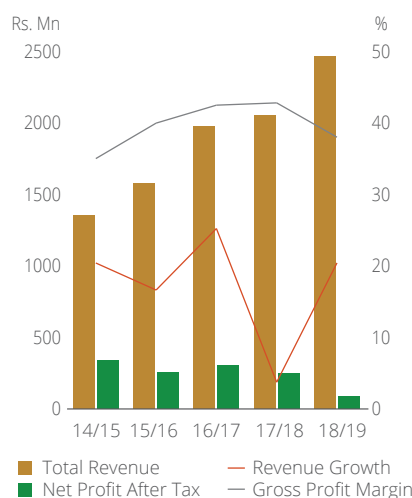
- Developing customized products for our customers by undertaking contract manufacturing for globally renowned brands.
- Expanding our presence by opening one showroom and three factory outlets for our retail consumers.
- Engaging and developing competencies by conducting training and development programmes.
- Building capacity by investing on machinery.
- Engaging with local communities by providing indirect employment opportunities.

PERFORMANCE

The sanitary ware segment delivered strong revenue growth of 20% in 2018/19 reversing the slow-down experienced last year. As demand in local markets weakened, we worked on expanding our export revenue by manufacturing customized products for clients. During the year, we signed two contract manufacturing agreements for two global brands results of which are expected in forthcoming year. Sales of bathware accessories also shows a steady increase of 57% compared to previous year.

However, profits from the Sanitary ware segment was impacted by escalating costs of production, higher distribution expenses and finance costs and lower capacity utilisation owing to stagnant market growth.

Gross profits improved by 6.9% to Rs. 937 mn supported by strong revenue growth. Cost escalations narrowed gross profit margins to 38% from 43% in the previous year. Sharp Rupee depreciation against the USD and EURO currencies had a profound impact on our cost base as 80% of our bath ware raw materials and 100% of bathware accessories are imported. Consequently, cost of sales increased by 31% during the year. In addition, selling and distribution expenses significantly increased by 45% during the year. This affected our operating profits which declined by 28%



in to Rs. 304 mn. Profits were further impacted by increasing finance costs due to expansions and resultant stock build up in order to maintain capacity utilisation for reduced production cost, the result of new borrowings and higher market interest rates. Profits after tax declined by 63% to Rs. 90 mn and Sector ROA declined to 1.6% in 2018/19 compared to 5% last year

RISKS AND OPPORTUNITIES

Opportunities

- Growing demand from export markets for contract manufacturing.
- Revamping the bathware accessories business line

Risks

- Increasing interest rates and inflation.
- Currency depreciation.
- Stringent compliance with environmental laws and regulations.
- Intense competition.
- Fast changing consumer preferences.
- Shortage of skilled labour



OUTLOOK

We enter 2019 with an optimistic outlook as we are well positioned to exploit emerging opportunities in export markets which will facilitate higher capacity utilisation to reduce production cost. Our fully fledged, certified manufacturing facility has successfully proved our capability to produce high quality products for export. Going forward, we plan to expand our contract manufacturing activities for global brands while driving growth in local markets by expanding our regional presence.

Business Line reviews

ALUMINIUM

Since entering the aluminium extrusion industry in 2009 Swisstek Aluminium Ltd has managed to capture 27% of the local market share. Ranked No.2 in the market, our product range is focused on quality and innovation.

Swisstek Aluminium was awarded the QUALICOAT Certification, after our powder coated aluminium product passed rigorous standardized tests. We're the only Sri Lankan company to receive this certification.

SECTOR HIGHLIGHTS



| Financial Capital | 18/19 | 17/18 |
|----------------------------|-------|-------|
| Revenue (Rs. Mn) | 3,134 | 3,341 |
| PAT | (125) | 254 |
| GP margin (%) | 17 | 30 |
| Total Assets (Rs. Mn) | 4,425 | 3,929 |
| Total Liabilities (Rs. Mn) | 3,210 | 2,600 |
| ROA (%) | (3) | 7 |



| Manufactured Capital | 18/19 | 17/18 |
|--------------------------|-------|-------|
| PPE (NBV) (Rs. Mn) | 1,461 | 1,332 |
| Capex (Rs. Mn) | 175 | 490 |
| Depreciation (Rs. Mn) | 99 | 62 |
| Capacity (MT per month) | 700 | 700 |
| Capacity Utilization (%) | 61 | 66 |
| Locations | 01 | 01 |



| Human Capital | 18/19 | 17/18 |
|-------------------------------------|-------|-------|
| Employees | 448 | 388 |
| Remuneration (Rs. Mn) | 253 | 224 |
| Employee Productivity (MT/employee) | 11.38 | 12.36 |
| Investment in Training (Rs. Mn) | 3.5 | 1.05 |



| Natural Capital | 18/19 | 17/18 |
|-----------------------------------|-------|-------|
| Materials (Mt) | 5,999 | 6,510 |
| Energy (Mn KWH) | 6.62 | 5.7 |
| Water (Mn litres) | 40.4 | 39.5 |
| Waste water discharge (Mn litres) | 20.1 | 25.2 |
| Waste (MT) | 982 | 623 |



| Social & Relationship Capital | 18/19 | 17/18 |
|-------------------------------|-------|-------|
| Distributors and dealers | 221 | 150 |
| Projects | 87 | 61 |
| Franchisees | 12 | 9 |
| Fabricators | 602 | 650 |
| No of suppliers | 900 | 721 |



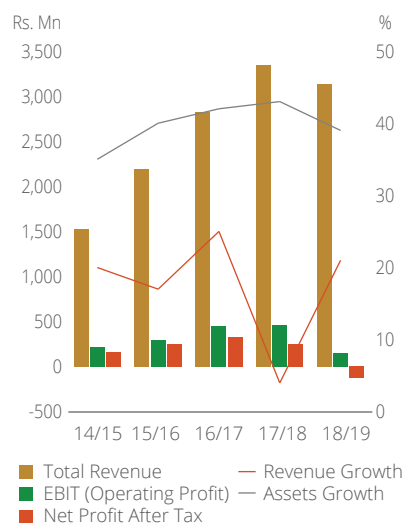
| Intellectual Capital |
|-----------------------|
| ISO 9001:2015 |
| Qualicoat Certificate |
| SLS 1410 |

< Nurturing capitals >

- Extrusion yield improved by 2% to 88% from the previous year
- Invested in new solar mounting kit production machine and multi purpose ladder fabricating machines for R&D purpose

PERFORMANCE

- The sector reported a revenue of Rs. 3,134 mn during the year, recording a marginal contraction of 6%. Revenue from exports amounted to Rs. 10.7 mn, currently we're the only exporter to the UK as we have competitive advantage due to GSP+ concessions.
- Gross profit decreased by 47% to Rs. 533 mn as the margin declined to 17% from previous year's 30% due to high global aluminium prices which prevailed during the year. Devaluation of the Rupee also added pressure on the margin.
- Finance costs increased by more than 187% as debt rose to unprecedented levels reflective of high production costs which could not be passed down to the customers.



- Company reported a loss after tax on Rs. 125 mn compared to a profit of Rs. 254 mn last year.



OUTLOOK

With the recent expansions of our production capacity gave room to expand in to new products while exploring new market avenues. Plans to move in to aluminium fabrication of finished goods are well under way, and we're well positioned to distribute the new product range with our tile franchise network.

Exports to Australia and Singapore are likely to commence next year giving us the opportunities to fully utilise our production capacity thereby reducing our cost.

RISKS AND OPPORTUNITIES

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
- Opportunity to expand into aluminium fabrication of finished products. We're well positioned with our tile franchise network, as this requires a separate distribution channel.
- Competitive advantage over other countries when exporting to Europe with GSP+ concessions

Risks

- Increasing global aluminium price.
- Exchange rate depreciation as prime raw materials such as aluminium logs are imported.
- Intense competition.

Business Line reviews

PACKAGING

Since our inception in 1994, we have steadily moved towards being one of the leading corrugated carton manufacturers in the country. With a customer base of

over 250 covering industries such as tea, rubber, ceramic, garments and food and beverage, we cater to 15% of the market share. Our key strength is the customer

specific product differentiation which has given us a strong brand presence in the industry.

SECTOR HIGHLIGHTS



| Financial Capital | 18/19 | 17/18 |
|----------------------------|-------|-------|
| Revenue (Rs. Mn) | 3,701 | 2,943 |
| PAT (Rs. Mn) | 19.9 | 16.4 |
| GP Margin (%) | 10 | 9 |
| Total Assets (Rs. Mn) | 2,814 | 2,901 |
| Total Liabilities (Rs. Mn) | 1,663 | 1,770 |
| ROA (%) | 1 | 1 |



| Manufactured Capital | 18/19 | 17/18 |
|--------------------------|--------|--------|
| PPE (NBV) (Rs. Mn) | 768 | 838 |
| Capex (Rs. Mn) | 12 | 40.3 |
| Depreciation (Rs. Mn) | 81.4 | 81.8 |
| Capacity (MT per annum) | 30,000 | 30,000 |
| Capacity Utilisation (%) | 72 | 71 |
| Locations | 01 | 01 |



| Human Capital | 18/19 | 17/18 |
|---------------------------------|-------|-------|
| Employees | 408 | 376 |
| Remuneration (Rs. Mn) | 348 | 271 |
| New recruitments | 143 | 116 |
| Employee Productivity | 52.21 | 47.4 |
| Investment in Training (Rs. Mn) | 4 | 0.6 |



| Natural Capital | 18/19 | 17/18 |
|-------------------------|-------|-------|
| Materials (Mt) | 23.9 | 22.4 |
| Energy (Mn kWh) | 1.93 | 1.94 |
| Water (Mn litres) | 31.2 | 27.9 |
| Waste water (Mn litres) | 21.5 | 14.2 |
| Waste (MT) | 2,644 | 2,769 |



| Social & Relationship Capital | 18/19 | 17/18 |
|-------------------------------|-------|-------|
| No of suppliers | 637 | 690 |



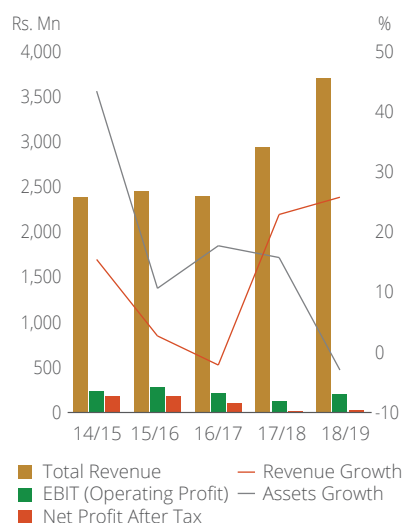
| Intellectual Capital |
|----------------------|
| ISO 9001:2008 |
| ISO 22000:2005 |
| ISO 14001:2004 |
| WRAT |
| SMETA |

< Nurturing capitals >

- Volume has increase by 7% and expanded customer base to confectionery industry catering to the local market
- Improving cost efficiency by reducing wastage

PERFORMANCE

- We took measures to increase our capacity by 7% and this was supplied mostly to the confectionery industry catering to local market. As a result of this our top line grew by 27%
- Despite the high paper prices which prevailed during the period we were able to improve our gross profit margin to 10% from previous year's 9% as cost efficiencies were achieved through minimizing wastage. As a result gross profit improved by 37%.
- Profit after tax increased significantly by 21.1% reflective of the sales volume growth and cost efficiencies that were achieved.



RISKS AND OPPORTUNITIES

Opportunities

- Growth in global economic front has opened up opportunities to improve exports of our customers.
- Strong growth in key industries such as tea, rubber and garments.
- Entering direct contracts with foreign customers.
- Increase sales to e-commerce business which shows a significant growth.

Risks

- Increasing cost of production due to rising paper prices.
- Intense competition in local markets.
- Depreciating rupee which would result in high production costs.



OUTLOOK

Global paper prices have been on the downward trend since the last quarter and this pattern is likely to continue. However the depreciating rupee will have a negative impact on production cost.

Growth in industrial exports will benefit the local packaging industry while global demand also continues to be strong. We are constantly looking for opportunities in new product and markets in order to keep up with the competitive market.

Business Line reviews

PLANTATIONS

Horana Plantations PLC, comprising of 16 estates was incorporated in 1992. Since then, Company has grown in to a leading producer of the finest tea, rubber and other agricultural producer

in Sri Lanka. Primarily located in the Central and Western provinces of Sri Lanka. The Company's 16 estates has a land extent of 7534 hectares, out of which 29% is dedicated to tea,

27% to rubber, 7% to timber and 15% to other diversified crops. Most of our estates and factories are certified with international quality standards as we strive to deliver products with high quality standards.

SECTOR HIGHLIGHTS



| Financial Capital | 18/19 | 17/18 |
|----------------------------|-------|-------|
| Revenue (Rs. Mn) | 2,020 | 2,248 |
| PAT (Rs. Mn) | 2.1 | 36.4 |
| GP margin (%) | 8 | 9 |
| Total Assets (Rs. Mn) | 3,799 | 3,697 |
| Total Liabilities (Rs. Mn) | 2,491 | 2,309 |
| ROA | 0.05 | 1 |



| Manufactured Capital | 18/19 | 17/18 |
|--------------------------|-------|-------|
| PPE (NBV) (Rs. Mn) | 3,324 | 3,285 |
| Capex (Rs. Mn) | 165.8 | 245 |
| Depreciation (Rs. Mn) | 169 | 221 |
| Average yield (Kg/hect.) | | |
| Tea | 1,273 | 1,332 |
| Rubber | 618 | 565 |
| No of estates | 16 | 16 |



| Human Capital | 18/19 | 17/18 |
|--------------------------------|-------|-------|
| Employees | 5,769 | 5,825 |
| Remuneration (Rs.Mn) | 1,136 | 1,389 |
| Employee Productivity (kg) | 616 | 654 |
| Investment in Training (Rs.Mn) | 1.8 | 2.1 |



| Natural Capital | 18/19 | 17/18 |
|-------------------------|-------|-------|
| Energy (Mn KWH) | 2.7 | 3.1 |
| Water (Mn litres) | 90 | 311 |
| Waste water (Mn litres) | 30.9 | 68.3 |
| Waste (MT) | 14.7 | 13.1 |



| Social & Relationship Capital | 18/19 | 17/18 |
|-------------------------------|-------|-------|
| Tea and Rubber brokers | 7 | 7 |
| Suppliers | 1,023 | 1,010 |



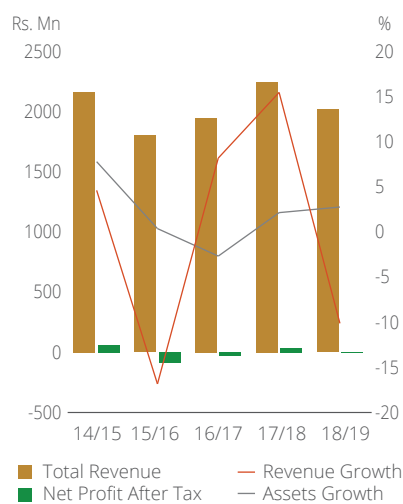
| Intellectual Capital | |
|--|-----------------------------------|
| Certifications | Locations Certified |
| ISO 22000:2005 HACCP | 7 tea estates |
| Ethical Tea Partnership (ETP) Certification | 8 tea estates |
| Rainforest Alliance certification (RA) | 8 tea estates |
| ISO 9001QMS | 2 rubber factories |
| FLO and FSC Certifications for sustainable farm management | 6 rubber estates |
| Fair trade | 2 tea estates and 1 rubber estate |

< Nurturing capitals >

- Introducing electronic weighing to minimize errors and reduce time
- Crop diversification in to fruits and cinnamon
- Introduction of a revenue share model to address the issue of labour shortage

PERFORMANCE

- During the year, revenue decreased by 10% to Rs. 2,020 mn as global prices for both tea and rubber saw a decline. Revenue from tea accounted for 79% amounted to Rs. 1,597 mn while contribution from rubber amounted to Rs. 304 mn. Revenue from other crops and sale of timber trees amount to Rs. 45 mn and Rs. 65 mn respectively. Balance of Rs. 9 mn generated from other source of income.
- Gross profit saw an decreased to 18% to Rs. 165 mn as gross profit margin decreased to 8% from previous year's 9%.
- Profit before tax saw a decline of 90% as administration costs and finance costs increased by 21% and 43% respectively. Plantation sector reported a bottom line of Rs. 2.1 mn, 94% decrease compared to previous year's Rs. 36mn.



RISKS AND OPPORTUNITIES

Opportunities

- Increasing tea and rubber prices with the shortage in tea supplies
- Rising costs of synthetic rubber.
- Manufacturing speciality tea through product innovation.
- Diversified into new non-traditional crops.
- Introduced modern technology solution to reduce cost and improve productivity.

Risks

- Large workforce with highly unionised background.
- Increasing costs of production.
- Employee retention
- Inclement weather conditions
- Reputation risk on non-compliance to environmental laws and health and safety of products.



OUTLOOK

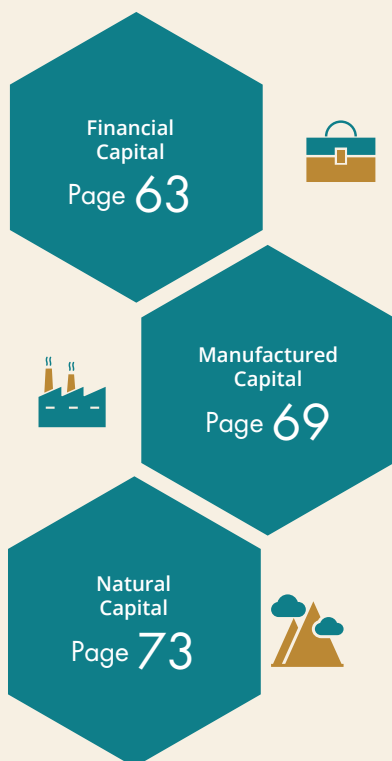
Crop diversification is the way forward as price of natural rubber continues its downward trend. Expansion in to oil palm cultivation was halted due to lack of policy direction and the company has taken measures to expand in to coconut and cinnamon instead. Further, we are actively exploring opportunities for direct bulk exports for both tea and rubber in order to take advantage of the depreciating Sri Lankan Rupee. Shortage of labour and high labour costs continues to pose a threat to the plantation industry. In order to address this problem we have introduced a revenue share model where the workers gets the opportunity to cultivate on estate land and crops will be purchased by the estate. Further we're constantly looking in to integrate technology solutions in to traditional agro practices. As a result of this electronic weighing was introduced to all our factories during the last year.

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 we strive to deepen our understanding of these interactions to facilitate the optimal utilization of the same.

Monetised Capital

(Included in net asset value of Group)



Non-Monetised Capital

(Reflected in intrinsic value of Group)



Financial Capital

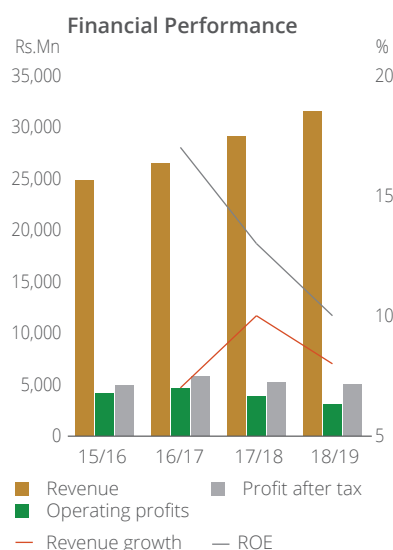


The tiles and associated products continued to be the single largest contributor to Group revenue, with a 65.5% share in 2018/19.

Revenue in the tiles and associated products sector increased at a faster pace of 9.9% to Rs. 20,641 Mn.

EXECUTIVE SUMMARY

We faced several challenges during the financial year, including subdued consumer demand in some of the business segments and increasing costs of production. However, we utilized our resources and strong market positioning to increase revenue despite the tough operating environment. We also focused on cost management initiatives such as Total Productive Maintenance (TPM) to improve process efficiencies, reduce wastage, and enhance productivity. Cost savings from TPM projects amounted to Rs. 480 mn in 2018/19. However, the increase in costs had a profound impact on the profitability of the Group. Margins of several business sectors declined as the cost increase was not passed on to consumers. Group profit after tax declined by 20% to Rs. 3,083mn. Nevertheless, we continued to invest in our business sectors. The capital expenditure of the Group amounted to Rs. 4,036 mn compared to Rs. 3,645



mn last year. This was funded through new borrowings, which also led to a corresponding increase in the financial leverage of the Group.

Financial Position

Assets

Rs. 61,200 Mn

Liabilities

Rs. 28,950 Mn

Cash

Rs. 946 Mn

Interest bearing liabilities

Rs. 18,875 Mn

Equity

Rs. 32,250 Mn

Capitals Report

FINANCIAL CAPITAL

| Key performance indicators | 2017/18 | 2018/19 |
|----------------------------------|---------|---------|
| Growth and profitability | | |
| Asset growth | 17% | 15% |
| Revenue growth | 9.8% | 8.3% |
| Gross margins | 37.5% | 32.6% |
| Net profit margins | 13.3% | 9.8% |
| Liquidity | | |
| Current ratio (No of times) | 1.31 | 1.23 |
| Quick asset ratio (No of times) | 0.47 | 0.39 |
| Efficiency | | |
| Asset turnover (No of times) | 0.59 | 0.55 |
| Inventory turnover (No of times) | 3.02 | 2.68 |
| Cash cycle (No of days) | 130 | 146 |
| Leverage | | |
| Gearing | 51.6% | 58.4% |
| Interest cover (No of times) | 5.14 | 3.12 |
| Shareholder returns | | |
| ROE | 13.2% | 9.5% |
| DPS (Rs. per share) | 7.00 | 2.00 |
| Net assets per share (Rs.) | 183.34 | 207.51 |

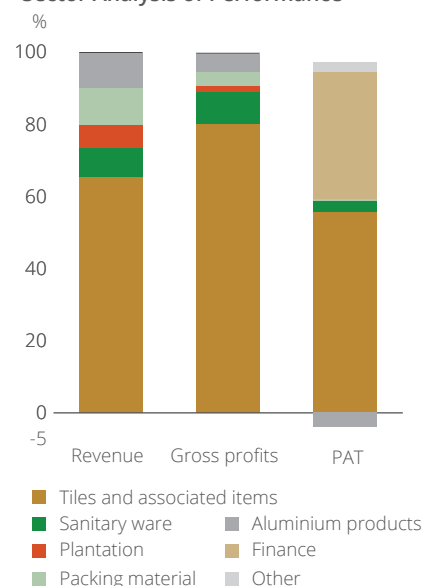
FINANCIAL PERFORMANCE

Revenue

Group revenue increased by 8.3% during 2018/19 to Rs. 31,499mn. We faced a challenging operating environment in 2018 due to lower economic growth, changing policies and escalating uncertainties in the global market. These factors affected consumer demand across all our business sectors. Declining construction activity further impacted tile demand.

However, we focused on active marketing strategies to retain and expand customer base while diversifying revenue through new products and services. During the year, revenue growth was 8.3% slightly lower than 9.8% growth reported last year. The tiles and associated products continued to be the single largest contributor to Group revenue, with a 65.5% share in 2018/19. Revenue in the tiles and associated products sector increased at a faster pace of 9.9% to Rs. 20,641 Mn. Growth was primarily driven by our initiatives to expand the OEM production capacity in India. This supported an increase

Sector Analysis of Performance



in imports of low priced tiles to cater to local demand. We also expanded our presence in export markets and realigned product portfolio to further support revenue growth in the Tiles and associated products. In addition, the other business segments of the Group, such as packaging and sanitary ware, also reported strong revenue growth of 26% and 20% in 2018/19. Revenue growth in packaging sector was primarily driven through customer acquisition strategies. However, the Aluminium and Plantation sectors reported a setback in revenue. In, the Aluminium sector revenue declined by 6% as demand for traditional Aluminium profiles weakened during the year. In, the Plantation sector, revenue declined by 10% mainly due to decline in tea prices deadline.

Cost of sales

Group cost of sales increased by 16.8% to Rs. 21,204 mn in 2018/19. This was primarily driven by the exchange rate depreciation and increasing raw material and energy costs. During the year, the Rupee depreciated by 16%. As several of our raw materials, such as aluminium billets, paper and bathware accessories are imported, the exchange rate depreciation had a severe effect on the cost base of several subsidiaries. As a countermeasure, we focused on tight cost management. Several initiatives were implemented such as total productive maintenance (TPM) to drive process efficiencies in 4 facilities of the tiles and associated products sector. In addition, initiatives were also implemented in our facilities in the sanitaryware, packaging and aluminium sectors. Cost savings amounted to Rs. 480mn during the financial year.

Gross profits and margins

Group gross profits declined by 5.8% to Rs. 10,296 mn despite revenue growth. The gross margins of the Group declined to 32.7% from 37.6% last year. This was mainly due to the escalation in costs of production, which was not passed on to consumers as operating environments in several business sectors toughened during the year. Gross margins decreased in all our business sectors except the packaging sector that benefited from an increase in sales of value-added product. The

Aluminium sector suffered the most with gross margins declining to 17% in 2018/19 compared to 30% last year. Gross Margins in the tile and associated products sector being the largest contributor to Group performance declined to 40% in 2018/19 compared to 45% last year.

Operating costs and Earnings before interest and tax

Operating costs of the Group amounted to Rs. 5,645 mn, a 3.9% increase to last year. Although distribution and administration costs increased during the year, the impact was subdued by the increase in operating income of the Group. Net operating income of the Group increased to Rs. 621 mn compared to Rs. 201 mn last year. This was mainly due to the recognition of a fair value gain on the investment property amounting to Rs. 436mn.

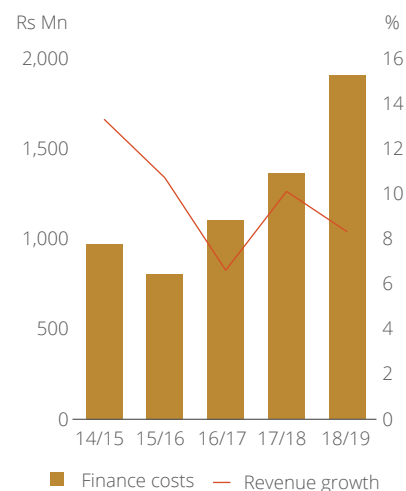
Operating profits of the Group declined by 15% to Rs. 4,651 mn in 2018/19. Operating margins of the Group declined to 14.8% in 2018/19 compared to 18.9% last year.

PROFIT AFTER TAX

Group profits before tax declined by 24% to Rs. 4,085 mn. Profitability of the Group was affected by lower margins and higher distribution and administration cost. In addition, finance costs increased by 40% to Rs. 1,907 mn

as the Group borrowings increased. Net finance costs of the Group amounted to Rs. 1,870 mn. As a result, the interest cover of the Group declined to 3.12 times compared to 5.36 times last year.







Income from our associate company increased by 17.8% to Rs. 1,304mn compared to Rs. 1,107 mn last year, which helped sustain the adverse impacts on profitability. The effective tax rate of the Group declined to 24% in 2018/19 compared to 28% last year as Group taxes reduced to Rs. 991mn during the financial year. Nevertheless, profit after tax from continuing operations declined by 20% to Rs. 3,094 mn compared to Rs. 3,872 mn last year. Earnings per share amounted to Rs. 23.75 per share compared to Rs. 26.00 per share last year. The return on equity to shareholders was 9.5% compared to 13.2% last year.



Capitals Report

FINANCIAL CAPITAL

Key Performance indicators

| Sector |  Tiles and associated products |  Sanitary ware |  Plantations |  Aluminium |  Packaging |  Other | Group |
|----------------------------------|---|---|---|---|---|---|--------|
| Revenue (Rs. Mn) | 20,640 | 2,467 | 2,020 | 3,090 | 3,270 | 12 | 31,499 |
| Revenue Growth | 9.9% | 20.4% | (10.1%) | (7.5%) | 23.2% | (8%) | 8.3% |
| Gross Profit margins | 40% ▼ | 38% ▼ | 8% ▼ | 17% ▼ | 10% ▲ | 38% ▼ | 33% ▼ |
| Growth in EBIT | (11%) | (28%) | 4% | (66%) | (64%) | (25%) | (10%) |
| Profit after tax (Rs. Mn) | 1,744 | 90 | 2.1 | (125) | (20) | 116 | 3,083 |
| ROA (%) | 4.3 | 1.6 | 0.05 | (3) | 1 | 11 | 5.03 |
| Interest cover (No. of times) | 3.39 | 1.64 | 1.04 | 0.46 | 1.59 | 7 | 3.12 |

During the year, non-current assets increased by 13% to Rs. 39,812 mn representing 65% of total assets of the Group. We invested Rs. 4,036 mn on acquiring plant and machinery, which resulted in a 10% increase in value of PPE to Rs. 28,478. Of the total capital expenditure, 89% was invested in the tiles and associated products sector.

FINANCIAL POSITION

Assets

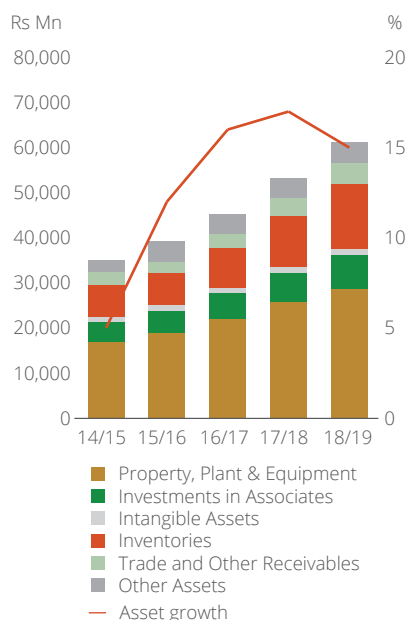
Assets of the Group increased by 15% to Rs. 61,278 mn in 2018/19. The tiles and associated products sector accounted for 66% of the Group asset base. The non-current assets of the Group consist of property, plant and equipment, consumable biological assets, leasehold rights on mining lands, investment property, intangible assets, investment in associate company, advances for suppliers and deferred tax. During the year, non-current assets increased by 13% to Rs. 39,812 mn representing 65% of total assets of the Group. We invested Rs. 4,036 mn on acquiring plant and machinery, which resulted in a 10% increase in value of PPE to Rs. 28,478 Mn. Of the total capital expenditure, 89%

was invested in the tiles and associated products sector. The value of the investment property increased by 34% to Rs. 1,725 mn on recognition of the fair value gain. Intangible assets remained in line with last year. Investment value of our associate company increased by 21% to Rs. 7,728 mn primarily driven by increasing profits from LB Finance PLC.

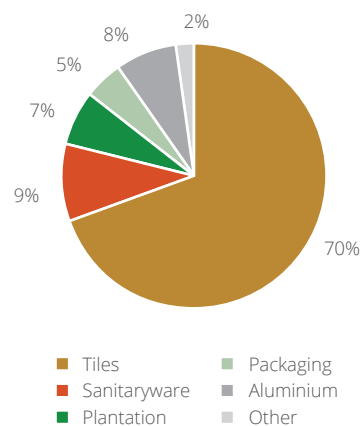
Current assets of the Group increased by 21% to Rs. 21,467 mn in 2018/19. This was primarily driven by the increase in Group inventories during the year -

- The value of inventory increased by 28% to Rs. 14,622mn and accounted for 24% of Group assets.
- Trade and other receivables increased by 11% to Rs. 4,455mn.
- The cash and cash equivalents of the Group declined by 5% to Rs. 946mn.

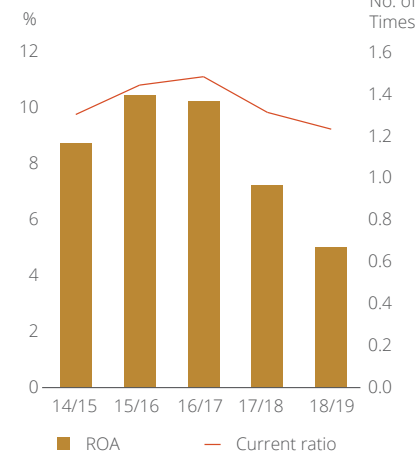
Asset growth



Asset by sector



Asset efficiency



Cash flows

Cash flows from operating activities significantly decreased during the year due to the decline in operating profits and increasing inventories. Operating cash inflows amounted to Rs. 223 mn compared to Rs. 1,613 mn last year. Cash outflows from investing activities amounted to Rs. 3,759 mn compared to Rs. 3,544 mn last year. This was primarily driven by the capital expenditure of the Group. Cash inflows from financing activities improved as new borrowings of Rs. 18,161 mn was obtained during the year. The net cash outflows of the Group amounted to Rs. 1,640 mn.

Managing working capital

The working capital of the Group increased by 27% to Rs. 15,260 mn primarily driven by the increase in inventories. As a result, the current ratio of the Group declined to 1.23 times compared to 1.31 times last year. The quick asset ratio was 0.39 times compared to 0.47 times last year.

Equity and liabilities

The pool of funds used by the Group amounted to Rs. 61,278 mn, 15% increase to last year. This consists of equity, debt and other liabilities.

Group liabilities

Group liabilities increased by 21% to Rs. 28,950mn. Non- current liabilities represented 40% of Group liabilities and increased by 11% during 2018/19 to Rs. 11,467 mn. Interest bearing borrowings of the Group amounted to Rs. 18,875 mn, a 25% increase to last year. New debt of Rs. 3,157 mn was used to fund the capital expenditure and debt repayments of the borrowings, 65% were short term. In addition, trade payables of the Group increased by 14% to Rs. 3,816 mn.

Capitals Report

FINANCIAL CAPITAL

Equity

Group equity amounted to Rs. 32,328 mn, a 10% increase to last year. Growth in the equity base was supported by the 15% increase in the retained earnings of the Group. By year end, retained earnings amounted to Rs. 18,748 mn. The stated capital of the Group remained in line with last year. Group reserves increased by 11% to Rs. 2,951mn.

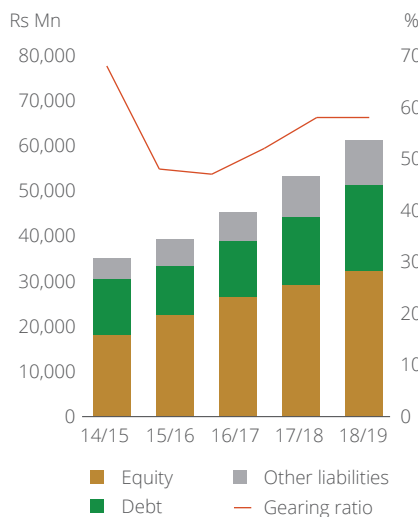
Financial leverage

During the year, the gearing ratio of the Group increased to 58.4% from 51.5% last year. The increase was primarily driven by the expansion in the borrowing base of the Group.

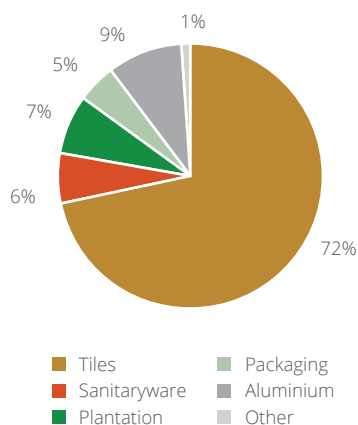
Shareholder returns

The return on equity of the Group declined to 9.5% compared to 13.2% last year. The dividend per share amounted to Rs. 4.00 per share. The earnings per share declined by 9% to Rs. 23.75 per share.

Funding profile



Liabilities by sector





Manufactured Capital



Manufactured Capital plays a vital role in our organization as over 90% of our revenue is derived from this. Therefore in order to ensure sustainability and growth we make sure our manufacturing capabilities are continuously maintained, upgraded and expanded.

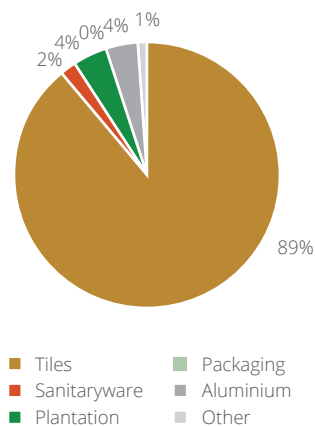
At a Glance

- Amounts to 29% to Total Assets
- Addition of Rs. 4 bn during the year
- Asset turnover of 0.55 times

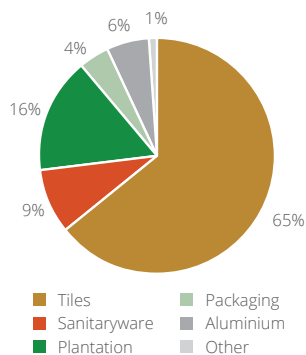
Manufactured capital amounts to Rs. 18.4 Bn. This is comprised of buildings, plant and machinery, motor vehicles, furniture and fixtures and tools and equipment. Land and bearer of biological assets which is a part of natural capital is excluded from this. Manufactured capital amounts to 29% of the Group's total assets. Detailed analysis of manufactured capital in terms of the business sectors, broad categories of assets are depicted in the graphs.

Being a key player in all five sectors we need to ensure a smooth flow of all our manufacturing facilities to maintain our market position. Continuous investment in State-of-art production facilities, machinery and in technology is vital for this. During the year we invested Rs. 4,036 mn as capital expenditure to facilitate our growth. Supplier assessment is given utmost importance in our procurement practice and all our suppliers are evaluated for their reliability and quality.

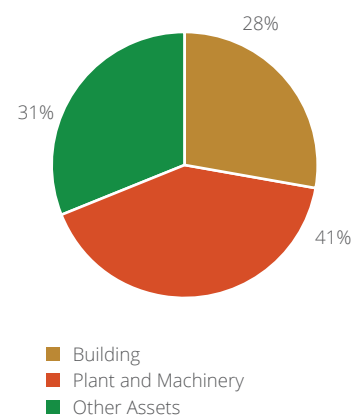
Capital Expenditure by Sector



Net Book Value of property, plant and equipment by Sector



Net Book Value by type of Assets



Capitals Report

MANUFACTURED CAPITAL

OUR SHOWROOM NETWORK

During the year Rs. 293 mn was spent on expanding and upgrading our distribution network as we added one showroom and 3 factory outlets to our widening network. Further four showrooms were refurbished and upgraded during the year in order to showcase the Rocell brand more prominently.



- | | | |
|--|--|---|
| 1. 98, Nawala Road, Nugegoda. Tel: 011-4405160 | 11. 562, Peradeniya Road, Mulgampola, Kandy. Tel: 081-4471581 | 21. 77, W.D.S. Abeygunawardena Mawatha, Pettigalawatte, Galle. Tel: 091-4380033 |
| 2. 440, R.A. de Mel Mawatha, Colombo 03. Tel: 011-4209204/5/6 | 12. 37, A.A. Dharmasena Mawatha, Mahaiyawa, Kandy. Tel: 081-4475825 | 22. 139, Gunawardena Mawatha, Kotuwegoda, Matara. Tel: 041-4933629 |
| 3. 256 A, Galle Road, Mount Lavinia. | 13. 504/1, Kandy Road, Meepitiya, Kegalle. Tel: 035-2230980 | 23. 143, Highlevel Road, Maharagama. Tel: 011-4319514 |
| 4. 780/1, New Kandy Road, Thalangama North, Malabe. Tel: 011-4411775 | 14. 136A, Colombo Road, Kurunegala. Tel: 037-4690467 | 24. 504, Galle Road, Panadura. Tel: 038-4281898 |
| 5. 158, Negombo Road, Wattala. Tel: 011-4818563 | 15. 46, Chilaw Road, Wennappuwa. Tel: 031-4874656 | 25. 384/B, Malabe Road, Kaduvela. Tel: 011-4948182 |
| 6. 218, Kandy Road, Kiribathgoda. Tel: 011-4817231 | 16. 521/5, 2nd Stage, Maithreepala Senanayaka Mawatha, Anuradhapura. Tel: 025-4580294 | 26. 85/1, Colombo Road, Negombo. Tel: 031-4922192 |
| 7. 472/1, High Level Road, Makumbura, Kottawa. Tel: 011-4308413 | 17. 223, Colombo Road, Ratnapura. Tel: 045-4360318 | 27. 86, Weyangoda Road, Minuwangoda. Tel: 011-4969060 |
| 8. 114, Colombo Road, Piliyandala. Tel: 011-4210675 | 18. 348, Badulla Road, Bandarawela. Tel: 057-4496014 | 28. 174/A/2, Colombo Road, Gampaha. Tel: 033-4670937/755 |
| 9. 477/1, Galle Road, Rawathawatte, Moratuwa. Tel: 011-4210726 | 19. 443, Galle Road, Kalutara North, Kalutara. Tel: 034-4280469 | 29. 181, Hettipola Road, Kuliapitiya. Tel: 037-4930870, 037-4696134 |
| 10. 587, Negombo Road, Liyangemulla, Seeduwa. Tel: 011-4831987 | 20. 169, Panadura Road, Horana. Tel: 034-4285033 | 30. 279, Katugastota Road, Kandy. Tel: 081-4481759/60 |
| | | 31. 574, Galle Road, Kalutara South, Kalutara. Tel: 034-4280933/4 |

- | | | |
|--|--|---|
| <p>32. 101, Nawala Road, Nawala. Tel: 011-4311311</p> <hr/> <p>33. 278, Massale, Galle Road, Beruwala. Tel: 034-4288371/2</p> <hr/> <p>34. 39, Godagama Road, Athurugiriya. Tel: 011-4443641</p> <hr/> <p>35. 52, Kandy Road, Nittambuwa. Tel: 033-4929681</p> <hr/> <p>36. 52, Barnes Ratwatta Mawatha, Balangoda. Tel: 045-4927365</p> <hr/> <p>37. 70, Bank Road, Badulla. Tel: 055-4499780</p> <hr/> <p>38. 76 A, Tangalle Road, Thavaluwila, Ambalanthota. Tel: 047-4932446</p> <hr/> <p>39. 30, Narahenpita Road, Nawala. Tel: 011-4651000</p> <hr/> <p>40. 185 B, Ratnapura Road, Moragala, Eheliyagoda. Tel: 036-4922946</p> <hr/> <p>41. 7, T.B. Panabokke Mawatha, Gampola. Tel: 081-4951436</p> <hr/> | <p>42. Sri Bodhi Dakshinaramaya, Kandy Road, Vavuniya. Tel: 024-4928331/2</p> <hr/> <p>43. 2/1, Kandy Road, Trincomalee. Tel: 026-2225008</p> <hr/> <p>44. No. 679, Anuradhapura Road, Dambulla. Tel: 066-4935041/2</p> <hr/> <p>45. No. 218, Stanley Road, Jaffna. Tel: 021-4927003/4</p> <hr/> <p>46. No. 232. Rathnapura Road, Pelmadulla. Tel: 045 4935060, 045 4935065</p> <hr/> <p>47. "Kandaland" Wellawaya Road, Monaragala. Tel: 055 4936169</p> <hr/> <p>48. No. 114, Colombo Road, Chilaw. Tel: 032 4934126</p> <hr/> <p>49. 120, 124, Mahathma Gandhi Road, Batticaloa. Tel : 065 4929450</p> <hr/> <p>50. No.160, Kings Street, Matale. Tel : 94 66 4460928</p> <hr/> | <p>51. Ja-Ela Concept Center 203, Colombo Road, Ja-Ela. Tel: 011-4334173</p> <hr/> <p>52. Rocell Bathware Design Hub No.100, Narahenpita road, Nawala. Tel: 011-4691705/06</p> <hr/> <p>53. No.320, Kandy Road, Kadawatha. Tel - 94 11 4322994</p> <hr/> <p>54. No.745, Galle Road, Randube, Ambalangoda. Tel: 091-4944731/091-2253263</p> <hr/> <p>55. Dehiwala Concept Center No:106, Galle Road, Dehiwala North, Dehiwala. Tel: 011-4202815</p> <hr/> <p>56. No. 2/5, Nawala Road, Narahenpita. Tel: 011 - 5548660</p> <hr/> <p>57. 133, Jawatta Road, Colombo 5. Tel: 011-5548660</p> <hr/> <p>58. Swisstek Aluminium Ltd 23, Narahenpita Road, Nawala.</p> <hr/> |
|--|--|---|

Capitals Report

MANUFACTURED CAPITAL

MANUFACTURING FACILITIES

Given below is summarized list of all our manufacturing facilities categorized by sector

| Tiles | | | |
|---|--|--|---|
| Royal Porcelain | Royal Ceramics Lanka | Lanka Tiles | Lanka Walltiles |
| Location: Horana Produces glazed floor and wall tiles in the porcelain, vitrified and ceramic categories for the 'Rocell' brand. Capacity 11,000 m ² per day. | Location: Eheliyagoda Produces homogeneous full body porcelain tiles and glazed porcelain tiles for the Rocell brand. Capacity 6,500 m ² per day | Location: Ranala Produces glazed, vitrified & ceramic floor tiles for the Lanka Tiles brand. Capacity 15,500 m ² 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 m ² per day |
| Investments in 2018/19: Rs. 3,593 mn | | | |

| Sanitaryware | Aluminium | Packaging | Tea |
|---|--|--|--|
| Rocell Bathware | Swisstek Aluminium | Uni Dil Packaging | Horana Plantations |
| Location: Homagama Produces vitreous China and fine fire clay sanitary ware appliances. Capacity 326,000 pieces per annum. | 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 700 MT per month | Location: Dekatana Leading producer of corrugated cartons for packaging industry. Capacity 30,000 MT Cartons per annum and 17,000 MT of paper sack per annum. | Location: 8 estates in upcountry and 8 estates in low country Produces high grown teas, rubber products and other agricultural products such as coconut, oil palm, cinnamon, fruits and other crops. |
| Investments in 2018/19 Rs. 67 mn | Investments in 2018/19 Rs. 175mn | Investments in 2018/19 Rs. 12 mn | Investments in 2018/19 Rs. 166 mn |

OUTLOOK

Planned capital expenditure for the Group is Rs. 2.5 bn for the next year and some of the work has already commenced. A further Rs. 1.4 bn is under capital work in progress at the

end of the year. We will continue to invest in factory upgrading, showroom improvement, field development in par with the strategic objectives of the Company.

Natural Capital

Natural capital plays an integral role in value creation as our products are manufactured using natural resources. The management of these resources is imperative to drive value creation and profitability.



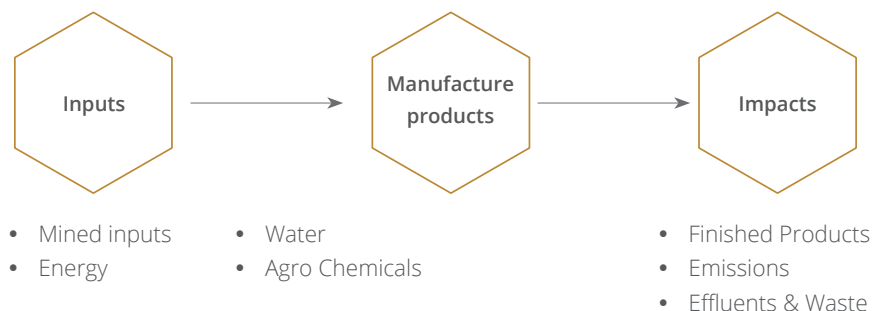
Natural capital plays an integral role in value creation as our products are manufactured using natural resources. The management of these resources is imperative to drive value creation and profitability. As a manufacturing organisation, we also understand our impacts on the environment such as emissions, effluents and waste. These are well-managed through waste segregation, treatment plants and other measures that minimise environmental risks. We maintain stringent compliance with relevant environmental regulations. Clay mines are assessed to ensure it is back-filled. In addition, we adopted voluntary reporting practices such as GRI to report our environmental performance to stakeholders.

OUR MONETIZED NATURAL CAPITAL

The biological assets of the Group amounted to Rs. 586 mn in 2018/19, an 9% growth from last year.

Our Classification of Biological Assets

| | |
|--|---|
| Rs. 2,207 Mn Bearer biological assets <ul style="list-style-type: none"> • This includes assets such as tea and rubber trees not intended to be sold. These are used to grow and harvest agricultural produce. • 5,358 Hectares is cultivated. | Rs. 29.6 Mn Free hold rights <ul style="list-style-type: none"> • Clay mining land of 120 acres valued at Rs. 29.6 mn. |
| Rs. 586 Mn Consumable biological assets <ul style="list-style-type: none"> • This includes managed timber trees that are to be sold as biological assets. • 554 hectares is cultivated. | Rs. 105.2 Mn Leasehold rights <ul style="list-style-type: none"> • Clay mining land of 3 acres valued at Rs. 4.2 mn. • Agricultural land of 7,534 hectares valued at Rs. 101 mn |



Capitals Report

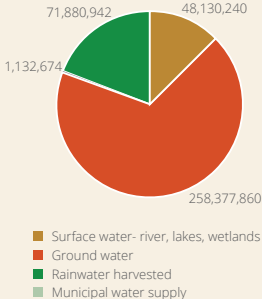


NATURAL CAPITAL

Our land and biological assets are further classified according to their use as detailed below:

| Use | Aggregate Extent | Description |
|----------------|------------------|--|
| Commercial Use | 257 Acres | Comprises 48 properties on which our factories, warehouses, showrooms and offices are situated. |
| Mining | 120 Acres | Comprises 5 freehold properties utilized for silica and ball clay mining |
| Plantations | 7,534 Hectares | Comprises 2,202 hectares of Tea 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. |

Managing consumption of natural resources

GRI- 301-1, 301-2, 303-1, 303-3

| | Materials | Water | | | | | | | | | | |
|---------------------------------------|---|---|--------|-----------------|---------------------------------------|------------|--------------|-------------|---------------------|-----------|------------------------|------------|
| What we used during the year | <p>Consumed 241,923 MT of non-renewable materials in 2018/19. This includes, Kaolin, Ball clay, Feldspar, Silica Sand and Dolomite.</p> <p>Consumed 47,266 MT of renewable materials in 2018/19.</p> | <p>Water Withdrawn by Source (Liters)</p>  <table><thead><tr><th>Source</th><th>Volume (Liters)</th></tr></thead><tbody><tr><td>Surface water- river, lakes, wetlands</td><td>71,880,942</td></tr><tr><td>Ground water</td><td>258,377,860</td></tr><tr><td>Rainwater harvested</td><td>1,132,674</td></tr><tr><td>Municipal water supply</td><td>48,130,240</td></tr></tbody></table> | Source | Volume (Liters) | Surface water- river, lakes, wetlands | 71,880,942 | Ground water | 258,377,860 | Rainwater harvested | 1,132,674 | Municipal water supply | 48,130,240 |
| Source | Volume (Liters) | | | | | | | | | | | |
| Surface water- river, lakes, wetlands | 71,880,942 | | | | | | | | | | | |
| Ground water | 258,377,860 | | | | | | | | | | | |
| Rainwater harvested | 1,132,674 | | | | | | | | | | | |
| Municipal water supply | 48,130,240 | | | | | | | | | | | |
| Initiatives | <p>Recycled and reused materials in production processors.</p> <ul style="list-style-type: none">Fabricated concrete tank and solid waste separation system for polishing and wet squaring machine to reuse the solid waste generated from polishing operations in Lanka Tile factory.99% of minerals used in tile manufacturing was recycled and reused. The balance 1% was crushed and used to fill mines.Wooden pallets were recycle and re-use in all factories.Damaged tiles were re-sized and sold at a discount price.Reused 100% of Aluminium waste.Filter press cake and polishing sludge were used to produce bricks in Eheliyagoda plant.Assessed supplier mines for environmental compliance.Visited supplier mines to ensure it is back-filled. | <ul style="list-style-type: none">Stringent monitoring of water consumption in four factories by using water flow control systems.Recycled and reused water in the production process.Ensure waste water is treated prior to discharge. | | | | | | | | | | |
| KPI | <ul style="list-style-type: none">16,108 MT of recycled materials use in the production.Assessed 33 new suppliers for environmental criteria | <ul style="list-style-type: none">Recycled and reused 134,773,768 litres compared to 68,328,000 litres of water last year. This is 35% of water withdrawn. | | | | | | | | | | |
| How we report and connect to SDGs. | <div><p>GRI- 301</p></div> | <div><p>GRI- 303</p></div> | | | | | | | | | | |

Energy

 GRI- 302-1, 302-2, 302-3, 302-4

Energy within the organization

Energy outside the organization

What we used during the year

2018/19

Non-Renewable

| | |
|----------------------|------------|
| Electricity (Units) | 65,966,697 |
| LPG (Kg) | 25,401,092 |
| Diesel (Litres) | 1,036,815 |
| Furnace oil (Litres) | 704,054 |

Renewable energy

| | |
|----------------|------------|
| Firewood (Kwh) | 12,051,936 |
|----------------|------------|

Initiatives

- Waste heat recovery system is under implementation in the Horana Plant.
- Usage of Kilins inbuilt with heat recovery in Eheliyagoda and Ranala Plants.
- One deck was added to the kiln at bathware manufacturing plant which has resulted a 20% kiln capacity increase
- Installation of capacitor banks at 4 factories.
- Converted of furnace oil usage to firewood in manufacture of corrugated packaging.
- Routine machinery maintenance to reduce heat loss in Aluminium manufacturing.
- Off peak electricity usage to save cost and reduce burden on electricity demand during peak hours.
- Increase slip density by 0.02g/cc in spray drying slip thereby reducing fuel consumption by 1.5kg/Mt in Eheliyagoda plant.
- Reduced Gas Consumption of Vertical drier by 10% in Eheliyagoda plant.

Total energy saved was 556 Kwh.

Energy intensity is measured as Rs. 344 per sqm of tiles of produced.

Comprises 99 properties on which our factories, warehouses, showrooms and offices are situated.

- Purchased 4 number of electrical forklifts for warehouses instead of Diesel forklifts.
- Installed AC thermostat controllers in head office to save electricity.
- Replacement of LED bulbs in all our showrooms.
- Used only the LED lights for new showrooms.
- Used only the inverter type air conditioners for new and replacement requirements.

Fuel consumed outside the organization declined by (23%) during the year.


 GRI- 302

 GRI- 302

Capitals Report

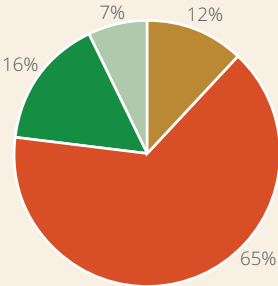


NATURAL CAPITAL

MANAGING OUR IMPACTS

 **GRI- 306-1, 306-2**

The environmental impacts of our manufacturing processors include emissions, effluents, solid waste and noise. These affect the communities around our facilities. Several measures are implemented to effectively manage these adverse impacts to reduce environmental risks and maintain harmonious relationships with communities. The table below summarizes our initiatives:

| | Effluents and waste | | Other | | | | | | | | | | |
|---------------------------------------|--|---|--|---------|---------------------------------------|------------|-------------------------------------|-------------|----------------------------|------------|--------------------------------|------------|---|
| What we used during the year | <ul style="list-style-type: none">Paper wasteAluminium billet scraps.Solid waste | <ul style="list-style-type: none">Water discharge | <ul style="list-style-type: none">DustSoundNoise pollution | | | | | | | | | | |
| Initiatives | <p>Recycle and reuse solid waste</p> <ul style="list-style-type: none">Paper waste is exported to India.Unfired solid waste was recycledFired solid waste was converted to saleable form. During the year, we converted 4,164 MT of Squaring waste material to reusable materials.Damaged tiles were converted to make mosaic tiles.Collected organic waste from canteens and donated to community farms.Segregated solid waste and donated food waste to animal feed.Safe disposal of hazardous wasteHazardous waste such as sludge was given to cement manufacturing companies.An effluent treatment plant installed in local tile factories. All effluents were treated prior to discharge.Internal audit checks were performed to ensure conformity to Central Environment Authority (CEA) license renewals. | <p>Purification of water</p> <ul style="list-style-type: none">Waste water was treated in all factories through water treatment plants.The quality of water was tested prior to discharge.Waste water soakage pits were constructed in workers houses to discharge domestic water to prevent pollution of water bodies <p>Volume of water discharged by destination</p> <table><tr><th>Litres</th><th>2018/19</th></tr><tr><td>Municipality sewerage, drainage lines</td><td>20,762,170</td></tr><tr><td>Recycled through Effluent treatment</td><td>115,575,950</td></tr><tr><td>To rivers, lakes, wetlands</td><td>28,852,000</td></tr><tr><td>To ground through soakage pits</td><td>13,140,000</td></tr></table> | Litres | 2018/19 | Municipality sewerage, drainage lines | 20,762,170 | Recycled through Effluent treatment | 115,575,950 | To rivers, lakes, wetlands | 28,852,000 | To ground through soakage pits | 13,140,000 | <ul style="list-style-type: none">Usage of water curtains to reduce dust and sound.Invested on dust collectors in Uni Dil factory.Dust suction plants in 5 locations.Converted dust in dust collectors to liquid formulation. This was used in tiles and bath ware manufacturing.Sound proof canopies in 2 locations.Spray dryers and press coolers to reduce noise pollution.Green fencing in factory protected local fauna.Installed sound proof cubicals for wet squaring and champhering machine to prevent excessive noise levels flowing to the operational area in Lanka Tiles. |
| Litres | 2018/19 | | | | | | | | | | | | |
| Municipality sewerage, drainage lines | 20,762,170 | | | | | | | | | | | | |
| Recycled through Effluent treatment | 115,575,950 | | | | | | | | | | | | |
| To rivers, lakes, wetlands | 28,852,000 | | | | | | | | | | | | |
| To ground through soakage pits | 13,140,000 | | | | | | | | | | | | |

| Effluents and waste | | Other | | | | | | | | | | | | | | | | | | |
|---------------------------------------|---|---------------------------------------|-----|-------------------------------------|-----|----------------------------|-----|--------------------------------|----|--|--|---------|----------------|----|----------------|----|------------------|---|----------------|----|
| KPI | <div><div>Disposal of Solid Waste</div><div><table><tr><td>Municipality sewerage, drainage lines</td><td>12%</td></tr><tr><td>Recycled through Effluent treatment</td><td>65%</td></tr><tr><td>To rivers, lakes, wetlands</td><td>16%</td></tr><tr><td>To ground through soakage pits</td><td>7%</td></tr></table></div></div> | Municipality sewerage, drainage lines | 12% | Recycled through Effluent treatment | 65% | To rivers, lakes, wetlands | 16% | To ground through soakage pits | 7% | <div><div>Water discharge by quality</div><table><tr><th></th><th>2018/19</th></tr><tr><td>BOD level (mg)</td><td>16</td></tr><tr><td>COD level (mg)</td><td>87</td></tr><tr><td>pH level (units)</td><td>6</td></tr><tr><td>TSS level (mg)</td><td>25</td></tr></table></div> | | 2018/19 | BOD level (mg) | 16 | COD level (mg) | 87 | pH level (units) | 6 | TSS level (mg) | 25 |
| Municipality sewerage, drainage lines | 12% | | | | | | | | | | | | | | | | | | | |
| Recycled through Effluent treatment | 65% | | | | | | | | | | | | | | | | | | | |
| To rivers, lakes, wetlands | 16% | | | | | | | | | | | | | | | | | | | |
| To ground through soakage pits | 7% | | | | | | | | | | | | | | | | | | | |
| | 2018/19 | | | | | | | | | | | | | | | | | | | |
| BOD level (mg) | 16 | | | | | | | | | | | | | | | | | | | |
| COD level (mg) | 87 | | | | | | | | | | | | | | | | | | | |
| pH level (units) | 6 | | | | | | | | | | | | | | | | | | | |
| TSS level (mg) | 25 | | | | | | | | | | | | | | | | | | | |
| How we report and connect to SDGs. | <div><div></div><div></div></div> | | | | | | | | | | | | | | | | | | | |

GRI- 102-11, 308-1

Precautionary principle

We are committed towards minimizing the unfavourable impacts on our environment. We assess our new suppliers for environmental compliance and implement several initiatives to minimize carbon emissions.

Carbon footprint

Our carbon emissions are mainly from exhausts in kilns. During the year heat exhaust chimneys of Royal Porcelain were replaced with stainless steel to ensure the exhaust heats are not contaminated with other form of toxin due to corroded surface.

Royal Ceramics reduced gas consumption of vertical drier by 10%

and made several energy consumption reduction initiatives to reduce carbon emission during the year. The Aluminium extrusion factories reduced emissions by pressing raw materials discharged. In addition, the 100ft chimney ensured the safe emission of gases from the melting furnace.

Rejuvenation

We seek to preserve the environment by engaging in tree plantation programmes and ensuring restoration of clay mines. During the year, Uni Dil planted trees under the tree planting program that was initiated in February 2019. In addition, we visited the clay mines of suppliers to ensure mines are adequately back-filled. We assessed 33 new suppliers for environmental criteria.






Environmental compliance

We complied with the following sector specific certifications during the year. In addition, all our factories complied with the requirements of the CEA license as well.



Capitals Report

NATURAL CAPITAL

| Sector | Certification | Description |
|--|-------------------------------|---|
| Tiles & Associated Products  | Green SL Labelling System | Certificate for environmental performance issued by the Green Building Council of Sri Lanka |
| 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 recognized 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  | WELS certification | Products are rated for water efficiency |
| | Green labelling certification | Certificate for environmental performance issued by green building society |
| Aluminium  | ISO : 14001 | Certificate of the Environmental Management System by the Sri Lanka Standards Institution |

Human Capital



A dynamic and multi-skilled team is instrumental in creating value and retaining our competitive edge across six diverse sectors. Nurturing and growing our talent pool uproots value creation.

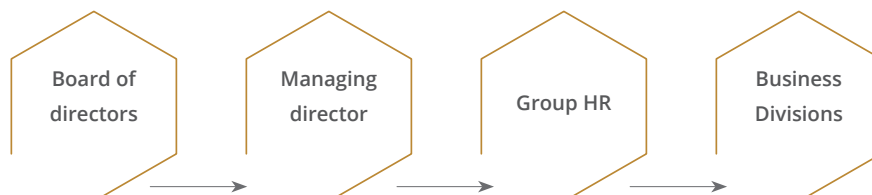
A dynamic and multi-skilled team is instrumental in creating value and retaining our competitive edge across six diverse sectors. Our manufacturing capabilities are driven by a team of 2,751 employees focused on developing innovative and high-quality products. These products are delivered to customers through widespread and diverse retail channels supported by 742 employees. Given the prominent role of employees in our value chain, nurturing and growing our talent pool enables value creation.

Governance

Human resource management function across the Group handles centrally to improve governance and deliver a conducive work environment for our employees. The HR department of each Company is headed by a HR manager and comprises 60 employees handling the HR related functions within the

Group. Divisional managers/collaborates with the HR manager through monthly meetings to discuss key employee related matters. These are escalated to the Managing Director at periodic meetings. Policies, best practices and defined procedures are used to address the material concerns related to human capital.

The broad aim of the centralised HR department was to deploy a comprehensive HR framework comprising of sound policies and best practices across the organisation. During the year, we initiated formulating 13 number of policy manuals by documenting them after the re-evaluating and upgrading in-line with industry best practices. We have also initiated KPI development for executive and above graded employees of the Group and JD development for head office staff during the year. The adequacy of policies and controls were evaluated



New recruits enhance agility and dynamism in workforce.

Recruitment



Understand and resolve employee concerns promptly.

Engagement



Support the progression of employees.

Training and development



Safe and healthy workplace.
Employee satisfaction.

Conducive work environment



Strong governance and well defined policies.

Ethical work practices



Basic pay in line with industry trends.
Employee benefits

Fair compensation

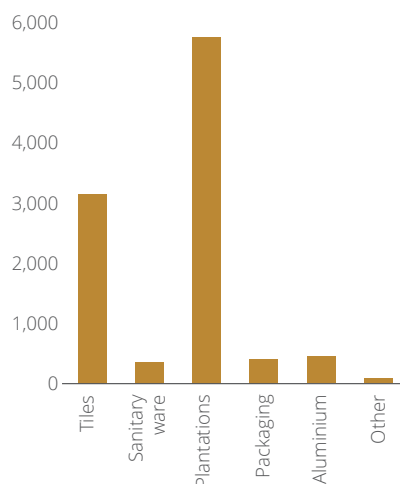
Nurturing our Human capital

Capitals Report

HUMAN CAPITAL

Our Team

10,226 workforce

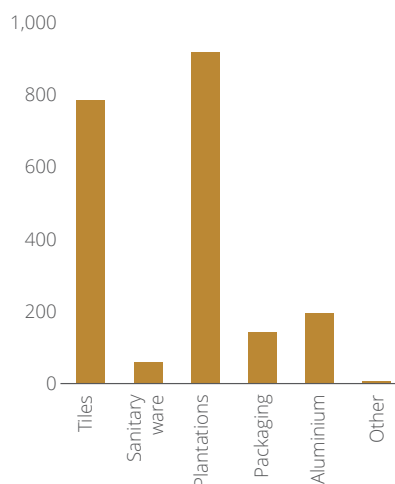


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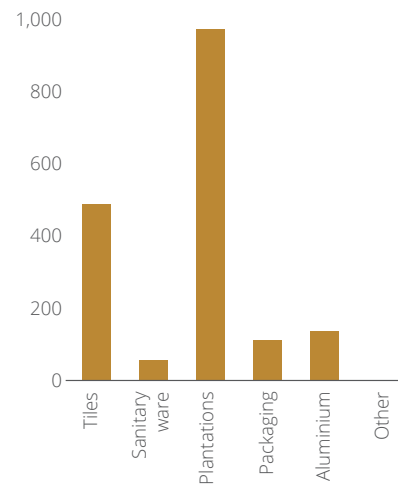
Movement in our team

-

2,109 employees were recruited



1,767 employees left the Group



OUR EMPLOYMENT POLICY

Equal opportunity: We maintain a policy of zero discrimination in any aspect including age, gender, ethnicity, etc. Selections for career progression or recruitments are based on skills and competencies that best suite operational requirements of the organization.



through internal audits and periodic meetings.

The HR information systems supported in monitoring and reporting key performance indicators related to HR management.

Recruitments

During the year, we recruited 2,109 employees primarily in the Tiles and associated products and packaging sectors. Our recruitment strategy focused on enhancing dynamism, agility and specialized expertise within our talent pool. Of, the total recruitments 60% was within a young age Group of 18-30 years. During the year, for the first time, we recruited a technical expert from India to fine tune and manage manufacturing practices in floor tile factories.

Our main sources of recruitment were vocational institutions such as NAITA, social media, online advertisements and through head hunters. As an equal opportunity employer, selections were based on job requirements and free of any form of discrimination.

Employee turnover

Employee retention plays an integral role in delivering a sustainable business

model. We nurture and retain our employees by ensuring a conducive work environment through open-door policies, fair remuneration practices and opportunities to develop talents.

During the year, 1,767 employees left the Group. The attrition rate was 17.6% compared to 13% last year. The Group retention rate was affected by the high labour turnover in the plantation sector. However, retention in other business sectors were maintained within a reasonable level. Several initiatives were used to measure employee satisfaction, such as surveys, periodic meetings and performance appraisals.

Employee retention in the plantation sector continued to be a challenge as workers migrated to better job opportunities in city areas. In addressing the challenge, Horana Plantations focused on improving welfare facilities, enhancing performance management and introducing staff recognition awards for the first time since our inception.

| By type | Male (No) | Female (No) | Total workforce (No) |
|--------------|--------------|--------------|----------------------|
| Permanent | 5,782 | 3,524 | 9,287 |
| Contract | 333 | 23 | 371 |
| Outsourced | 484 | 80 | 568 |
| Total | 6,599 | 3,627 | 10,226 |

| By category | | | |
|-----------------------------|--------------|--------------|---------------|
| Senior management and above | 81 | 8 | 89 |
| Executive | 500 | 104 | 604 |
| Non-executive | 2,649 | 341 | 2,990 |
| Other | 3,369 | 3,174 | 6,543 |
| Total | 6,599 | 3,627 | 10,226 |

| | Recruitment (No) | Turnover (No) | Total workforce (No) |
|-------|------------------|---------------|----------------------|
| Total | 2,109 | 1,767 | 10,226 |

| By region | | | |
|------------------------|--------------|--------------|---------------|
| Western province | 1,095 | 865 | 4,654 |
| Central province | 717 | 683 | 4,283 |
| Southern province | 40 | 29 | 182 |
| Northern province | 11 | 9 | 21 |
| Eastern province | 9 | 10 | 52 |
| North Central province | 10 | 6 | 42 |
| North Western province | 15 | 20 | 71 |
| Sabaragamuwa province | 214 | 140 | 849 |
| Uva province | 8 | 5 | 65 |
| Overseas | - | - | 7 |
| Total | 2,109 | 1,767 | 10,226 |

| By gender | | | |
|--------------|--------------|--------------|---------------|
| Male | 1,523 | 1,199 | 6,599 |
| Female | 586 | 568 | 3,627 |
| Total | 2,109 | 1,767 | 10,226 |

| By age Group | | | |
|----------------|--------------|--------------|--|
| 18-30 years | 1,271 | 717 | |
| 30-55 years | 668 | 597 | |
| Above 56 years | 170 | 453 | |
| Total | 2,109 | 1,767 | |

Remuneration and employee benefits

We continued to maintain a fair remuneration package across all our business sectors in line with industry practices, labour laws and regulations.

We did not face any fines or penalties for non-compliance with labour regulations. In addition, we maintained adequate notice period prior to any significant operational changes.

Employee related costs in 2018/19 amounted to Rs. 4,995mn compared to Rs. 4,756 mn last year. During the year, wage negotiations took place in the plantation sector in preparation for the new wage agreements.

Our Group compensation package include:

1. Basic salaries and wages maintained well above stipulated minimum wage rates.
2. Defined benefit contributions such as Employee Provident Fund (EPF) and Employee Trust Fund (ETF).
3. Parental leave:

| Parental leave taken during the year | 2018/19 |
|---|---------|
| Employees entitled to parental leave | 3,414 |
| Employees on parental leave | 111 |
| Employees who returned to work during the period after parental leave | 90 |
| Employees who are still in employment 12 months after returning from parental leave | 6 |

4. Gratuity payments on completion of 5 years.

In addition, the following benefits were provided to employees of specific sectors:

Capitals Report

HUMAN CAPITAL

GRI- 401-2, 401-3, 402-1

Plantations

- Subsidised meals.
- Providing housing facilities to over 90% of estate workers. During the year, we built 450 houses.
- Improve quality of life of employees including their families and communities by improving sanitation facilities.
- Financial support for higher education provided to children of employees.
- Pluckers of upcountry estates were provided with waterproof jackets.
- Collaborated with Estate worker housing co-operative societies to provide loan facilities to estate workers.

Tiles and associated products and Sanitary ware sector

- Factory wage levels are maintained well above minimum wage rates stipulated by the Ceramics Wage Board.
- Provision of financial assistance for educational qualifications.
- The company is an approved employer of the Institute of Chartered Accountants of Sri Lanka.
- Free lunch provided every Friday for Royal Ceramics head office employees.
- Subsidised meals for factory employees.
- Free uniforms and safety shoes.
- Health benefits for workers
- Eye clinics and medical campaigns
- Granting of death donations in case of a death of close family members of the employee
- Foreign tours for best performing sales staff
- Medical benefits for all executive staff

Aluminium

- Motorcycle loan scheme for clerical staff.
- Health insurance cover for all employee grades.
- Provision of gift items for workers' children.
- Subsidised meals for factory employees.
- Free uniforms and safety shoes.

Packaging

- Medical insurance scheme for employees.
- Provision of free transportation for factory employees.
- Provision of low interest loan facilities.
- Free uniforms and safety shoes.

Career Progression

During the year, 100% of our clerical, non executive and executive workforce were part of the performance appraisal systems of the Group. Employees are continuously evaluated on pre-defined

key performance indicators. Supervisors provide regular feedback and support in the form of training programmes. Routine performance appraisals take place every year to support the development of employees through

career progression opportunities such as promotions, bonuses and salary increments. During the year, 238 employees were promoted. In addition, appointments to long- term assignments and secondments to Group companies were considered.



Our skills and competencies play a pivotal role in delivering differentiated and unmatched products to customers. Sharpening our skills enhance value creation, effectiveness, and efficiency at work.

Health and safety

We maintain sound health and safety standards at our factories. As a manufacturing organization, a safe work environment is important for employees.

Some of our initiatives include:

- Employees participate in monthly health checks. In addition, a visiting doctor is also available at factories.
- **Tiles and associated products segment**
 - Employed a health and safety officer to prepare monthly health reports. These reports are shared with the labour department and provides health and safety information such as number of accidents.
 - Provide all necessary protective gear to employees. Policies mandate wearing of protective gear.
 - Communicate safety standards and policies of the company with all employees.
 - Ambulance is available 24 hours within the factory premises.

- **Plantation segment**
 - Monitor the mental and physical healthcare of employees to ensure employees are free from anaemia and malnutrition.
 - A health-related file is maintained for every employee.
- **Packaging segment**
 - Hazard analysis programmes to evaluate the biological and physical safety of products.
 - Ensure all machinery and equipment are safe for usage.
 - Assess health and safety risks
 - Awareness programmes on using chemicals.
- **Aluminium segment**
 - A safety committee comprising of 18 members monitor the health and safety aspects.
 - Safety procedures were assessed through safety audits.

During the year, 201 injuries were reported of which the tile sector accounted for the most. The total number of lost production days for the

Group was 854 days. The injury rate was 6%. Number of absentee days were 27,038 days in total.

| | |
|-------------------|-----|
| Total | 201 |
| Falling | 27 |
| Injuries | 123 |
| Exposure to toxic | 10 |
| Other | 41 |

Training and development

Training and development formed a core pillar of our HR strategy during 2018/19. As a manufacturing organization with a leading competitive role across diverse business sectors, our skills and competencies play a pivotal role in delivering differentiated and unmatched products to customers. Sharpening our skills enhance value creation, effectiveness, and efficiency at work. We offer employees ample opportunities to learn, develop and grow along a career path that best suits their talents.

During the year, training expenditure amounted to Rs. 20 mn compared to Rs. 13 mn last year. This represented 0.06% of Group revenue. Diverse training

Capitals Report

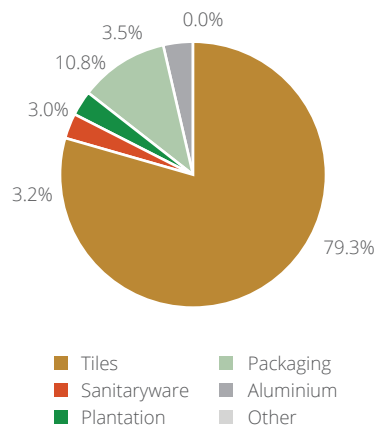
HUMAN CAPITAL

GRI- 404-1, 404-2

programmes were conducted to cater to various traits including leadership, behavioural, technical, soft skills, TPM etc. Total training hours were 35,514 hours compared to 8,179 last year. In total, 7,860 employees participated in training programmes.

Specialized training programmes of the various business sectors focused on enhancing productivity, product quality and developing innovative capabilities. Overseas training opportunities were provided to 28 employees working in tile factories.

Training Hours by Sector



Training hours by Category

2018/19

| | |
|--|--------|
| Senior management and above | 1,105 |
| Executive staff | 13,179 |
| Non-executive staff | 18,374 |
| Manual Workers | 443 |
| Other-includes security and janitorial | 2,413 |

Training programmes

No of
sessions

Participation

| | | |
|---------------------------------------|----|-----|
| Induction programmes for new recruits | 81 | 454 |
| Safety & health | 15 | 367 |
| Productivity | 43 | 771 |
| Supervisory | 6 | 114 |
| Quality | 7 | 90 |
| Soft skill development | 29 | 432 |
| TPM certificate | 15 | 27 |
| TPM executive | 34 | 126 |
| TPM operators & technicians | 20 | 877 |
| Foreign training programmes | 4 | 28 |

Employee productivity

In the manufacturing sector, employee productivity has an integral role in performance and value creation. Our productivity KPIs differ by industry and focus on measuring output/production per worker. During the year, employee productivity of the Group is measured as

revenue per employee, which was Rs. 3.08 mn compared to Rs. 3.03 mn last year.

We used several measures to improve employee productivity. Competencies were developed through training programmes. In the tiles and associated

Tiles and bathware

Focused on developing specialized skills through technical training programmes. During the year, 28 employees were provided opportunities to be trained in overseas.

Plantations

Specialised training programmes on management, agricultural operations, health & safety and product certification.

Packaging

Training programmes focused on creative thinking and product quality. During the year, we invested on quality circles and productivity tools.

Aluminium

Main focus of the training for the year was based on product certification, total productive maintenance and occupational safety.

products sector, we adopted the total productivity management (TPM) tool. This is a globally renowned productivity enhancement tool used to streamline work flows and optimize productivity. During the year, we implemented 258 TPM initiatives. This led to cost savings of the Rs. 480 mn.

Employee engagement

We engage with employees through various forms including appraisals, routine meetings and other welfare events. This is important to drive employee satisfaction and retention. During the year, the tiles and associated



products segment retained 83% of the workforce. This was driven through several initiatives to improve the employee well-being such as counselling and spiritual training programmes, new sleeping lounges, resting hours during working times, etc. In addition, employees prepared their work shifts at the beginning of the month.

A long service award and the innovation award were introduced to felicitate the staff members.

Employee Grievances

The Group wide open-door policy enables employees to come forward with their grievances. Employees are free to discuss any grievances with their line managers. They may also report any incidents to the HR department or

the Managing Director. During the year, there were no grievances reported.

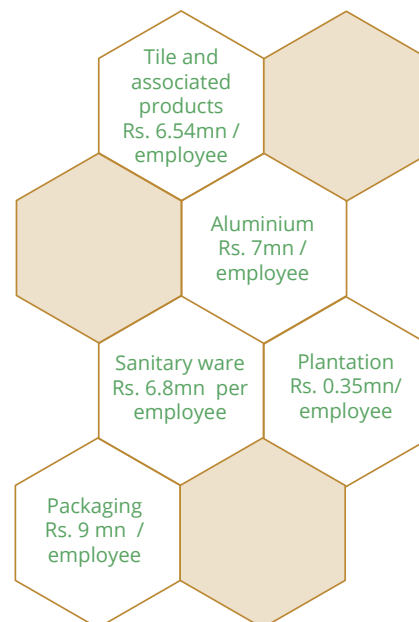
We also maintained harmonious relationships with trade unions. During the year, 17% of employees were part of trade unions.

Employee welfare events

During the year, we organized several employee welfare events as detailed below. These were organized by separate companies of the Group to enhance employee welfare.

- Staff/Executive family outings
- Employees annual get together
- Annual pirith ceremony
- New year celebration
- Sports day

Group Revenue per employee
Rs. 3.08 mn.





Social and Relationship Capital



As a Group we have a broad network which ensures the delivery of our products to the end users. Stakeholder engagement and support is vital to keep our relationship with our customers mutually beneficial.

It is with the support of our business partners that we are able to stand tall in a challenging and evolving industry.

- Suppliers
- SME Suppliers
- Large scale suppliers
- Sub Contractors
- B2B suppliers
- Others

- Royal Ceramics Group Tiles and Associated Products
- Sanitaryware
- Aluminium
- Packaging
- Tea and Rubber

- Customers
- Distributors
- Franchisees and Retailers
- Brokers
- Tilers
- Fabricators
- End Customers

Communities

CUSTOMERS

Our customer base is comprised of market intermediaries as well as direct users. As a Group we have a broad network which ensures the delivery of our products to the end users. Stakeholder engagement and support is vital to keep our relationship with our customers mutually beneficial. We take the following measures to keep our customer base satisfied.

58

Own Stores

379

Dealers & Distributors

58

Franchises & Retailers

15

Factory Outlets

4,543

Tilers Club Members

650

Aluminium Fabricators



Product Quality

- Products subjected to quality assurance across all sectors
- Certification affirm compliance to international standards.



Customer Satisfaction

- Call Centre operated to provide customer support and handle customer complaints.
- A formal grievance process managed by a dedicated customer management unit
- Proper action taken for valid complaints.
- Customer satisfaction measured through surveys



Innovation

- Invested Rs. 76.5 mn in research and development.
- Product portfolio of over 800 designs.
- Launched new sizes and new designs during the year.

Market Intermediaries also play an important role in our distribution network



Tilers

- Tilers clubs membership
- Tilers training programmes
Loyalty points convertible into cash
- Tiler club member events



Architects

- Sponsorships for flagship events
- Discounts for registered architects
- Architect get together events



Aluminium Fabricators

- Conducting training programmes

SUPPLIER

Supplier base is important to ensure that our products meet expected quality standards. We nurture long term relationships with our suppliers through several initiatives as described below.

Rs. 10,837 Mn

Payments to international suppliers

Rs. 23,605 Mn

Paid to local suppliers



Fair Dealing

- Annual registration of suppliers
- Monthly procurement meetings
- Adherence to contracts
- Timely payments
- Transparency and trust



Knowledge Sharing

- Quality inspections at the point of receipt and feedback
- Ensuring that suppliers have the relevant licenses issued by the Central Environmental Authority



Value Delivered

- Financial aid and support
- Provide technical expertise when needed.

Capitals Report

SOCIAL AND RELATIONSHIP CAPITAL

GRI- 413

COMMUNITY BASE AT A GLANCE

Giving back to the community has been a big part of our business philosophy since our inception. Over the years we have initiated many projects and programmes on community development based on healthcare, sanitation, infrastructure development and education. We also focus on maintaining a healthy relationship which is vital for our growth. As a Group with diverse sectors we are proud to state that a significant part of our factory work forces are from the local communities.



CSR initiatives during the year

Plantation Sector

- Maintain 37 child development centres with provision of free meals
- Eye medical campaigns with the assistance of Help Age Sri Lanka at three estates
- Donation of School books and bags for 40 children at Neuchatel estate with the assistance of Rotary Club
- Built 158 housing units with an investment of 158 Mn under the Green Gold Housing projects and also for land slide victims.
- Estate Worker Housing Co-operative societies have granted Rs. 18 Million as distress loans to workers.

Aluminium Sector

- Village road development projects
- Facilitated Vocational Training Authority (VTA) Fabricator training programmes for students and provided them Aluminium profiles free of charge basis

Tiles and Sanitaryware Sector

- School development project which commenced in last year was extended to this year as well.
- Blood Donation campaign to cancer hospital
- Donation of school uniforms & equipments to Dhaham Pasal student
- Tile and dry rations donation for a poor family
- Monetary Donation to welfare societies
- Volunteer hosting project at Jalthara - "Project Trust" (Engaging educational and social care work).
- Refreshments for social and religious events

Intellectual Capital

Our brand portfolio is well-positioned in the market. The tile brands, namely Rocell and Lanka Tiles hold a market share of over 30%. Rocell Bathware holds a market share of 40%.



Brand image

The strengths of our brand are quality and innovative designs. Our products have an extreme aesthetic appeal designed by renowned architects in Italy. This is complemented with high standards of quality and functionality. Our flagship brand, Rocell, has gained popularity in both local and export markets. In 2017/18, Inter brand Sri Lanka valued our brand equity at Rs. 1.92 bn. We also house other brands such as Rocell Bathware, Lanka Tiles, Swisstek, Uni Dil, Deluxe and Horana plantations. Our brand portfolio is well-positioned in the market. The tile brands, namely Rocell and Lanka Tiles hold a market share of over 35% and Rocell Bathware holds a market share of 40%. Horana plantations is Sri Lanka's largest producer of both tea and rubber. Swisstek is ranked as the second largest player in the Aluminium industry with a 40% market share. Uni Dil is renowned among the leading carton manufacturers.

Unique recipes

We produce both homogeneous and non-homogeneous tiles. These are manufactured by using well-tested

We are a customer centric organization. Our processors, unique recipes and innovative competencies supports the Group to manufacture differentiated products that match modern trends and styles. The intellectual capital drives our excellence in various sectors of the economy.



Brand image



Certifications



Unique recipes



Innovative skills

recipes that have a rich history of 29 years. We also differentiate our recipes to produce tiles of varying colour, designs, textures and sizes.

and safety, and sustainable business practices. We also added one new certification during the year.

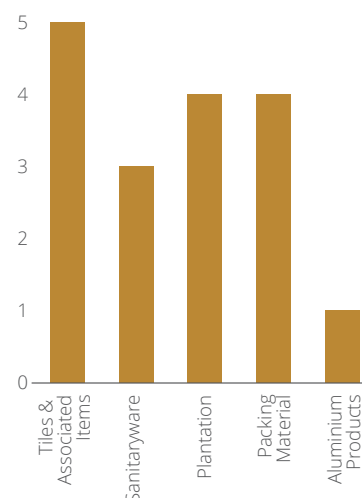
Innovative competencies

Our product portfolio is upgraded from time to time to meet the latest consumer trends. Changes in designs, styles, and colours are orchestrated by a team of designers to enhance the aesthetic appeal of our products. During the year, we invested Rs. 76.5 mn on research and development. This was primarily invested in revamping the product portfolio of the Lanka Wall tiles.

Certifications

We complied with 13 certifications during 2018/19. These were mainly related to product quality, health

No of Certifications



Capitals Report

INTELLECTUAL CAPITAL

LIST OF CERTIFICATIONS

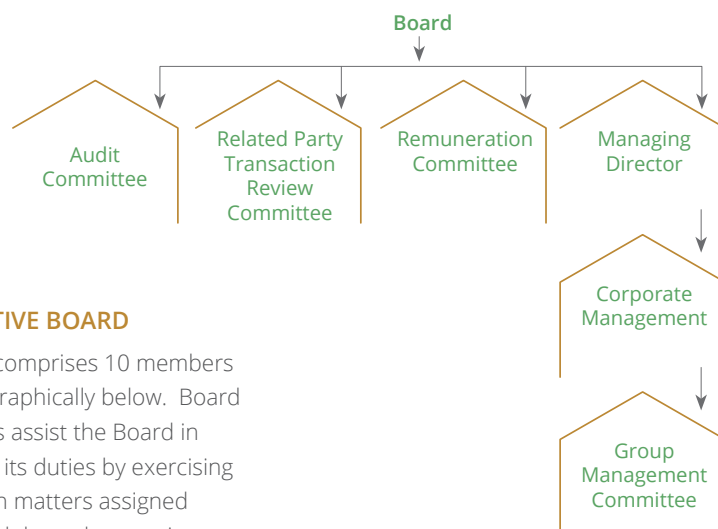
| Certification | Description |
|---|---|
| Royal Ceramics Lanka PLC/Royal Porcelain (Pvt) Ltd | |
| SLS ISO 14001 | Certificate of the Environmental Management System by the Sri Lanka Standards Institution |
| SLS ISO 9001 | Authorized Schedule and Certificate of Conformity to ISO 9001 standards, issued by Sri Lanka Standards Institution for Glazed Ceramic Floor Tiles, Glazed Vitrified Tiles, Glazed Porcelain Floor Tiles |
| SLS 1181 | Certificate of Conformity issued by Sri Lanka Standard Institute for Rocell brand dry pressed ceramic tiles and vitreous homogeneous porcelain floor tiles |
| CE Marking | Certificate of Conformity to European standards issued by Euro Veritas Limited. |
| Green SL Labelling System | Certificate for environmental performance issued by the Green Building Council of Sri Lanka |
| Rocell Bathware Ltd | |
| 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 Vitrified Tiles |
| Watermark certification | Watermark certification of conformity level 1 and 2 |
| Green SL Labelling System | Certificate for environmental performance issued by the Green Building Council of Sri Lanka |
| WELS | Water Efficiency Labelling Scheme, Australia - 4 Star rating. |
| Lanka Tiles PLC / Lanka Walltiles PLC | |
| Green Labelling | 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 |
| Uni Dil 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 |
| Swisstek Aluminium Ltd | |
| SLS ISO 9001 | Certification of quality management system for manufacturing process quality |
| SLS 1410 | Certificate of conformity issued by Sri Lanka Standard Institution for Swisstek Aluminium brand extruded aluminium alloy profiles |
| Qualicoat Certification | Authorisation to use the quality sign of 'Qualicoat' |

Corporate Governance

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 and the Securities & Exchange Commission.

LEADERSHIP AND STEWARDSHIP

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 issued by the Institute of Chartered Accountants of Sri Lanka. The parent company of the Group is Vallibel One PLC who holds 55.96% of the shares of Royal Ceramics Lanka PLC.



AN EFFECTIVE BOARD

The Board comprises 10 members as set out graphically below. 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 Ceramic Group is given alongside. 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.

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

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

The Board is of the view that the period of service of Mr. G A R D Prasanna and Mr. R N Asirwatham 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.

Board Composition



Executive Directors



Non-Executive Non-Independent Directors



Independent Non-Executive Directors



Corporate Governance

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 three committees, namely an Audit Committee, a Related Party Transactions Review Committee and a Remuneration Committee to assist the Board. Their composition and roles are summarised below.

| Board Committee & Composition | Mandate | Further information |
|---|---|--|
| Audit Committee | | |
| Comprises three independent directors all of whom are Chartered Accountants. Mr. L N De S Wijeyeratne – Chairman Mr. L T Samarawickrama – resigned w.e.f 11.04.2019 Mr. R N Asirwatham Mr. S H Amarasekera – resigned from the Committee w.e.f 27.05.2019 Mr. N J Weerakoon – appointed to the Committee w.e.f. 27.05.2019 | 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 103 for Report of the Audit Committee |
| Remuneration Committee | | |
| Comprises three independent directors. Mr. S H Amarasekera Mr. R N Asirwatham Mr. L N De S Wijeyeratne – appointed w.e.f. 27.08.2018 | 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. Recommend the remuneration payable to the Executive Directors and senior management. | Refer page 105 for Report of the Remuneration Committee |
| Related Party Transaction 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 Ceramic PLC and its subsidiaries are consistent with the Code of Best Practice on Related Party Transactions issued by the SEC. 1. Ensure that the Company complies with the rules set out in the Listing rules 2. Subject to the exceptions given under the Listing rules, review in advance all proposed 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 agendas 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 106 for Report of Related Party Transactions Review Committee |

Meetings and Attendance

Meetings for the year end 31.03.2019 and the attendance at the same given below.

| Name | Directorship Status | Attendance | | | |
|--|------------------------------------|----------------|-----------------|------------------------|---|
| | | Board Meetings | Audit Committee | Remuneration Committee | Related Party Transactions Review Committee |
| Total no of meetings held | | 12 | 6 | 1 | 4 |
| Dhammika Perera | Chairman | 8/12 | N/A | N/A | N/A |
| A.M. Weerasinghe | Deputy Chairman | 11/12 | N/A | N/A | 4/4 |
| M.Y.A. Perera | Managing Director | 12/12 | N/A | N/A | N/A |
| T.G. Thoradeniya | Executive Director | 10/12 | N/A | N/A | N/A |
| L.T. Samarawickrama (resigned w.e.f. 11.04.19) | Independent Non-Executive Director | 11/12 | 5/6 | N/A | N/A |
| G.A.R.D Prasanna | Independent Non-Executive Director | 11/12 | N/A | N/A | N/A |
| R.N. Asirwatham | Independent Non-Executive Director | 5/12 | 5/6 | 1/1 | 4/4 |
| S.H. Amarasekera | Independent Non-Executive Director | 11/12 | 5/6 | 1/1 | N/A |
| N.R. Thambiayah | Independent Non-Executive Director | 12/12 | N/A | N/A | N/A |
| L.N. De S. Wijeyeratne | Independent Non-Executive Director | 11/12 | 6/6 | N/A | 3/4 |

Chairman & 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 compliance 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
- Transactions with key management personnel

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.

Corporate Governance

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 requirement.

Compliance

Compliance by the Company with the CSE Listing Rules – section 7-10 on corporate governance is given below.

| Corporate Governance Principal | CSE Rule Reference | Compliance Status | Remarks |
|---|--------------------|-------------------|---|
| Non Executive Directors | 7.10.1 | ✓ | Seven out of ten Directors are Non-Executives |
| Independent Directors | 7.10.2 (a) | ✓ | Out of seven Non-Executives six are 'Independent' |
| | 7.10.2 (b) | ✓ | The Boards determines the independence of the Directors on an annual basis based on the annual declaration submitted by the Directors |
| Disclosures relating to Directors | 7.10.3 | ✓ | Refer Director's Profiles in page 26 |
| Remuneration Committee | 7.10.5 (a) | ✓ | Refer Board Committees in page 100 |
| | 7.10.5 (b) | ✓ | Refer Report of the Remuneration Committee in page 105 |
| | 7.10.5 (c) | ✓ | Refer Compensation to Key Management personnel in page 214 |
| Audit Committee | 7.10.6 (a) | ✓ | Refer Board Committees in page 100 |
| | 7.10.6 (b) | ✓ | Refer Report of the Audit Committee in page 103 |
| | 7.10.6 (c) | ✓ | |
| Related Party Transactions Review Committee | 9.2.2 | ✓ | Refer Board Committees in page 100 |
| | 9.3.2 | ✓ | Refer Report of the Related Party Transactions Review Committee in page 106 |

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

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Audited Financial Statements of the Group for the year ended 31st March 2019.

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 Number 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 for the change in the shareholding structure resulting from the acquisition of 2.5% interest in the voting shares of Lanka Walltiles PLC from Lanka Ceramic PLC, there have been no significant changes in the

nature of activities of the Company and its subsidiaries during the financial year under review.

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Managing Director's message, Chairman's message, business line review and capital reports and analysis on Pages 16, 20, 50 and 62 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 110 to 230.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 110 to 113.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 122 to 230 except as stated in Note 2.1.2 to the Financial Statements there were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

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 26 to 27.

EXECUTIVE DIRECTORS

Mr. A M Weerasinghe - Deputy Chairman
Mr. M Y A Perera - Managing Director
Mr. T G Thoradeniya - Director
- Marketing and Business Development

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. L T Samarawickrama who served as a Director of the Company resigned with effect from 11th April 2019.

Mr. S H Amarasekera retires by rotation at the Annual General Meeting in terms of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mr. N J Weerakoon who was appointed to the Board on 17th May 2019 shall retire in terms of the Articles of Association of the Company 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 76 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.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

| Name of Related Party | Name of Director | Relationship | Details | Balance Outstanding as at 31/03/2019 |
|--|--------------------|--------------|--|--------------------------------------|
| Royal Porcelain (Private) Limited | A M Weerasinghe | Director | A sum of Rs.505,545,203/- was received as service charges | (3,130,744,951) |
| | T G Thoradeniya | Director | A sum of Rs.193,500,000 /- was received as dividends. | |
| | L T Samarawickrama | Director | Materials worth of Rs. 186,480,372 /-were purchased | |
| | G A R D Prasanna | Director | Materials worth of Rs. 4,075,734/- were sold. | |
| | R A Asirwatham | Director | A sum of Rs.403,865,276 /- was received for reimbursement of expenses. | |
| | Aravinda Perera | Director | A sum of Rs.597,263,489/- was received as short term funds. | |
| | | | A sum of Rs.3,471,827 /- was received as rental Income. | |
| Rocell Bathware Limited | | | A sum of Rs. 9,837,994/- worth of damaged tiles were purchased. | |
| | A M Weerasinghe | Director | Materials worth of Rs. 1,393,393/- were purchased. | (543,453,446) |
| | T G Thoradeniya | Director | Materials worth of Rs.605,734/- were sold. | |
| | L T Samarawickrama | Director | A sum of Rs.312,971,362/- was received for reimbursement of expenses. | |
| | G A R D Prasanna | Director | A sum of Rs.5,598,599 /- was received as dividends. | |
| | R A Asirwatham | Director | A sum of Rs.208,850,471/- was received as service charges. | |
| Royal Ceramics Distributors (Private) Ltd | Aravinda Perera | Director | A sum of Rs.240,210,937/- was received as short term funds. | |
| | A M Weerasinghe | Director | A sum of Rs. 159,616/- was received for reimbursement of expenses. | 1,512,497 |
| | T G Thoradeniya | Director | | |
| Ever Paint & Chemical Industries (Private) Ltd | L T Samarawickrama | Director | | |
| | A M Weerasinghe | Director | Materials worth of Rs.1,253,599/- were purchased. | 406,967,789 |
| Rocell (PTY) Ltd | | | A sum of Rs. 486,954/- was received for Reimbursement of expenses. | |
| | T G Thoradeniya | Director | Tiles worth of Rs. 8,583,995 /-were sold. | 26,807,671 |
| | | Director | A sum of Rs.74,602,500/- was paid as marketing expenses. | |
| | | | A sum of Rs. 1,115,028/- was received for reimbursement of expenses. | |
| Horana Plantations PLC | Dhammika Perera | Director | Goods worth of Rs. 74,778/- were purchased. | - |
| Lanka Ceramic PLC | A M Weerasinghe | Director | Materials worth of Rs. 19,867,663/- were purchased. | (505,765) |
| | T G Thoradeniya | Director | A sum of Rs. 44,297,339/-were received for reimbursement of expenses. | |
| Lanka Tiles PLC | Dhammika Perera | Director | Materials worth of Rs. 1,508,486/- goods were purchased. | 3,707,335 |
| | T G Thoradeniya | Director | A sum of Rs. 13,532,789/- was received as technical fee. | |
| | A M Weerasinghe | Director | A sum of Rs. 3,863,843/- was received as dividends. | |
| | G A R D Prasanna | Director | A sum of Rs. 32,471,336/- was received for reimbursement expenses. | |
| Lanka Walltiles PLC | Dhammika Perera | Director | A sum of Rs. 1,748,068/- was received as sales commission. | 12,993,226 |
| | T G Thoradeniya | Director | A sum of Rs. 34,906,905/- was received for reimbursement expenses. | |
| | A M Weerasinghe | Director | A sum of Rs. 3,290,068/- was received for technical fee. | |
| | G A R D Prasanna | Director | Goods worth of Rs. 820,697/- were purchased. | |
| | | | A sum of Rs. 84,907,086/- was received as dividends. | |

| Name of Related Party | Name of Director | Relationship | Details | Balance Outstanding as at 31/03/2019 |
|--------------------------------------|--------------------|--------------|--|--------------------------------------|
| Uni Dil Packaging Limited | Dhammika Perera | Director | Goods worth of Rs. 206,473/- were purchased. | 47,645,514 |
| | T G Thoradeniya | Director | Goods worth of Rs. 23,652/- were sold. | |
| Swisstek Ceylon PLC | A M Weerasinghe | Director | Goods worth of Rs. 87,184,361/- were purchased. | (13,576,546) |
| | S H Amarasekera | Director | A sum of Rs. 1,768,784/- was paid as sales commission. | |
| | | | A sum of Rs. 36,305,703/- was received for reimbursement expenses. | |
| | | | A sum of Rs. 2,542,674/- was paid as rent. | |
| | | | A sum of Rs. 3,849,566/- was paid as security. | |
| | | | A sum of Rs. 3,238,094/- was received as dividends. | |
| Swisstek Aluminium Limited | A M Weerasinghe | Director | A sum of Rs. 1,052,486/- were paid as rent. | 4,681,251 |
| | T G Thoradeniya | Director | A sum of Rs. 78,377,917/- was received for reimbursement expenses. | |
| Haycarb PLC | Dhammika Perera | Director | Goods worth of Rs. 150,969/- were sold. | - |
| Link Natural Products (Pvt) Ltd. | S H Amarasekera | Director | Goods worth of Rs. 1,360,863/- were sold. | - |
| Sampath Bank PLC | Dhammika Perera | Director | Maintaining the current account balance. | 1,673,227 |
| Pan Asia Banking Corporation PLC | Aravinda Perera | Director | Maintaining the current account balance. | 23,170,711 |
| The Kingsbury PLC | Dhammika Perera | Director | Goods worth of Rs. 941,663/- were sold. | - |
| | L T Samarawickrama | Director | Services worth 1,335,490/- was obtained. | |
| LB Finance PLC | Dhammika Perera | Director | A sum of Rs.124,263,918/- was received as dividends. | - |
| Delmege Forsyth & Co. (Shipping) Ltd | G A R D Prasanna | Director | Goods worth of Rs. 13,154,317/- were purchased. | - |
| | | | Goods worth of Rs. 70,560/- were sold. | |
| Hayleys Fabric PLC | Dhammika Perera | Director | Goods worth of Rs. 68,289/- were sold. | - |
| | T G Thoradeniya | Director | | |
| Culture Club Resorts (Pvt) Ltd | L T Samarawickrama | Director | Goods worth of Rs. 1,966,591/- were sold. | - |
| Fentons (Pvt) Ltd | Aravinda Perera | Director | Goods worth of Rs. 315,590/- were sold. | - |
| Greener Water Ltd | T G Thoradeniya | Director | Goods worth of Rs. 103,314/- were sold. | - |
| Hayleys PLC | Dhammika Perera | Director | Goods worth of Rs. 478,765/- were sold. | - |
| | L T Samarawickrama | Director | | |
| | Aravinda Perera | Director | | |
| Horana Plantation - Goruvila Estate | Dhammika Perera | Director | Goods worth of Rs. 22,189/- were sold. | - |
| Kandyan Resorts (Pvt) Ltd | L T Samarawickrama | Director | Goods worth of Rs. 1,377,130/- were sold. | - |
| Kelani Valley Plantations (Pvt) Ltd | L T Samarawickrama | Director | Goods worth of Rs. 298,375/- were sold. | - |
| Singer Sri Lanka PLC | Dhammika Perera | Director | Goods worth of Rs. 4,680,913/- were sold. | - |
| | | | Goods worth of Rs. 1,187,682/- were purchased. | |
| Singhe Hospital | A M Weerasinghe | Director | Goods worth of Rs. 359,877/- were sold. | - |
| The Fortress Resorts PLC | Dhammika Perera | Director | A sum of Rs.336,100/- was received as dividends. | - |
| | L T Samarawickrama | Director | | |
| Aitken Spence PLC | R A Asirwatham | Director | A sum of Rs.450,000/- was received as dividends. | - |
| Vallibel One PLC | Dhammika Perera | Director | A sum of Rs.19,205,344/- was paid as technical fee. | - |
| | S H Amarasekera | Director | A sum of Rs.124,005,200/- was paid as dividends. | |
| | R A Asirwatham | Director | | |
| Grip Delmege (Pvt) Ltd | Dhammika Perera | Director | Goods worth of Rs. 37,675/- were sold. | - |
| | T G Thoradeniya | Director | Goods worth of Rs 2,131,414/- were purchased. | |
| Dipped Products PLC | Dhammika Perera | Director | Goods worth of Rs. 40,132/- were purchased. | - |

Annual Report of The Board of Directors on The Affairs of 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 214.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 102.

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. 2,544,490 is payable by the Company to the Auditors for the year under review comprising Rs. 1,263,000 as audit fees and Rs. 1,281,490 for non audit services.

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

19th March 2019 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.

Details of payments to Auditors of Subsidiary companies on account of audit fees and for permitted non audit services are set out in Note 24 to the Financial Statements on page 199.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2019 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 2019 and 31st March 2018 are as follows.

| | Shareholding as at 31.03.2019 | Shareholding as at 31.03.2018 |
|--------------------------|----------------------------------|----------------------------------|
| Mr. Dhammika Perera* | 200,772 | 200,772 |
| Mr. A M Weerasinghe | 812,401 | 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 62,002,600 shares constituting 55.964% of the shares representing the stated capital of the Company.

SHAREHOLDERS

There were 10,945 shareholders registered as at 31st March 2019 (10,847 shareholders as at 31st March 2018).

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 231, 232, 234 and 235. 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 2019 1,302 persons were in employment (1,139 persons as at 31st March 2018).

RESERVES

The reserves of the Company with the movements during the year are given in Note 14 to the Financial Statements on page 174.

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 31.03.2019 At revaluation |
|--------------|-----------------|-------------------|---------------------------------|
| 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 & EQUIPMENT

Details and movements of property, plant and equipment are given under Note 3 to the Financial Statements on pages 148 to 163.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2019 are given in Notes 5 and 12 to the Financial Statements on pages 165 and 173.

DONATIONS

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

DIVIDENDS

The Company paid an interim dividend of Rs. 2.50 per share for the year under review on 6 May 2019.

The Directors have recommended a final dividend of Rs. 1.50 per share for the year under review subject to obtaining a certificate of solvency from the Auditors and to be approved by the shareholders at the forthcoming Annual General Meeting.

As required by Section 56 of the Companies Act No. 07 of 2007 the Directors have certified that they are satisfied that the Company would meet the solvency test requirement under Section 52 (2) of the Companies Act No. 07 of 2007 immediately after the said distribution.

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

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

RISK MANAGEMENT

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 39 to 41.

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 209 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 210 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 91 to 94 explains the measures adopted by the Company during the year.

BOARD SUB-COMMITTEES

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

AUDIT COMMITTEE

Mr. L N De S Wijeyeratne - Chairman

Mr. S H Amarasekera – resigned from the Committee w.e.f 27.05.2019

Mr. L T Samarawickrama – resigned w.e.f 11.04.2019

Mr. R N Asirwatham

Mr. N J Weerakoon – appointed to the Committee w.e.f. 27.05.2019

REMUNERATION COMMITTEE

Mr. S H Amarasekera - Chairman

Mr R N Asirwatham

Mr. L N De S Wijeyeratne (appointed w.e.f 27th August 2018)

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. R N Asirwatham - Chairman

Mr. L N De S Wijeyeratne

Mr. A M Weerasinghe

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2019.


CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 88 of this Report.

ANNUAL GENERAL MEETING

The Notice of the Twenty Ninth (29th) Annual General Meeting appears on page 240.

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

6 June 2019

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 2019

Royal Porcelain (Private) Limited

Mr. A M Weerasinghe
Mr. M Y A Perera
Mr. T G Thoradeniya
Mr. L T Samarawickrama (resigned w.e.f. 11.04.2019)
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 (resigned w.e.f. 11.04.2019)
Mr. G A R D Prasanna
Mr. R N Asirwatham
Mr. D J Silva

Royal Ceramics Distributors Limited

Mr. A M Weerasinghe
Mr. T G Thoradeniya
Mr. G A R D Prasanna
Mr. L T Samarawickrama (resigned w.e.f. 11.04.19)
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 Somaratne
Mr. J K A Sirinatha
Mr. D B Gamalath

Lanka Ceramic PLC

Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms A M L Page
Mr. D J Silva
Mr. J D N Kekulawala

Lanka Walltiles PLC

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

Swisstek (Ceylon) PLC

Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Mr. J K A Sirinatha
Dr. S Selliah
Mr. A S Mahendra
Mr. K D G Gunaratne
Mr. C U Weerawardena

Swisstek Aluminium Limited

Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Dr. S Selliah
Mr. T G Thoradeniya
Mr. A S Mahendra
Mr. B T T Roche
Mr. C U Weerawardena

Vallibel 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. S S Sirisena
Mr. K D G Gunaratne – (Director/ Alternate Director to Mr. Dhammika Perera)
Mr. N T Bogahalande – (Alternate Director to Mr. K D H Perera)

Uni Dil Packaging Limited

Mr. Dhammika Perera
Mr. J A P M Jayasekera
Mr. D B Gamalath
Mr. T G Thoradeniya
Mr. H Somashantha
Mr. N T Bogahalande
Mr. J M Kariapperuma
Mr. S Rajapakse
Mr. M R Zaheed
Mr. C U Weerawardena

Uni Dil Packaging Solutions Limited

Mr. J A P M Jayasekera
Mr. D B Gamalath
Mr. S Rajapakse
Mr. M R Zaheed
Mr. C U Weerawardena
Mr. K H D Perera

Beyond Paradise Collection Limited

Mr. M H Jamaldeen
Mr. K D H Perera
Mr. J A P M Jayasekera

L W L Development (Pvt) Ltd

Mr. K D A Perera
Mr. J A P M Jayasekera

L T L Development (Pvt) Ltd

Mr. K D A Perera
Mr. J A P M Jayasekera

Swisstek Development (Pvt) Ltd

Mr. K D A Perera
Mr. J A P M Jayasekera

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

Lanka Tile (Pvt) Ltd

Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Mr. Fatheraj Singhvi
Mr. Praveen Kumar Singhvi

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

6 June 2019

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 (resigned w.e.f. 11.04.2019)
- Mr. R N Asirwatham
- Mr. S H Amarasekera (resigned from the Company w.e.f. 27.05.2019)
- Mr. N J Weerakoon (appointed w.e.f. 27.05.2019)

Secretary

Board Secretary

Regular Invitees

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

MEETINGS

The Audit Committee met six times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 93.

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 & Treasury were also brought up for discussion.

- The Committee reviewed financial statements and notes for the year ended 31st March 2019
- 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.

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.

Report of the Audit Committee

INTERNAL AUDIT

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

REGULATORY COMPLIANCE

The Head of Finance & Treasury has submitted to the Audit Committee, a report on the extent to which the Company was in compliance with mandatory and statutory requirements. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the

full compliance to the Colombo Stock Exchange Rule No 7.10 on Corporate Governance disclosure requirements, which is given on page 94.

OTHER MATTERS

The Committee reviewed the following additional matters:

- The Committee noted that the Intellectual property registration/ renewal process of the Company needed improvement. Discussions with a leading Law Firm are ongoing for the implementation of a system for monitoring same.
- The Committee reviewed the process of showroom constructions and the payment approval process for the capital work in progress and made several recommendations on the improvements to same.



L N De S Wijeyeratne

Chairman - Audit Committee

Report of the Remuneration Committee

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

Mr. S H Amarasekera – Chairman

Mr. R N Asirwatham

Mr. L N De S Wijeyeratne (appointed w.e.f. 27th August 2018)

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 214.

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

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in January 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

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

Mr. A M Weerasinghe - Member
(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 four 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:

- Receive regular reports from the management, and be provided with any information it requests relating to its responsibilities
- Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions
- Review and evaluate the terms, conditions, and the advisability of, any related party transaction

- Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole
- Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction
- Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

- Ensure that the Company complies with the rules set out in the Code
- Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions
- Perform other activities related to the Charter as requested by the Board
- 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 RPTs

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 2018/19. 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 212 to 215 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 page 100 of this Annual Report.



Mr. R N Asirwatham

Chairman - Related Party Transactions Review Committee

We are partnering
for growth - pursuing
a future of strong,
sustainable value.





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Financial Calendar

| | |
|-------------------------------------|-------------------|
| Final Dividend 2017/18 | July 10, 2018 |
| Interim Report- 1st Quarter 2018/19 | August 09, 2018 |
| Interim Report- 2nd Quarter 2018/19 | November 12, 2018 |
| Interim Report- 3rd Quarter 2018/19 | February 07, 2019 |
| Interim Dividend 2018/19 | May 06, 2019 |
| Interim Report- 4th Quarter 2018/19 | May 30, 2019 |
| Annual Report 18/19 | June 6, 2019 |
| 29th Annual General Meeting | July 5, 2019 |
| Final Dividend 2018/19 | July 17, 2019 |

Independent Auditor's Report



EY
Building a better
working world

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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 2019, and the statement of comprehensive income, statement of changes in equity and cash flows statement 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 2019, 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 the auditor's 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 Jayasinghe 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 matter | How our audit addressed the key audit matter |
|---|--|
| <p>Valuation of land and buildings</p> <p>As at 31 March 2019, Land and Buildings carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to Rs. 13.6 Bn and Rs. 1.7 Bn respectively and represents 25% of the total assets of the Group.</p> <p>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.</p> | <p>Our audit procedures focused on the valuations performed by the external valuers, engaged by the Group, and included the following:</p> <p>We assessed the competency, capability and objectivity of the external valuers engaged by the Group;</p> <p>We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value;</p> <p>We Involved our internal specialised resources to assist us in assessing the reasonableness of the valuation techniques, per perch price and value per square foot; and</p> <p>We 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.</p> |
| <p>Provision for obsolete and slow-moving Inventories</p> <p>As at 31 March 2019, the carrying amount of inventories amounted to Rs. 14.6 Bn, net of the provision for obsolete and slow-moving inventories of Rs. 340 Mn. These inventories include finished goods and general stocks representing "tiles & associated Items" and "sanitaryware" segments which together represents 78% of total value of the Group inventories.</p> <p>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.</p> <p>The significance of the balance coupled with the management's judgement and estimation of the future usability/sale, the provision for obsolete and slow moving inventories has been considered a key audit matter.</p> | <p>Our procedures included, the following:</p> <p>We assessed the reasonableness of the allowance policy based on historical usage of general stocks and historical sales of finished goods;</p> <p>We checked the relevant information to assess the reasonableness of the valuation and net realizable value of the related inventories on a sample basis;</p> <p>We reviewed the component auditors' working papers relating to 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; and</p> <p>In addition, assessed the adequacy of the Group's disclosures in Note 2.3, Note 2.5.4 and Note 9.</p> |

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE 2019 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The 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 FOR THE FINANCIAL STATEMENTS

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 skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and 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 relevant 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
6 June 2019

Statement of Financial Position

| | | Company | | Group | |
|---|-------|----------------|----------------|----------------|----------------|
| As At 31st March | Note | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, Plant & Equipment | 03 | 6,889,483,917 | 6,559,706,522 | 28,478,012,390 | 25,779,637,905 |
| Consumable Biological Assets | 03.15 | - | - | 585,919,801 | 536,575,000 |
| Leasehold Rights Over Mining Lands | 03.20 | - | - | 4,238,000 | 6,536,000 |
| Investment Property | 04 | - | - | 1,725,249,760 | 1,287,007,000 |
| Investments in Subsidiaries | 05 | 6,606,999,831 | 6,455,371,724 | - | - |
| Investments in Associates | 06 | 3,162,937,490 | 3,162,937,490 | 7,650,193,373 | 6,406,448,889 |
| Intangible Assets | 07 | 165,899,418 | 170,970,148 | 1,196,305,098 | 1,201,265,640 |
| Other non financial assets | 08 | - | - | 92,916,707 | 112,796,989 |
| Deferred Tax Assets | 25.3 | - | - | 846,600 | 14,686,000 |
| | | 16,825,320,656 | 16,348,985,884 | 39,733,681,729 | 35,344,953,423 |
| Current Assets | | | | | |
| Inventories | 09 | 1,911,791,552 | 1,393,557,918 | 14,621,768,301 | 11,395,868,591 |
| Trade and Other Receivables | 10 | 707,392,197 | 545,300,662 | 4,454,579,867 | 4,001,797,359 |
| Other Non Financial Assets | 11 | 274,093,065 | 369,085,823 | 1,027,370,995 | 962,916,799 |
| Contract Assets | 10.3 | - | - | 58,269,049 | - |
| Other Financial Assets | 12 | 64,758,452 | 146,927,681 | 132,542,244 | 253,408,659 |
| Income Tax Recoverable | | 36,343,099 | 55,269,110 | 171,518,757 | 117,496,724 |
| Cash and Cash Equivalents | 20 | 465,342,403 | 291,412,641 | 946,141,805 | 996,044,979 |
| | | 3,459,720,768 | 2,801,553,835 | 21,412,191,018 | 17,727,533,111 |
| Assets held for sale | 40 | - | - | 54,409,217 | 85,247,716 |
| | | 3,459,720,768 | 2,801,553,835 | 21,466,600,235 | 17,812,780,827 |
| Total Assets | | 20,285,041,424 | 19,150,539,719 | 61,200,281,964 | 53,157,734,250 |
| 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 | 830,590,905 | 2,933,210,625 | 2,652,515,046 |
| Retained Earnings | | 7,504,090,806 | 7,466,545,263 | 18,687,549,225 | 16,291,401,821 |
| Equity Attributable to Equity Holders of the Parent | | 9,703,355,084 | 9,665,809,541 | 22,989,433,223 | 20,312,590,240 |
| Non Controlling Interest | | - | - | 9,260,501,093 | 8,894,286,957 |
| Total Equity | | 9,703,355,084 | 9,665,809,541 | 32,249,934,316 | 29,206,877,197 |

| As At 31st March | Note | Company | | Group | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. | Rs. | Rs. | Rs. |
| Non-Current Liabilities | | | | | |
| Interest Bearing Loans & Borrowings | 15 | 2,959,239,861 | 3,314,132,186 | 6,660,738,135 | 6,067,890,763 |
| Deferred Tax Liabilities | 25.4 | 410,100,387 | 398,975,493 | 3,346,408,895 | 2,957,760,382 |
| Retirement Benefit Liability | 16 | 261,491,545 | 245,857,725 | 1,318,885,958 | 1,180,729,942 |
| Other Non-Current Liabilities | 17 | - | - | 140,726,261 | 151,532,000 |
| | | 3,630,831,793 | 3,958,965,404 | 11,466,759,249 | 10,357,913,087 |
| Current Liabilities | | | | | |
| Trade and Other Payables | 18 | 4,333,887,953 | 3,278,392,435 | 3,816,454,544 | 3,361,406,677 |
| Other Current Liabilities | 19 | 161,136,510 | 532,632,925 | 318,661,689 | 742,174,533 |
| Contract Liability | 19.1 | 491,392,636 | - | 588,027,652 | - |
| Dividend Payable | | 39,412,622 | 48,099,339 | 227,395,360 | 199,107,340 |
| Income Tax Liabilities | | - | - | 310,542,466 | 286,864,548 |
| Interest Bearing Loans & Borrowings | 15 | 1,925,024,826 | 1,666,640,075 | 12,214,283,624 | 8,995,115,206 |
| | | 6,950,854,547 | 5,525,764,774 | 17,475,365,335 | 13,584,668,304 |
| Liabilities directly associated with the assets held for sale | 40 | - | - | 8,223,064 | 8,275,662 |
| | | 6,950,854,547 | 5,525,764,774 | 17,483,588,399 | 13,592,943,966 |
| Total Equity and Liabilities | | 20,285,041,424 | 19,150,539,719 | 61,200,281,964 | 53,157,734,250 |

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



Aravinda Perera
Managing Director

The Accounting Policies and Notes on pages 122 through 230 form an integral part of these financial statements.

6 June 2019
Colombo

Statement of Profit or Loss

| For the year ended 31st March | Note | Company | | Group | |
|--|------|-----------------|-----------------|------------------|------------------|
| | | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Revenue | 21 | 3,794,578,371 | 3,452,289,344 | 31,499,457,371 | 29,090,447,195 |
| Cost of Sales | | (2,035,577,804) | (1,781,547,930) | (21,203,789,929) | (18,157,798,701) |
| Gross Profit | | 1,759,000,567 | 1,670,741,414 | 10,295,667,442 | 10,932,648,494 |
| Other Operating Income | 22 | 1,039,703,440 | 2,759,287,807 | 694,812,431 | 356,779,215 |
| Distribution Expenses | | (1,465,530,268) | (1,152,859,721) | (4,500,515,051) | (4,040,571,795) |
| Administrative Expenses | | (483,968,806) | (477,647,992) | (1,764,983,563) | (1,595,010,141) |
| Other Operating Expenses | 22.1 | (33,268,246) | (126,570,224) | (73,863,347) | (155,979,742) |
| Finance Cost | 23.1 | (543,373,676) | (432,815,559) | (1,907,268,657) | (1,363,379,741) |
| Finance Income | 23.2 | 12,939,522 | 7,245,386 | 37,049,956 | 131,574,147 |
| Share of Associate Companies Profit | | - | - | 1,304,108,775 | 1,107,034,890 |
| Profit Before Tax Continuing Operations | 24 | 285,502,533 | 2,247,381,111 | 4,085,007,986 | 5,373,095,327 |
| Tax (Expense)/Reversal | 25 | (45,938,791) | (218,578,316) | (991,157,232) | (1,501,195,990) |
| Net Profit After Tax from Continuing Operations | | 239,563,742 | 2,028,802,795 | 3,093,850,754 | 3,871,899,337 |
| Discontinued Operations | | | | | |
| Loss after tax from discontinued operations | 40 | - | - | (10,924,203) | (20,848,383) |
| Profit for the Year | | 239,563,742 | 2,028,802,795 | 3,082,926,551 | 3,851,050,954 |
| Attributable to: | | | | | |
| Equity Holders of the Parent | | 239,563,742 | 2,028,802,795 | 2,631,549,017 | 2,880,385,325 |
| Non-Controlling Interest | | - | - | 451,377,534 | 970,665,629 |
| | | 239,563,742 | 2,028,802,795 | 3,082,926,551 | 3,851,050,954 |
| Basic Earnings Per Share | 26 | 2.16 | 18.31 | 23.75 | 26.00 |
| Basic Earnings Per Share from Continuing Operations | 26 | 2.16 | 18.31 | 23.85 | 26.19 |
| Dividend Per Share | 27 | 2.00 | 9.00 | 2.00 | 9.00 |

The Accounting Policies and Notes on pages 122 through 230 form an integral part of these financial statements.

Statement of Comprehensive Income

| For the year ended 31st March | Note | Company | | Group | |
|--|------|-------------|---------------|---------------|---------------|
| | | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Net Profit for the Year | | 239,563,742 | 2,028,802,795 | 3,082,926,551 | 3,851,050,954 |
| Other Comprehensive Income | | | | | |
| Other Comprehensive Income to be reclassified to profit or loss in subsequent periods (net of tax): | | | | | |
| Exchange Differences on translation of foreign operations | 14.3 | - | - | 5,447,388 | 3,206,251 |
| Exchange Differences on translation of foreign operations of Associate Company | | - | - | 4,067,022 | 1,368,528 |
| Net (loss)/gain on available-for-sale financial assets of Associate company | 14.2 | - | - | (8,322,958) | 2,102,118 |
| Net Other Comprehensive Income / (Loss) to be reclassified to profit or loss in subsequent periods | | - | - | 1,191,452 | 6,676,897 |
| 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 | 290,110,400 | 784,079,493 |
| Revaluation of Land of Associate Company | | - | - | 142,219,183 | (218,624,738) |
| Actuarial (Loss)/Gain on Retirement Benefit Liability | | 12,474,310 | (9,709,659) | (51,206,451) | (79,855,372) |
| Actuarial (Loss)/Gain on Retirement Benefit Liability of Associate Company | | - | - | 4,066,208 | (9,547,791) |
| Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods | | 12,474,310 | 607,246,982 | 385,189,340 | 476,051,592 |
| Other comprehensive income/(loss) for the year, net of tax | | 12,474,310 | 607,246,982 | 386,380,792 | 482,728,489 |
| Total comprehensive income for the year, net of tax | | 252,038,052 | 2,636,049,777 | 3,469,307,343 | 4,333,779,443 |
| Attributable to | | | | | |
| Equity Holders of the Parent | | | | 2,932,165,503 | 3,461,137,058 |
| Non-Controlling Interest | | | | 537,141,840 | 872,642,385 |
| | | | | 3,469,307,343 | 4,333,779,443 |

The Accounting Policies and Notes on pages 122 through 230 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 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 |
| Net Profit for the Year | - | - | 239,563,742 | 239,563,742 |
| Other Comprehensive Income / (Loss) | - | - | 12,474,310 | 12,474,310 |
| Total Comprehensive Income | - | - | 252,038,052 | 252,038,052 |
| Final Dividends - 2017/2018 | - | - | (221,578,768) | (221,578,768) |
| Dividend Write back | - | - | 7,086,259 | 7,086,259 |
| Balance as at 31st March 2019 | 1,368,673,373 | 830,590,905 | 7,504,090,806 | 9,703,355,084 |

The Accounting Policies and Notes on pages 122 through 230 form an integral part of these financial statements.

Statement of Changes in Equity - Consolidated

| For the year ended 31st March | Attributable to owners of the parent | | | | | | Total | Non - Controlling Interest | Total Equity |
|--|--------------------------------------|------------------------|----------------------------------|-----------------------|---|----------------------|----------------|----------------------------------|-----------------|
| | Stated Capital | Revaluation Reserve | Available for sale Reserve | Fair Value Reserve | Foreign Currency Translation Reserve | Retained Earnings | | | |
| | Rs. | Rs. | Rs. | Rs | Rs. | Rs. | Rs. | Rs. | Rs. |
| 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 | 3,851,050,954 |
| Other Comprehensive income / (Loss) | - | 618,186,077 | 2,102,118 | - | 4,781,646 | (44,318,108) | 580,751,733 | (98,023,244) | 482,728,489 |
| 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 |
| Impact of Adoption of SLFRS 09 | - | - | - | - | - | (78,129,828) | (78,129,828) | - | (78,129,828) |
| Transfer of Available for Sale Reserve built on Impairment of Financial Investments - Available for Sale | - | - | (17,377,185) | - | - | 17,377,185 | - | - | - |
| Transfer of Available for Sale Reserve to Fair Value Reserve | - | - | 11,409,630 | (11,409,630) | - | - | - | - | - |
| Restated Opening Balance as at 1 April 2018 | 1,368,673,373 | 2,638,434,432 | - | (11,409,630) | 8,113,059 | 16,230,649,178 | 20,234,460,412 | 8,894,286,957 | 29,128,747,369 |
| Transfer from revaluation reserve on disposal of land | - | (1,180,020) | - | - | - | 1,180,020 | - | - | - |
| Net profit for the year | - | - | - | - | - | 2,631,549,017 | 2,631,549,017 | 451,377,534 | 3,082,926,551 |
| Other Comprehensive income / (Loss) | - | 298,620,200 | - | (8,322,958) | 8,955,542 | 1,363,701 | 300,616,485 | 85,764,306 | 386,380,791 |
| Total Comprehensive income | - | 298,620,200 | - | (8,322,958) | 8,955,542 | 2,632,912,718 | 2,932,165,502 | 537,141,840 | 3,469,307,342 |
| Final Dividends - 2017/2018 | - | - | - | - | - | (221,578,768) | (221,578,768) | - | (221,578,768) |
| Write back of Unclaimed Dividends | - | - | - | - | - | 12,298,247 | 12,298,247 | 4,342,554 | 16,640,801 |
| Subsidiary Dividends to Minority Shareholders | - | - | - | - | - | - | - | (140,327,349) | (140,327,349) |
| Acquisition of Non-Controlling Interests | - | - | - | - | - | 32,087,830 | 32,087,830 | (34,942,909) | (2,855,079) |
| Balance as at 31st March 2019 | 1,368,673,373 | 2,935,874,612 | - | (19,732,588) | 17,068,601 | 18,687,549,225 | 22,989,433,223 | 9,260,501,093 | 32,249,934,316 |

The Accounting Policies and Notes on pages 122 through 230 form an integral part of these financial statements.

Cash Flow Statement

| For the year ended 31st March | Note | Company | | Group | |
|--|------|---------------|-----------------|-----------------|-----------------|
| | | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Cash Flows From / (Used in) Operating Activities | | | | | |
| Profit Before Tax From Continuing Operations | | 285,502,533 | 2,247,381,111 | 4,085,007,986 | 5,373,095,327 |
| Profit/(Loss) Before Tax From Discontinued Operations | | - | - | (10,924,203) | (20,848,383) |
| Profit Before Tax | | 285,502,533 | 2,247,381,111 | 4,074,083,783 | 5,352,246,944 |
| Adjustments to Reconcile Profit Before Tax to Net Cash Flows: | | | | | |
| Dividend Income | 22 | (416,176,869) | (898,104,065) | (825,307) | (475,696) |
| Interest Income | 23.2 | (12,939,522) | (7,245,386) | (37,049,956) | (131,574,147) |
| Depreciation of Property, Plant and Equipment | 3 | 453,900,007 | 329,365,397 | 1,678,361,405 | 1,509,440,242 |
| Amortisation of Leasehold Right Over Land | 3.2 | - | - | 2,298,041 | 3,130,000 |
| (Profit)/Loss on Sale of Property, Plant and Equipment | 22 | 489,636 | (3,533,260) | 23,463,289 | (13,790,292) |
| Finance Costs | 23.1 | 543,373,676 | 432,815,559 | 1,907,268,658 | 1,366,842,903 |
| Profit on Disposal of Short Term Investments | | - | (1,283,138,171) | - | (1,453,491) |
| Provision/(Reversal) of Inventories | | - | 8,952,781 | 41,611,709 | (4,001,452) |
| Write-down of Inventories | | 38,517,283 | 14,899,647 | 50,472,626 | 33,085,410 |
| Written Off of Capital Expenditure | | - | - | 12,682,534 | - |
| Provision for Related Party Receivables | 10.1 | 13,053,562 | 19,060,773 | - | - |
| Amortisation of Intangible Assets | 7.2 | 17,482,558 | 17,331,087 | 17,482,558 | 17,331,087 |
| Unrealised Loss on Foreign Exchange | | - | - | 17,251,076 | 17,283,000 |
| Impairment of Assets Held For Sale | | - | - | - | (2,324,203) |
| Impairment of Long Term Investment | | - | 90,000,000 | - | 90,000,000 |
| Allowance for Impairment of Trade Receivable | | 2,514,407 | 1,417 | 13,382,120 | 5,495,417 |
| Deferred Income / Capital Grants Amortisation | 22 | - | - | (13,179,238) | (6,274,000) |
| Changing In Fair Value of Biological Assets | | - | - | (40,915,973) | (44,995,000) |
| Revaluation Gain on Investment Property | 22 | - | - | (436,475,750) | (121,600,000) |
| Provision/(Reversal) for Change in Market Value of the Investments | 22.1 | 14,272,902 | 1,271,897 | 14,272,902 | 1,271,897 |
| Profit Share of Investment in Associate | | - | - | (1,304,108,775) | (1,107,034,890) |
| Provision for Defined Benefit Plans - Gratuity | 16 | 44,881,441 | 45,774,999 | 196,125,607 | 205,032,673 |
| Operating Profit/(Loss) Before Working Capital Changes | | 984,871,613 | 1,014,833,786 | 6,216,201,309 | 7,167,636,400 |
| (Increase)/Decrease in Inventories | | (556,750,918) | (219,150,889) | (3,299,423,552) | (2,787,257,842) |
| (Increase)/Decrease in Trade and Other Receivables | | (85,670,459) | (123,953,963) | (524,294,675) | (838,727,577) |
| (Increase)/Decrease in Other Non Financial Assets | | 94,992,758 | (1,896,031) | (44,573,915) | 23,368,514 |
| Increase/(Decrease) in Trade and Other Payables | | 1,045,285,447 | 1,453,684,522 | 427,498,949 | 1,037,423,096 |
| Increase/(Decrease) in Other Current Liabilities | | 119,896,221 | (198,745,170) | 164,514,808 | (162,874,332) |
| Cash Generated From Operations | | 1,602,624,662 | 1,924,772,255 | 2,939,922,923 | 4,439,568,259 |
| Finance Costs Paid | | (533,163,604) | (423,152,611) | (1,879,370,583) | (1,343,470,324) |

| For the year ended 31st March | Note | Company | | Group | |
|---|------|----------------------|------------------------|------------------------|------------------------|
| | | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Defined Benefit Plan Costs Paid | | (11,922,191) | (22,103,999) | (112,497,831) | (124,552,698) |
| Income Tax Paid | | (20,739,005) | (21,044,556) | (725,070,943) | (1,358,686,014) |
| Net Cash Flows From/(Used in) Operating Activities | | 1,036,799,862 | 1,458,471,089 | 222,983,566 | 1,612,859,222 |
| Cash Flows from / (Used in) Investing Activities | | | | | |
| Acquisition of Property, Plant and Equipment | 3 | (784,167,038) | (1,813,522,920) | (4,035,577,104) | (3,644,517,414) |
| Acquisition of Consumable Biological Assets | | - | - | (14,273,038) | (12,485,000) |
| Proceeds from Sale of Property, Plant and Equipment | | - | 6,292,299 | 34,644,575 | 52,505,404 |
| Acquisition of Intangible Assets | 7.2 | (12,411,828) | (1,545,000) | (12,411,828) | (1,545,000) |
| Disposal/(Acquisition) of Short-Term Investment | | 67,896,299 | (102,764,498) | 109,763,940 | (176,334,078) |
| Increase in Other Non Financial Assets | | - | - | - | (112,680,000) |
| Acquisition of Additional Interest in subsidiaries | | (151,628,079) | (106,344,740) | (2,855,079) | (106,344,740) |
| Interest Received | 23.2 | 12,939,522 | 7,245,386 | 37,049,956 | 131,574,147 |
| Dividends Received | | 324,187,824 | 898,104,065 | 125,089,225 | 325,584,784 |
| Net Cash Flows Used in Investing Activities | | (543,183,300) | (1,112,535,409) | (3,758,569,353) | (3,544,241,897) |
| Financing Activities | | | | | |
| Proceeds From Interest Bearing Loans and Borrowings | | 2,217,583,182 | 2,146,078,247 | 18,160,598,704 | 12,677,735,071 |
| Repayment of Interest Bearing Loans and Borrowings | | (2,270,435,592) | (1,480,425,216) | (15,939,530,532) | (10,429,744,342) |
| Capital Repayments under Finance Lease Liabilities | | (2,712,900) | (2,483,722) | (10,809,776) | (28,278,926) |
| Dividends Paid on Ordinary Shares | | (223,179,227) | (994,385,363) | (223,179,227) | (994,385,363) |
| Dividend paid to Non Controlling Interest | | - | - | (93,798,069) | (316,108,226) |
| Proceeds on Issue of Shares to Minority Shareholders | | - | - | - | 5,997,000 |
| Payments on Share Repurchase | | - | - | - | (184,682,000) |
| Capital grants received | | - | - | 2,374,442 | 4,617,000 |
| Net Cash Flows from/(Used in) Financing Activities | | (278,744,537) | (331,216,054) | 1,895,655,542 | 735,150,214 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 214,872,025 | 14,719,626 | (1,639,930,245) | (1,196,232,459) |
| Net Foreign Exchange Difference | | - | - | 10,018,237 | 900,120 |
| Cash and Cash Equivalents at the Beginning of the Year | 20 | (44,366,953) | (59,086,579) | (1,346,064,747) | (150,732,408) |
| Cash and Cash Equivalents at the End of the Year | 20 | 170,505,072 | (44,366,953) | (2,975,976,755) | (1,346,064,747) |

The Accounting Policies and Notes on pages 122 through 230 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 2019 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.

The Group's ultimate controlling party is Mr. K.D.D. Perera.

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, managing and holding of an investment property and import and selling of sanitaryware products. |
| 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 | - | 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 Tile (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).

On 18th June 2018, the Company acquired additional 2.5% interest in voting shares of Lanka Walltiles PLC which was held in Lanka Ceramic PLC.

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 2019 were authorised for issue in accordance with the resolution of the Board of Directors on 6 June 2019.

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 New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SLFRS 15 - Revenue from Contracts with Customers and SLFRS 9 - Financial Instruments, the nature and effect of these changes are disclosed below.

a) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018. The cumulative effect of initially applying SLFRS 15 is recognised at the date of initial application as an adjustment to

Notes to the Financial Statements

the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under LKAS 18 and related Interpretations. The impact on the amount of revenue to be recognized on adoption of SLFRS 15 using the modified retrospective method is disclosed below. The adoption of SLFRS 15 did not have a significant impact other than disclosed below.

Statement of Financial Position - Group As at 31 March 2019

| | Amount prepared under | | |
|---|-----------------------|-------------------|-------------------------|
| | SLFRS 15 | Previous | Increase/ |
| | Rs. '000' | LKAS Rs. '000' | (Decrease) Rs. '000' |
| Inventories | 14,621,768 | 14,663,389 | (41,621) |
| Other Financial Asset (Current retention receivable) | - | 16,648 | (16,648) |
| Contract Assets | 58,269 | - | 58,269 |
| Trade and other payables | 3,816,455 | 4,404,483 | (588,028) |
| Contract Liabilities | 588,028 | - | 588,088 |

The advances received from customers for supply of timber and installation of timber flooring, for which the revenue is recognized overtime and advances received for supply of tiles and sanitary ware have been reclassified to identify the contract liabilities attached to the contracts with customers to provide better presentation. The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on supply of timber. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

Refer Note 2.6.1 for the accounting policy on revenue.

Presentation and disclosure requirements

As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also

disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 28 for the disclosure on disaggregated revenue.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial

Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied SLFRS 9 retrospectively, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under LKAS 39. The adoption of SLFRS 9 did not have a significant impact on its statements of financial position and equity as at 1 April 2018 due to the adoption of SLFRS 9. However, the classification and measurement of financial assets have been impacted as follows.

(i) Classification and measurement

SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

LKAS 39 measurement categories of financial assets at fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss (FVPL)
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition

- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Debt instruments at amortised cost

In line with the characteristics of the Group's financial instruments, the Group neither revoked nor made any new designations on the financial assets at the date of initial application. SLFRS 9 has not resulted in changes in the carrying amount of the Group's financial instruments due to changes in measurement categories.

All financial assets previously held at fair value continue to be measured at fair value and those that were classified under LKAS 39 as loans and receivables continue to be measured at amortised cost. These were classified as financial assets fair value through profit and loss and debt instruments at amortised cost, respectively.

The accounting for financial liabilities remains largely the same as it was under LKAS 39.

(b) Impairment

The adoption of SLFRS 9 has fundamentally changed accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt

instruments not held at fair value through profit or loss. Given the limited exposure of the Group to credit risk, this change has not had a material impact on its debt securities.

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The impairment requirements of SLFRS 9 did not have a significant impact on the Group.

(c) Impact of adoption of SLFRS 9

The following table shows the original measurement categories in accordance with LKAS 39 and the new measurement categories under SLFRS 9 for the Company's financial instruments and financial liabilities as at 1 April 2018.

| Financial Assets | LKAS 39 Measurement Category | SLFRS 9 Measurement Category |
|------------------------------------|--|--|
| Company/Group | | |
| Trade and Other Receivables | Loans and Receivables | Amortised Cost |
| Short Term Deposits | Loans and Receivables | Amortised Cost |
| Other Non-Current Financial Assets | Loans and Receivables | Amortised Cost |
| Cash and Cash Equivalents | Loans and Receivables | Amortised Cost |
| Investments in Quoted Shares | Financial Assets at fair value through profit or loss (FVTP) | Financial Assets at fair value through profit or loss (FVTP) |
| Financial Liabilities | | |
| Company/Group | | |
| Trade and Other Payables | Other financial liabilities | Amortised Cost |
| Other Current Liabilities | Other financial liabilities | Amortised Cost |
| Interest Bearing Borrowings | Other financial liabilities | Amortised Cost |
| Dividend Payables | Other financial liabilities | Amortised Cost |

There were no changes of the carrying amounts of financial assets and financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS on 1 April 2018.

Notes to the Financial Statements

2.1.3 Comparative information

Previous year's figures and phrases are same as of the last year as explained in the note 2.1.2.

2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

The consolidated financial statements of the Group include:

Statement of Financial Position - Group As at 31 March 2019

| Company Name | Country of Incorporation | Year of Incorporation | % of equity Interest | |
|--|--------------------------|-----------------------|----------------------|---------|
| | | | 2019 | 2018 |
| 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% | 73.56% |
| Lanka Walltiles PLC | Sri Lanka | 1975/1976 | 55.55% | 53.89% |
| Lanka Tiles PLC | Sri Lanka | 1983/1984 | 39.83%* | 39.38%* |
| Vallibel Plantation Management Limited | Sri Lanka | 1992/1993 | 54.55% | 53.89% |
| Swisstek (Ceylon) PLC | Sri Lanka | 1967/1968 | 32.18%* | 31.89%* |
| Swisstek Aluminium Limited | Sri Lanka | 2007/2008 | 35.72%* | 35.46%* |
| Horana Plantation PLC | Sri Lanka | 1992/1993 | 27.82%* | 27.48%* |
| Uni Dil Packaging (Private) Limited | Sri Lanka | 1994/1995 | 54.55% | 53.89% |
| Uni Dil Papersacks (Private) Limited | Sri Lanka | 2006/2007 | 54.55% | 53.89% |
| LWL Development (Private) Limited | Sri Lanka | 2015/2016 | 54.55% | 53.89% |
| Beyond Paradise Collection Limited | Sri Lanka | 2011/2012 | 39.83%* | 39.38%* |
| Lanka Tiles (Pvt) Ltd | India | 2017/2018 | 20.31%* | 20.08%* |
| Swisstek Development (Pvt) Limited | Sri Lanka | 2017/2018 | 32.18%* | 31.89%* |

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

2.3 Significant Accounting judgements, Estimates and Assumptions

The preparation of the Financial Statements of the Group require the management to make judgements, 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 Investment properties

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. (Note 3.1.7 and Note 4.1)

Notes to the Financial Statements

(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. (Note 7.1)

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

(vi) Impairment of debtors Prior 1 April 2018

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).

After 1 April 2018

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. (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 for the assumptions used and the sensitivity thereon.

(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 40.

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

Notes to the Financial Statements

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 recognised in equity and not in the statement of comprehensive income.

Royal Ceramics Lanka PLC, Royal Porcelain (Pvt) Ltd, Lanka Ceramic PLC, Royal Ceramics Distributors

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

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

The statutory tax rates of above companies are as follows;

| | 2019 | 2018 |
|-------------------------------|------|------|
| Local sales and other profits | 28% | 28% |
| Qualified export profit | 14% | 12% |
| Agricultural profit | 14% | 10% |
| Specified profits | NA | 12% |

Swisstek Aluminium Ltd.

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

Rocell Bathware Limited

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

(b)

Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax

bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the

accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against

current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

(c) **Economic Service Charge (ESC)**

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

(d) **Turnover Based Taxes**

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

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

2.5.3 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable

to acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

2.5.4 Inventories

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

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

- 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.
- Consumable and spares - At purchase cost on weighted average cost basis.
- 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, first in first out basis.
- Goods in transit have been valued at cost.
- Trading goods – At Purchase cost on weighted average basis except for Lanka Walltiles group which is on first in first out basis.
- Harvest Crops – Refer note 09

Notes to the Financial Statements

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

Group as a Lessee

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 derecognized when either they have been disposed of or when the investment property is permanently

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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

Policy applicable before 1st April 2018

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, short term deposits, trade and other receivables, cash and bank balances.

Policy applicable after 1st April 2018

Financial assets within the scope of SLFRS 9, are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

b) Subsequent measurement

Policy applicable before 1st April 2018

The subsequent measurement of financial assets depends on their classification:

The categories of the financial assets are limited only to (i), (ii) and (iii) below.

(i) 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.

(ii) 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.

(iii) 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

Notes to the Financial Statements

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.

Policy applicable after 1st April 2018

From 1st April 2018, the Group classifies all of these financial assets in the measurement category of financial assets at amortised cost, Financial assets at fair value through profit or loss and financial assets at fair value through OCI. Categories of financial assets as per SLFRS 9 are limited only for the followings.

- (i) **Financial assets at amortised cost**
- This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(iii)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery

of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Policy applicable before 1st April 2018

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.

Policy applicable after 1st April 2018

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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.

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The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings and. Accordingly Group financial liabilities have been classified as and loans and borrowings.

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.

The accounting for financial liabilities under SLFRS 9 remains largely the same as it was under LKAS 39.

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

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 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.

2.5.13 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.

2.5.14 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.

2.5.15 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

Notes to the Financial Statements

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. Interest expense and the current service cost related to the liability is recognized in profit or loss and actuarial gain or loss is recognized in other comprehensive income.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31st March 2019 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.

2.5.16 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.

2.5.17 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

Policy applicable before 1st April 2018

Revenue

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) Rendering of Services

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

Policy applicable after 1st April 2018

Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items, sanitaryware, packing material, aluminium products and agricultural products in Sri Lanka and overseas as detailed in Note. 21. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

a) Sale of goods - tiles and associated items, sanitaryware, packing material, aluminium products

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

b) Sale of Plantation produce

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce).

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods.

c) Sale of timber with installation services

The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

d) Rendering of Services

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the profit and loss in proportion to the services delivered at the reporting date.

(i) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the

Notes to the Financial Statements

customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(iii) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

(iv) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Other Sources of Revenue

Following accounting policies in the context of below income sources have consistently applied in all the periods.

a) 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.

b) Dividends

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

c) Rental Income

Rental income is recognised on an accrual basis.

d) Other

Other income is recognised on an accrual basis.

e) Gains and Losses

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 'Indirect 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. Segments of the Group are determined based on product or services supplied by Group.

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 & 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 –

Sri Lanka Accounting Standard - SLFRS 15 (Revenue from Contract with Customers) became effective for the financial periods beginning on or after 1 January 2018. The Company did not recognise any material impact on its fee & commission income with the adoption of SLFRS 15 at the transition date, 1 April 2018.

a) Net interest income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Group use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9 and the same method followed by the Group for the Financial Assets and Financial Liabilities classified as held for

trading and as available-for-sale and financial Assets and Liabilities measured at amortised cost under LKAS 39 in the comparative financial year. 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 of EIR 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 Group 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 an impairment charge or reversal to the Income Statement.

Interest income on impaired financial instruments continues to be recognised at original EIR to the unadjusted carrying amount until the financial asset has been classified as fully impaired. Until such the accrued interest added to the unadjusted carrying amount has been impaired to the estimated Loss Given Default (LGD). Interest from overdue rentals have been accounted for on a cash received basis.

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(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

(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. Dividend income received from Financial Investments - Held for Trading is recognised when the Group's right to receive the payment is established.

(d) Others

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as Other Operating Income on an accrual basis.

(e) Impairment charges and other losses

Accounting Policy (Applicable from 1 April 2018)

The Group recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance

with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis.

Accounting Policy (Applicable up to 31 March 2018)

The Group recognises the changes to the impairment provision which are assessed based on the incurred loss method in accordance with Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments; Recognition and Measurement) up to 31 March 2018. Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis.

2.10 Significant Accounting Policies that are Specific to the Business of Plantation

Basis of Preparation

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 3.1.(d) and (e).
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits)

- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.10.1 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 capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other 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

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

Biological assets are further classified into 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.

Recognition and Measurement

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

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

Bearer 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.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Growing crop nurseries

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

Consumer Biological Assets

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 - Agriculture. 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 Discounted Cash Flow (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 |
|----------------------|---|
| Currency valuation | Sri Lankan Rupees |
| 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 Group. |
| Economic useful life | Estimated based on the normal life span of each species by factoring the forestry plan of the Group. |
| Selling price | Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to salable condition. |
| Discount Rate | Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets. |

Notes to the Financial Statements

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

Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

Produce on Bearer Biological Asset

"The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to

be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered."

2.10.2 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 conversion to the fair 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 realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at cost or NRV.

2.10.3 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 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs.. Actuarial Management Consultants (Private) Limited as at 31.03.2019.

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.

2.10.4 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.

2.10.5 Revenue Recognition

Policy applicable prior to 1 April 2018

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.

Policy applicable after 1 April 2018

Refer Note 2.6.1 for the policy of revenue recognition on sale of the plantation products.

2.11 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when

applied at a future date. The Group intends to adopt these standards when they become effective.

SLFRS 16 Leases

SLFRS 16 provides a single lessee accounting model, requiring lessees 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.

Notes to the Financial Statements

03. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

| Gross Carrying Amounts | Balance As at 01.04.2018 | Additions/ Transfers | Increase / (Decrease) from Revaluation | Transfers / Reclassification | Disposals | Balance As at 31.03.2019 |
|--------------------------------------|--------------------------------|-------------------------|---|---------------------------------|-----------|--------------------------------|
| | Rs. | Rs. | | Rs. | Rs. | Rs. |
| At Cost or Valuation | | | | | | |
| Land | 2,145,623,500 | - | - | - | - | 2,145,623,500 |
| Building | 1,476,539,159 | 12,113,065 | - | - | - | 1,488,652,224 |
| Lab Equipment | 7,395,141 | - | - | - | - | 7,395,141 |
| Motor Vehicles | 246,436,116 | 19,006,220 | - | - | (96,650) | 265,345,686 |
| Electricity Distribution | 29,302,843 | - | - | - | - | 29,302,843 |
| Office Equipment | 366,912,829 | 32,633,271 | - | - | - | 399,546,100 |
| Communication Equipment | 12,092,770 | 302,002 | - | - | - | 12,394,772 |
| Furniture & Fittings | 596,159,086 | 59,880,230 | - | - | - | 656,039,316 |
| Tools & Implements | 159,350,443 | 15,946,527 | - | - | - | 175,296,970 |
| Other Equipment | 56,607,515 | 13,359,213 | - | - | - | 69,966,728 |
| Factory Equipment | 23,257,991 | - | - | - | - | 23,257,991 |
| Construction Equipment | 2,236,047 | - | - | - | - | 2,236,047 |
| Plant and Machinery | 1,529,610,293 | 715,011,213 | - | - | - | 2,244,621,506 |
| Household Item Light | 78,830 | - | - | - | - | 78,830 |
| Showroom Fixtures & Fittings | 1,153,537,437 | 197,273,843 | - | - | - | 1,350,811,280 |
| Stores Buildings on Lease hold Land | 3,965,135 | - | - | - | - | 3,965,135 |
| | 7,809,105,135 | 1,065,525,584 | - | - | (96,650) | 8,874,534,069 |
| Assets on Finance Leases | | | | | | |
| Motor Vehicles | 13,883,000 | - | - | - | - | 13,883,000 |
| | 13,883,000 | - | - | - | - | 13,883,000 |
| | 7,822,988,135 | 1,065,525,584 | - | - | (96,650) | 8,888,417,069 |
| In the Course of Construction | | | | | | |
| | Balance As at 01.04.2018 | Additions/ Transfers | Increase / (Decrease) from Revaluation | Transfers / Reclassification | Disposals | Balance As at 31.03.2019 |
| | Rs. | Rs. | | Rs. | Rs. | Rs. |
| Capital Work in Progress | 968,142,807 | 764,671,181 | - | (1,046,519,364) | - | 686,294,624 |
| Total Gross Carrying Amount | 8,791,130,942 | 1,830,196,765 | - | (1,046,519,364) | (96,650) | 9,574,711,693 |

3.2 Depreciation

| At Cost or valuation | Balance As at 01.04.2018 | Charge for the Year | Increase / (Decrease) from Revaluation | Transfers / Reclassification | Disposals | Balance As at 31.03.2019 |
|-------------------------------------|--------------------------------|------------------------|---|---------------------------------|-----------|--------------------------------|
| | Rs. | Rs. | | Rs. | Rs. | Rs. |
| Building | - | 46,703,770 | - | - | - | 46,703,770 |
| Lab Equipment | 5,964,950 | 365,200 | - | - | - | 6,330,150 |
| Motor Vehicles | 139,318,368 | 30,470,404 | - | - | (96,650) | 169,692,122 |
| Electricity Distribution | 9,830,368 | 1,089,539 | - | - | - | 10,919,907 |
| Office Equipment | 220,899,697 | 32,886,842 | - | - | - | 253,786,539 |
| Communication Equipment | 11,649,911 | 123,328 | - | - | - | 11,773,239 |
| Furniture & Fittings | 315,725,311 | 94,505,807 | - | - | - | 410,231,118 |
| Tools & Implements | 132,998,621 | 20,848,002 | - | - | - | 153,846,623 |
| Other Equipment | 27,053,582 | 9,511,431 | - | - | - | 36,565,013 |
| Factory Equipment | 23,257,991 | - | - | - | - | 23,257,991 |
| Construction Equipment | 2,236,047 | - | - | - | - | 2,236,047 |
| Plant and Machinery | 1,051,884,166 | 133,267,662 | - | - | - | 1,185,151,828 |
| Household Item Light | 59,092 | - | - | - | - | 59,092 |
| Showroom Fixtures & Fittings | 280,174,036 | 81,582,805 | - | - | - | 361,756,841 |
| Stores Buildings on Lease hold Land | 3,568,628 | - | - | - | - | 3,568,628 |
| | 2,224,620,768 | 451,354,790 | - | - | (96,650) | 2,675,878,908 |
| Assets on Finance Leases | | | | | | |
| Motor Vehicles | 6,803,651 | 2,545,217 | - | - | - | 9,348,868 |
| | 6,803,651 | 2,545,217 | - | - | - | 9,348,868 |
| Total Value of Depreciation | 2,231,424,419 | 453,900,007 | - | - | (96,650) | 2,685,227,776 |

Notes to the Financial Statements

3.3 Net Book Values of Property Plant and Equipments

| | 2019 Rs. | 2018 Rs. |
|-------------------------------------|----------------------|----------------------|
| At Cost or Valuation | | |
| Land | 2,145,623,500 | 2,145,623,500 |
| Building | 1,441,948,454 | 1,476,539,159 |
| Lab Equipment | 1,064,991 | 1,430,191 |
| Motor Vehicles | 95,653,564 | 107,117,748 |
| Electricity Distribution | 18,382,936 | 19,472,475 |
| Office Equipment | 145,759,561 | 146,013,132 |
| Communication Equipment | 621,533 | 442,859 |
| Furniture & Fittings | 245,808,198 | 280,433,775 |
| Tools & Implements | 21,450,347 | 26,351,822 |
| Other Equipment | 33,401,715 | 29,553,933 |
| Plant and Machinery | 1,059,469,678 | 477,726,127 |
| Household Item Light | 19,738 | 19,738 |
| Showroom Fixtures & Fittings | 989,054,439 | 873,363,401 |
| Stores Buildings on Lease hold Land | 396,507 | 396,507 |
| | 6,198,655,161 | 5,584,484,366 |
| Assets on Finance Leases | | |
| Motor Vehicles | 4,534,132 | 7,079,349 |
| | 6,203,189,293 | 5,591,563,715 |
| In the Course of Construction | 686,294,624 | 968,142,807 |
| Total | 6,889,483,917 | 6,559,706,522 |

3.4 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs.784,167,038/- (2018-Rs.1,813,522,920/-)

3.5 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 1,490,406,090/- (2018 - Rs. 1,297,772,698/-) which are still in use.

3.6 Gross Carrying Amounts

| | Balance As at 01.04.2018 | Additions / Transfers | Effect of Exchange Rate Differences | Increase / (Decrease) from Revaluation | Reclassification / Disposals/ Transfers | Balance As at 31.03.2019 |
|--|-----------------------------|--------------------------|---|--|---|-----------------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Freehold and Clay Mining Land | 7,387,889,468 | 40,252,600 | - | 389,260,000 | (2,228,000) | 7,815,174,068 |
| Buildings | 5,865,564,089 | 312,039,086 | - | 12,304,000 | (39,241,000) | 6,150,666,175 |
| Water Supply Scheme | 417,308,060 | 75,056,294 | - | - | - | 492,364,354 |
| Lab Equipment | 18,479,912 | - | - | - | - | 18,479,912 |
| Motor Vehicles | 478,738,599 | 30,956,220 | 121,207 | - | (7,096,650) | 502,719,376 |
| Electricity Distribution | 33,814,343 | 1,206,628 | - | - | - | 35,020,971 |
| Office Equipment | 440,222,292 | 35,695,294 | 552,873 | - | (53,113) | 476,417,346 |
| Communication Equipment | 556,344,168 | 33,472,748 | - | - | 24,987,837 | 614,804,753 |
| Furniture and Fittings | 745,353,860 | 96,455,185 | 181,764 | - | (149,841) | 841,840,968 |
| Tools & Implements | 875,626,858 | 111,451,617 | 12,391 | - | (6,370,243) | 980,720,623 |
| Sundry Equipment | 1,611,828 | 252,500 | - | - | - | 1,864,328 |
| Other Equipment | 72,909,711 | 13,414,599 | - | - | - | 86,324,310 |
| Factory Equipment | 23,257,991 | - | - | - | - | 23,257,991 |
| Moulds | 132,733,913 | 3,044,476 | - | - | - | 135,778,389 |
| Construction Equipment | 24,936,334 | - | - | - | - | 24,936,334 |
| Plant and Machinery | 13,480,320,364 | 3,033,048,833 | - | - | (65,724,607) | 16,447,644,590 |
| Household Item - Light | 78,830 | - | - | - | - | 78,830 |
| Showroom Fixtures & Fittings | 1,306,612,110 | 197,273,843 | - | - | - | 1,503,885,953 |
| Stores Buildings on Lease hold Land | 481,461,933 | - | 9,915,164 | - | (51,971,756) | 439,405,341 |
| | 32,343,264,663 | 3,983,619,923 | 10,783,399 | 401,564,000 | (147,847,373) | 36,591,384,612 |
| Assets on Finance Leases | | | | | | |
| Plant & Machinery | 20,184,680 | - | - | - | - | 20,184,680 |
| Leasehold land | 14,600,000 | - | - | - | - | 14,600,000 |
| Motor vehicles | 20,483,000 | - | 584,376 | - | - | 21,067,376 |
| Transport & Communication Equipment | 53,426,000 | - | - | - | (36,787,141) | 16,638,859 |
| | 108,693,680 | - | 584,376 | - | (36,787,141) | 72,490,915 |
| | 32,451,958,343 | 3,983,619,923 | 11,367,775 | 401,564,000 | (184,634,514) | 36,663,875,527 |
| | | | | | | |
| | Balance As at 01.04.2018 | Additions / Transfers | Effect of Exchange Rate Differences | Increase / (Decrease) from Revaluation | Reclassification / Disposals/ Transfers | Balance As at 31.03.2019 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| In the Course of Construction | | | | | | |
| Capital Work in Progress | 1,520,878,717 | 1,686,283,905 | - | - | (1,786,602,939) | 1,420,559,683 |
| Total Gross Carrying Amount | 33,972,837,060 | 5,669,903,828 | 11,367,775 | 401,564,000 | (1,971,237,453) | 38,084,435,210 |

Notes to the Financial Statements

3.7 Depreciation

| | Balance As at 01.04.2018 | Charge for the Year | Effect of Exchange Rate | Transfers to revaluation Reserve | Disposals/ Transfers | Balance As at 31.03.2019 |
|--|-----------------------------|---------------------------|-------------------------------|--|-------------------------|--------------------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| At Cost or Valuation | | | | | | |
| Clay Mining Land | 2,880,696 | 1,353,603 | - | - | - | 4,234,299 |
| Building | 238,506,469 | 182,163,074 | - | - | (38,807,000) | 381,862,543 |
| Water Supply Scheme | 287,862,967 | 24,182,559 | - | - | - | 312,045,526 |
| Lab Equipment | 16,964,623 | 387,206 | - | - | - | 17,351,829 |
| Motor Vehicles | 307,469,526 | 59,466,521 | 449,291 | - | (7,096,650) | 360,288,688 |
| Electricity Distribution | 12,236,502 | 1,813,098 | - | - | - | 14,049,600 |
| Office Equipment | 278,292,033 | 38,788,255 | 457,427 | - | (53,113) | 317,484,602 |
| Communication Equipment | 397,036,136 | 37,589,351 | - | - | 25,140,000 | 459,765,487 |
| Furniture & Fittings | 459,176,893 | 100,261,568 | 95,126 | - | (115,502) | 559,418,085 |
| Tools & Implements | 682,847,259 | 89,365,819 | 24,228 | - | (6,274,000) | 765,963,306 |
| Sundry Equipment | 1,045,868 | 11,106 | - | - | - | 1,056,974 |
| Other Equipment | 38,285,351 | 10,525,777 | - | - | - | 48,811,128 |
| Factory Equipment | 23,257,991 | - | - | - | - | 23,257,991 |
| Moulds | 117,763,249 | 10,510,691 | - | - | - | 128,273,940 |
| Construction Equipment | 23,729,736 | - | - | - | - | 23,729,736 |
| Plant and Machinery | 7,142,342,444 | 858,933,171 | - | - | (52,231,243) | 7,949,044,372 |
| Household Item - Light | 59,092 | - | - | - | - | 59,092 |
| Showroom Fixtures & Fittings | 352,588,932 | 95,710,284 | - | - | - | 448,299,216 |
| Stores Buildings on Lease hold Land | 72,555,518 | 25,630,958 | 3,676,981 | - | (10,515,284) | 91,348,173 |
| | 10,454,901,285 | 1,536,693,041 | 4,703,053 | - | (89,952,792) | 11,906,344,587 |
| Assets on Finance Leases | | | | | | |
| Plant & Machinery | 12,223,891 | 6,566,581 | - | - | - | 18,790,472 |
| Leasehold land | 2,433,329 | 6,941,587 | - | - | - | 9,374,916 |
| Motor vehicles | 10,983,650 | 1,320,000 | - | - | - | 12,303,650 |
| Transport & Communication Equipment | 41,067,000 | 3,571,195 | - | - | (36,787,000) | 7,851,195 |
| | 66,707,870 | 18,399,363 | - | - | (36,787,000) | 48,320,233 |
| Total Value of Depreciation | 10,521,609,155 | 1,555,092,404 | 4,703,053 | - | (126,739,792) | 11,954,664,820 |

3.8 Net Book Values of Property Plant and Equipments

| | 2019 Rs. | 2018 Rs. |
|-------------------------------------|----------------|----------------|
| At Cost or Valuation | | |
| Freehold and Clay Mining Land | 7,810,939,769 | 7,385,008,772 |
| Building | 5,768,803,632 | 5,627,057,620 |
| Water Supply Scheme | 180,318,828 | 129,445,093 |
| Lab Equipment | 1,128,083 | 1,515,289 |
| Motor Vehicles | 142,430,688 | 171,269,073 |
| Electricity Distribution | 20,971,371 | 21,577,841 |
| Office Equipment | 158,932,744 | 161,930,259 |
| Communication Equipment | 155,039,266 | 159,308,032 |
| Furniture and Fittings | 282,422,883 | 286,176,967 |
| Tools and Implements | 214,757,317 | 192,779,599 |
| Sundry Equipment | 807,354 | 565,960 |
| Other Equipment | 37,513,182 | 34,624,360 |
| Mould | 7,504,449 | 14,970,664 |
| Construction Equipment | 1,206,598 | 1,206,598 |
| Plant and Machinery | 8,498,600,218 | 6,337,977,920 |
| Household Item - Light | 19,738 | 19,738 |
| Showroom Fixtures and Fittings | 1,055,586,737 | 954,023,178 |
| Stores Buildings on Leasehold Land | 348,057,168 | 408,906,415 |
| | 24,685,040,025 | 21,888,363,378 |
| Assets on Finance Leases | | |
| Plant & Machinery | 1,394,208 | 7,960,789 |
| Leasehold land | 5,225,084 | 12,166,671 |
| Motor vehicles | 8,763,726 | 9,499,350 |
| Transport & Communication Equipment | 8,787,664 | 12,359,000 |
| | 24,170,682 | 41,985,810 |
| In the Course of Construction | 1,420,559,683 | 1,520,878,717 |
| | 26,129,770,390 | 23,451,227,905 |

3.9 Net book value of assets

| | 2019 Rs. | 2018 Rs. |
|---|----------------|----------------|
| Property, plant and equipment [3.8] | 26,129,770,390 | 23,451,227,905 |
| Leasehold right to bare land of JEDB/SLSPC Estates [3.12] | 101,386,000 | 105,253,000 |
| Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [3.13] | 39,927,000 | 47,105,000 |
| Bearer Biological Assets (3.14) | 2,206,929,000 | 2,176,052,000 |
| Total | 28,478,012,390 | 25,779,637,905 |

3.10 During the Period, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 4,035,577,104/- (2018- Rs.3,644,517,414/-)

3.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 4,411,789,603/- (2018 Rs. 4,153,459,263/-) which are still in use.

Notes to the Financial Statements

3.12 Leasehold right to bare land of JEDB/SLSPC estates

| | 2019 Rs. | 2018 Rs. |
|------------------------------|-------------|-------------|
| Capitalised value | | |
| As at 22.06.1992 | 204,931,000 | 204,931,000 |
| Amortisation | | |
| At the beginning of the year | 99,678,000 | 95,811,000 |
| Charge for the year | 3,867,000 | 3,867,000 |
| At the end of the year | 103,545,000 | 99,678,000 |
| Carrying Amount | | |
| At the end of the year | 101,386,000 | 105,253,000 |

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.

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

| | Immature Plantations Rs. | Mature Plantations (Bearer Biological Assets) Rs. | Permanent Land Development Cost Rs. | Buildings Rs. | Plant & Machinery Rs. | Total 2019 Rs. | Total 2018 Rs. |
|------------------------------|--------------------------------|--|---|------------------|-----------------------------|----------------------|----------------------|
| Capitalised Value | | | | | | | |
| As at 22.06.1992 | 145,993,000 | 68,817,000 | 4,014,000 | 47,173,000 | 6,818,000 | 272,815,000 | 272,815,000 |
| Transfers to mature | | | | | | | |
| At the beginning | (145,993,000) | 145,993,000 | | | | | |
| At the end | - | 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 | - | 168,285,000 | 3,433,000 | 47,173,000 | 6,818,000 | 225,709,000 | 217,994,000 |
| Amortization during the year | - | 7,160,000 | 19,000 | - | - | 7,179,000 | 7,716,000 |
| At the end of the year | - | 175,445,000 | 3,452,000 | 47,173,000 | 6,818,000 | 232,888,000 | 225,710,000 |
| Written Down Value | | | | | | | |
| As at 31.03.19 | - | 39,364,000 | 563,000 | - | - | 39,927,000 | |
| As at 31.03.18 | - | 46,524,000 | 581,000 | - | - | | 47,105,000 |

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of 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 | Total |
|---------------------------------------|--------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
| | Rs. | Rs. | | Rs. | 2019 | 2018 |
| | Rs. | Rs. | | Rs. | Rs. | Rs. |
| Immature Plantations | | | | | | |
| Cost | | | | | | |
| At the beginning of the year | 98,636,000 | 250,726,000 | 64,864,000 | 84,659,000 | 498,887,000 | 637,164,000 |
| Additions | 24,765,000 | 47,171,000 | 27,179,000 | 56,669,000 | 155,784,000 | 229,064,000 |
| Transfers to Mature | (1,825,000) | (87,987,000) | (277,000) | (32,151,000) | (122,240,000) | (367,341,000) |
| Transferred to Income Statement | - | (11,526,000) | - | (1,075,000) | (12,601,000) | - |
| At the end of the year | 121,576,000 | 198,384,000 | 91,766,000 | 108,102,000 | 519,830,000 | 498,887,000 |
| Mature Plantations | | | | | | |
| Cost | | | | | | |
| At the beginning of the year | 792,323,000 | 1,338,046,000 | 103,880,000 | 45,681,000 | 2,279,930,000 | 1,912,588,000 |
| Transfers from Immature | 1,825,000 | 87,987,000 | 277,000 | 32,150,000 | 122,239,000 | 367,341,000 |
| Transferred to Income Statement | (196,000) | - | - | (230,000) | (426,000) | - |
| At the end of the year | 793,952,000 | 1,426,033,000 | 104,157,000 | 77,601,000 | 2,401,743,000 | 2,279,929,000 |
| Accumulated Amortization | | | | | | |
| At the beginning of the year | 182,830,000 | 404,992,000 | 4,031,000 | 10,910,000 | 602,763,000 | 464,733,000 |
| Charge for the year | 28,185,000 | 76,678,000 | 5,254,000 | 2,106,000 | 112,223,000 | 138,031,000 |
| Transferred to Income Statement | (112,000) | - | - | (230,000) | (342,000) | - |
| At the end of the year | 210,903,000 | 481,670,000 | 9,285,000 | 12,786,000 | 714,644,000 | 602,764,000 |
| Written Down Value | 583,049,000 | 944,363,000 | 94,872,000 | 64,815,000 | 1,687,099,000 | 1,677,165,000 |
| Total Bearer Biological Assets | 704,625,000 | 1,142,747,000 | 186,638,000 | 172,917,000 | 2,206,929,000 | 2,176,052,000 |

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.

Notes to the Financial Statements

3.15 Consumable Biological Assets

| | 2019 Rs. | 2018 Rs. |
|---|--------------------|--------------------|
| Immature Plantations | | |
| Cost : | | |
| At the beginning of the year | 51,824,000 | 39,339,000 |
| Additions during the year | 14,273,038 | 12,485,000 |
| Transfers to Mature Plantations | (29,885,712) | - |
| At the end of the year | 36,211,326 | 51,824,000 |
| Mature Plantations | | |
| Cost : | | |
| At the beginning of the year | 484,751,000 | 451,195,000 |
| Decrease due to Harvest | (45,591,678) | (5,229,000) |
| Increase due to new plantations | 29,885,741 | |
| Change in Fair Value less costs to sell | 80,663,412 | 38,785,000 |
| At the end of the year | 549,708,475 | 484,751,000 |
| Total Consumable Biological Assets | 585,919,801 | 536,575,000 |

3.16 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31st March 2019 comprised approximately 319.02 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 36.211 Mn as at 31st March 2019. 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.A.A.M.Fathihu-proprietor of FM Valuers for 2018/19 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%. (2018 - 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 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

| | | -5% | | -5% |
|----------------|------|---------------|---------------|---------------|
| Managed Timber | 2019 | Rs. 534.50 Mn | Rs. 549.71 Mn | Rs. 569.93 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. 568.37Mn | Rs. 549.71 Mn | Rs.532.82 Mn |

Borrowing costs amounting to Rs.58.723 Million (Rs.76.731 Million in 2017/18) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 13.59% (13.01% in 2017/18).

Notes to the Financial Statements

3.17 The following properties are revalued and recorded under freehold land & clay mining land. Fair Value measurement disclosure for revalued land based on unobservable 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 assets 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 Eheliyagoda | 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 Colpetty | 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 05. | 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 |
| | | Land at No.215,Nawala Road,Narahenpita,Colombo 05. | 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. | FairValue measurement using Significant unobservable inputs (Level 3) Rs. Mn | Fair Value as per previous revaluation year Rs. Mn |
|----------------|-------------------------------------|--|--|--|
| 31 March 2018 | Market based evidence | Rs. 56,250/- per perch | 454.203 Mn | 247.150 Mn |
| 31 March 2018 | Market based evidence | Rs. 1,250,000/- - Rs. 2,500,000/- per perch | 343.437 Mn | 105.485 Mn |
| 31 March 2018 | Market based evidence | Rs. 250,000/- - Rs. 300,000/- per perch | 120.187Mn | 46.6 Mn |
| 31 March 2018 | Market based evidence | Rs. 7,000,000/- per perch | 174.3Mn | 87.150 Mn |
| 31 March 2018 | Market based evidence | Rs. 18,750/- per perch | 30 Mn | 20 Mn |
| 31 March 2018 | Market based evidence | Rs. 15,602/- per perch | 11.986 Mn | 11.525 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. 8,026.20/- per sq.ft | 41.543 Mn | - |
| 1 April 2018 | Market based evidence | Rs. 3,325/- - Rs. 5,640/- per sq.ft | 38.852 Mn | - |
| 2 April 2018 | Market based evidence | Rs.3,000per sq.ft | 34.722 Mn | - |
| 3 April 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 | 89.088 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 | 22.066 Mn |
| 31 March 2018 | Market based evidence | Rs. 200,000/- per perch | 64.32 Mn | 10.8 Mn |
| 31 March 2018 | Market based evidence | Rs. 800/- to 4,500/- per Sq. ft | 632.895 Mn | |
| 31 March 2019 | Market based evidence | Rs. 7,000,000 Per perch | 1,414.7 Mn | 1,212.6 Mn |
| 31 March 2019 | Market based evidence | Rs. 300,000 Per perch | 1,123.2 Mn | 936.04 Mn |
| 31 March 2018 | Contractor's basis method valuation | Rs. 1,000/- to 3,500/- per Sq. ft | 85.281 Mn | 87,151 Mn |
| 31 March 2018 | Contractor's basis method valuation | Rs. 2,000/- to 4,000/- per Sq. ft | 726.664 Mn | 716.769 Mn |

Notes to the Financial Statements

| No | Company | Location | Extent | Valuer |
|----|---------------------------------|---|----------------|-------------------------|
| 5 | 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 Kalutara | 5A-01R-0.83P | Mr. Ranjan J Samarakone |
| 6 | 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 |
| 7 | 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 |
| 8 | 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 |
| 9 | 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 |
| 10 | Lanka Ceramic PLC | Mining Land at Owala | 25A-2R-15P | Mr.P.B.Kalugalagedera |
| | | Land situated at Owala | 1A-1R-02.0P | Mr.P.B.Kalugalagedera |
| | | Factory building & office building at Owala mine | 7038 Sq.ft | Mr.P.B.Kalugalagedera |
| | | Mining Land at Meetiyagoda | 35A-10R-4.33P | Mr.P.B.Kalugalagedera |
| | | Mining Land at Dediawala | 50A-0R-05.48P | Mr.P.B.Kalugalagedera |
| | | Land situated at Meetiyagoda | 7A-2R-28P | Mr.P.B.Kalugalagedera |
| | | Factory building & office building at Meetiyagoda mine | 39,512sq.ft | Mr.P.B.Kalugalagedera |
| 11 | Rocell Ceramics Ltd | 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. | FairValue measurement using Significant unobservable inputs (Level 3) Rs. Mn | Fair Value as per previous revaluation year Rs. Mn |
|----------------|------------------------------|--|--|--|
| 31 March 2018 | Market based evidence | Rs. 40,000/-to Rs. 175,000/- per perch | 558.989 Mn | 557.357 Mn |
| 31 March 2018 | Market based evidence | Rs. 950,000 per perch | 31.9134 Mn | 285.541 Mn |
| 31 March 2018 | Market based evidence | Rs. 18,752.52 per perch | 39.038 Mn | 35.78 Mn |
| 31 March 2018 | Market based evidence | Rs. 62.50 per perch | 0.052 Mn | 0.052 Mn |
| 31 March 2016 | Market based evidence | Rs.70,000/- per perch | 102.046 Mn | 102.046 Mn |
| 31 March 2016 | Depreciated Replacement cost | Rs.650/- to Rs. 2,000/- per sq.ft | 179.254 Mn | 179.254 Mn |
| 31 March 2016 | Market based evidence | Rs. 60,000/- per perch | 26.1 Mn | 26.1 Mn |
| 31 March 2016 | Depreciated Replacement cost | Rs.1,750/- to Rs. 2,500/- per sq.ft | 46.4 Mn | 46.4 Mn |
| 31 March 2018 | Market based evidence | Rs. 646,429/- per perch | 633.5 Mn | 600 Mn |
| 31 March 2018 | Market based evidence | Rs. 567,500/- per perch | 11.35 Mn | 6.7 Mn |
| 31 March 2018 | contractor's method | Rs. 3,750/- per sq.ft | 112.5 Mn | 75 Mn |
| 31 March 2018 | Depreciated Replacement cost | Rs. 361/- per sq.ft | 0.5 Mn | 0.3 Mn |
| 31 March 2018 | Investment Method | Rs. 15/- to 40/- per sq.ft | 63.351 Mn | 63.351 Mn |
| 31 March 2018 | Investment Method | Rs. 15/- to 40/- per sq.ft | 27.261 Mn | 21.122 Mn |
| 31 March 2018 | Investment Method | Rs. 15/- to 40/- per sq.ft | 2.676 Mn | 2.073 Mn |
| 31 March 2016 | Investment Method | Rs. 15/- to 40/- per sq.ft | 22.3 Mn | 17.278 Mn |
| 31 March 2018 | Market based evidence | Rs. 17,567,247 per arce | 10.727 Mn | 18 Mn |
| 31 March 2018 | Market based evidence | Rs. 18,834,861 per arce | 176 Mn | - |
| 31 March 2018 | Contractors Method | Rs. 5,520/-to Rs. 3,600/- per perch | 464.533 Mn | 204.397 Mn |
| 31 March 2016 | Market based evidence | Rs. 100,000/- to Rs. 250,000/- per acre | 4.809 Mn | 4.809 Mn |
| 31 March 2016 | Market based evidence | Rs. 400,000/- per acre | 0.5 Mn | 0.5 Mn |
| 31 March 2016 | Depreciated cost method | Rs. Nil to Rs. 1,000/- per sq.ft | 5.157 Mn | 5.157 Mn |
| 31 March 2016 | Market based evidence | Rs. 300,000/- to Rs. 1,000,000/- per acre | 17.051 Mn | 17.051 Mn |
| 31 March 2016 | Market based evidence | Rs. 200,000/- per acre | 10.007 Mn | 10.007 Mn |
| 31 March 2016 | Market based evidence | Rs. 750,000/- to Rs. 1,750,000/- per acre | 12,931 Mn | 12.931 Mn |
| 31 March 2016 | Depreciated cost method | Rs. 100/- to Rs. 500/- per sq.ft | 13.557 Mn | 13.557 Mn |
| 22 February 17 | Market based evidence | Rs. 12,000,000 Per Acre | 403.92 Mn | 403.92 Mn |

Notes to the Financial Statements

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

| | 2019 Rs. | 2018 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 |
| Mature plantations (Custard Apple) | 30 | - |
| 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 2019 | Accumulated Depreciation 2019 | Net Carrying Amount 2019 | Net Carrying Amount 2018 |
| Freehold Land | 847,911,524 | | 847,911,524 | 847,911,524 |
| Freehold Building | 913,944,327 | 264,549,328 | 649,394,999 | 722,510,545 |
| | 1,761,855,851 | 264,549,328 | 1,497,306,523 | 1,570,422,069 |

| | Group | | | |
|------------------------------------|---------------|-------------------------------------|--------------------------------|--------------------------------|
| | Cost 2019 | Accumulated Depreciation 2019 | Net Carrying Amount 2019 | Net Carrying Amount 2018 |
| Freehold land and Clay Mining Land | 2,729,456,882 | 4,210,000 | 2,725,246,882 | 2,726,658,882 |
| Freehold Building | 4,185,052,789 | 1,000,522,339 | 3,184,530,450 | 2,936,186,461 |
| | 6,914,509,671 | 1,004,732,339 | 5,909,777,332 | 5,662,845,343 |

3.20 Leasehold Right Over Mining Land

| | Group | |
|---------------------------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| Cost | | |
| At the beginning of the year | 15,800,000 | 23,880,000 |
| Disposals | - | (8,080,000) |
| At the end of the year | 15,800,000 | 15,800,000 |
| Accumulated Amortization | | |
| At the beginning of the year | 9,264,000 | 7,800,000 |
| Charge for the year | 2,298,000 | 3,130,000 |
| Disposals | - | (1,666,000) |
| At the end of the year | 11,562,000 | 9,264,000 |
| Written Down Value | 4,238,000 | 6,536,000 |

The Company also pay monthly payments based on quantity of clay extracted from these lease hold land.

04. INVESTMENT PROPERTY

| | Group | |
|--|---------------|---------------|
| | 2019 Rs. | 2018 Rs. |
| At the beginning of the year | 1,287,007,000 | 706,000,000 |
| Addition | 1,767,000 | |
| Transfer from property plant and equipment | - | 459,407,000 |
| Change in Fair Value | 436,475,760 | 121,600,000 |
| At the end of the year | 1,725,249,760 | 1,287,007,000 |

Notes to the Financial Statements

The following Investment properties are revalued during the financial year 2018/19

| Company | Location | Extent | Valuation Date |
|------------------------------------|--|----------------|----------------|
| Lanka Ceramics PLC | No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 | 1R - 1.12 P | 31 March 2019 |
| | No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 | 27,712 Sq.ft. | 31 March 2019 |
| LWL Development Limited | Agalagedara Village, Divulapitiya, Gampaha | 48A-03R-17.9P | 31 March 2019 |
| | Waradala Village, Divulapitiya, Gampaha | 4A-01R-15.9P | 31 March 2019 |
| | Agalagedara Village, Divulapitiya, Gampaha | 00A-00R-45 P | 31 March 2019 |
| | Agalagedara Village, Divulapitiya, Gampaha | 00A-00R-6.90 P | 31 March 2019 |
| | Agalagedara Village, Divulapitiya, Gampaha | 48A-03R-17.9P | 31 March 2018 |
| | Waradala Village, Divulapitiya, Gampaha | 4A-01R-15.9P | 31 March 2018 |
| | Agalagedara Village, Divulapitiya, Gampaha | 00A-00R-45 P | 31 March 2018 |
| Beyond Paradise Collection Limited | Agalagedara Village, Divulapitiya, Gampaha | 48A-03R-17.9P | 31 March 2019 |
| | House | 981.sq.ft | 31 March 2019 |
| | Agalagedara Village, Divulapitiya, Gampaha | 48A-03R-17.9P | 31 March 2018 |
| | House | 981.sq.ft | 31 March 2018 |

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

Purchase of land at Divulapitiya under LWL Development (Pvt) Ltd.

| Company | Location | Extent | Purchase Date | Value Rs.000 |
|-------------------------|--|----------------|---------------|-----------------|
| LWL Development Limited | Agalagedara Village, Divulapitiya, Gampaha | 00A-00R-45 P | 28 March 2018 | 4,732 |
| | Agalagedara Village, Divulapitiya, Gampaha | 00A-00R-6.90 P | 04 March 2019 | 1,767 |

4.2 Rental Income earned from Investment Property by the Group amounted Rs. 36.75 Mn. (2018 - Rs. 36. 75 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.64 Mn.(2018 - Rs. 1.39Mn.).

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

| | Less than 1 year Rs. | Between 1 year and 5 years Rs. | Over 5years Rs. |
|-----------|----------------------------|--------------------------------------|--------------------|
| 2018-2019 | 36,750,000 | 147,000,000 | - |
| 2017-2018 | 39,000,000 | 208,500,000 | - |

| Valuer | Valuation Details | Significant unobservable input : price per perch/ acre/range | Significant unobservable inputs (Level 3) Rs.000's |
|-------------------------|------------------------------|--|--|
| Mr. A.A.M Fathihu | Market based evidence | Rs. 19,000,000/- per Perch | 781,280 |
| Mr. A.A.M Fathihu | Depreciated replacement cost | Rs. 7,000/- - Rs. 9,800/- per Sq.ft | 127,165 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs. 8,000,000/- per Acre | 390,895 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.5,000,000/- per Acre | 21,746 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.200,000/- per Perch | 9,000 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.50,000/- per Perch | 345 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs. 4,500,000/- per Acre | 219,875 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.2,500,000/- per Acre | 11,000 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.200,000/- per Perch | 4,732 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs. 8,000,000/- per Acre | 390,895 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.4,000/- per sq.ft | 3,924 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs. 4,500,000/- per Acre | 219,876 |
| Mr. Ranjan J Samarakone | Market based evidence | Rs.4,000/- per sq.ft | 3,924 |

05. INVESTMENTS IN SUBSIDIARIES

05.1 Quoted & Non-Quoted

| | Holding | Country of incorporation | Cost | Cost | |
|--|------------------|-----------------------------|-------------|---------------|---------------|
| | 2019 % Rs. | 2018 % Rs. | 2019 Rs. | 2018 Rs. | |
| Non-Quoted | | | | | |
| Royal Ceramics Distributors (Pvt) Limited | 100% | 100% | Sri Lanka | 500,000 | 500,000 |
| Royal Porcelain (Pvt) Limited | 100% | 100% | Sri Lanka | 500,000,010 | 500,000,000 |
| Rocell Bathware Limited | 100% | 100% | Sri Lanka | 929,999,940 | 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 | 200,287,710 | 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 |
| Swistek Aluminium | | | Sri Lanka | 106,344,740 | 106,344,740 |
| Quoted | | | | | |
| Lanka Ceramics PLC | 73.56% | 73.56% | Sri Lanka | 551,039,307 | 551,039,307 |
| Lanka Tiles PLC | 2.61% | 2.61% | Sri Lanka | 125,032,515 | 125,032,515 |
| Lanka Walltiles PLC | 52.05% | 52.05% | Sri Lanka | 3,924,004,105 | 3,772,376,028 |
| Swisstek Ceylon PLC | 6.88% | 6.88% | Sri Lanka | 127,065,816 | 127,065,816 |
| Total Quoted & Non-Quoted Investments in Subsidiaries | | | | 6,967,899,831 | 6,816,271,724 |
| Total Gross Carrying Value of Investments | | | | 6,967,899,831 | 6,816,271,724 |
| Impairment made | | | | (360,900,000) | (360,900,000) |
| Total Net Carrying Value of Investments | | | | 6,606,999,831 | 6,455,371,724 |

Notes to the Financial Statements

5.2 Impairment of Investments in Subsidiaries

Ever Paint and Chemical Industries (Pvt) Ltd

In view of the negative net asset position resulting from the continuing losses and with the classification as a discontinued operation, the Company has made a full provision for impairment of the investment in Ever Paint and Chemical Industries (Pvt) Ltd 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. Rs.000 |
|------------------------------|----------------------|
| Goodwill (Note 7.1) | 2,387,160 |
| Property Plant and Equipment | 36,107,233 |
| Inventories | 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 | | Cost | Cost |
|--|---------|--------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | % | % | Rs. | 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 |
| (Formally know as Lewis Brown & Company Limited) | | | 3,162,937,490 | 3,162,937,490 |

6.2 Group

| | | Holding | Carrying Value | Carrying Value |
|---|--------|---------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | % | % | Rs. | Rs. |
| Quoted Investments | | | | |
| L. B. Finance PLC | 26.08% | 26.08% | 6,778,216,184 | 5,655,651,809 |
| Non-quoted Investments | | | | |
| Delmege Limited (Formally know as Lewis Brown & Company Limited) | 21.00% | 21.00% | 871,977,189 | 750,797,080 |
| | | | 7,650,193,373 | 6,406,448,889 |

Market value of LB Finance PLC as at 31 March 2019 is Rs. 4,338,400,163 (2018-Rs 4,295,052,285/-)

6.3 Movement in Investments in Associates

| | L. B. Finance PLC | | Delmege Limited | | Total | |
|---|-------------------|---------------|-----------------|---------------|---------------|---------------|
| | 2019 % | 2018 % | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| As at the beginning 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 |
| Impact of Adoption of SLFRS 09 * | (78,129,828) | - | - | - | (78,129,828) | - |
| Restated Opening Balance as at 1 April 2018 | 5,577,521,982 | 4,879,157,641 | 750,797,080 | 970,067,329 | 6,328,319,062 | 5,849,224,970 |
| Share of results of associates | 1,324,713,301 | 1,107,109,661 | (20,604,526) | (74,771) | 1,304,108,775 | 1,107,034,890 |
| Dividends | (124,263,918) | (325,109,088) | - | - | (124,263,918) | (325,109,088) |
| Share of Other Comprehensive Income | 244,820 | (5,506,405) | 141,784,635 | (219,195,478) | 142,029,455 | (224,701,883) |
| At the end of the year | 6,778,216,185 | 5,655,651,809 | 871,977,189 | 750,797,080 | 7,650,193,373 | 6,406,448,889 |

* The transition impact of adoption of SLFRS 9 (Financial Instruments) including the effect of replacing LKAS 39 (Financial Instruments Recognition and Measurement) incurred credit loss calculations with SLFRS 9's Expected Credit Losses (ECLs) is Rs. 78 Mn as of 1 April 2018.

Notes to the Financial Statements

07. INTANGIBLE ASSETS

7.1 Goodwill

| | Group | |
|--------------------------------------|---------------|---------------|
| | 2019 | 2018 |
| | Rs. | Rs. |
| Balance at the beginning of the year | 1,030,295,492 | 1,032,614,777 |
| Impairment (Note 5.2) | - | (2,387,160) |
| Effect of change in exchange rate | 110,188 | 67,875 |
| Balance at the end of the year | 1,030,405,680 | 1,030,295,492 |

Carrying value of Goodwill acquired through business combination as at the reporting date is relevant to Tile & Associated products.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate

The Management has estimated 2% growth rate in the cash flow beyond the five-year period.

7.2 Software

| | Company | | Group | |
|--------------------------------------|--------------|--------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Balance at the beginning of the year | 170,970,148 | 186,756,235 | 170,970,148 | 186,756,235 |
| Incurred during the year | 12,411,828 | 1,545,000 | 12,411,828 | 1,545,000 |
| Amount amortised during the year | (17,482,558) | (17,331,087) | (17,482,558) | (17,331,087) |
| Balance at the end of the year | 165,899,418 | 170,970,148 | 165,899,418 | 170,970,148 |
| Total intangible assets | 165,899,418 | 170,970,148 | 1,196,305,098 | 1,201,265,640 |

08. OTHER NON FINANCIAL ASSETS

| | Group | |
|--------------------------------|------------|-------------|
| | 2019 | 2018 |
| | Rs. | Rs. |
| Advances Given to Suppliers | 65,631,707 | 85,511,989 |
| Advance Company Tax Receivable | 27,285,000 | 27,285,000 |
| | 92,916,707 | 112,796,989 |

09. INVENTORIES

| | Company | | Group | |
|---|---------------|---------------|----------------|----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Raw Materials | 361,506,557 | 246,133,957 | 3,349,955,454 | 3,021,860,345 |
| Spares & Consumables | 357,722,069 | 267,463,362 | 1,376,558,362 | 1,141,380,153 |
| Accessories | - | - | 761,311,776 | 801,500,529 |
| Harvested crops | - | - | 272,712,333 | 223,516,000 |
| Non-harvested Produce on Bearer Biological Assets | - | - | 5,845,239 | 6,210,000 |
| Work in Progress | 44,061,955 | 52,520,299 | 436,826,458 | 353,833,102 |
| Finished Goods | 1,175,783,860 | 853,130,826 | 8,579,205,261 | 5,938,583,698 |
| Goods in Transit | 12,434,605 | 4,185,589 | 163,905,759 | 156,801,263 |
| Other Consumables | 4,183,377 | 3,887,233 | 15,821,189 | 16,338,830 |
| | 1,955,692,423 | 1,427,321,266 | 14,962,141,831 | 11,660,023,920 |
| Less : Provision for Obsolete & Slow Moving Stock | (43,900,871) | (33,763,348) | (340,373,530) | (264,155,329) |
| | 1,911,791,552 | 1,393,557,918 | 14,621,768,301 | 11,395,868,591 |

These inventories include finished goods of Rs. 8.4 Bn (2018 - Rs. 6.3 Bn) and general stocks representing raw materials, spares and consumables of Rs. 3 Bn (2018 - Rs. 2.6 Bn) relating to the Tiles and Accessories items and Sanitaryware Segments.

10. TRADE AND OTHER RECEIVABLES

10.1 COMPANY

| | Company | |
|--------------------------------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| Trade debtors - Other | 373,143,999 | 268,286,978 |
| - Related Parties (Note 10.1.1) | 3,878,566 | 6,520,396 |
| Trade Debtors | 377,022,565 | 274,807,374 |
| Provision for Bad and Doubtful Debts | (3,491,392) | (976,985) |
| | 373,531,173 | 273,830,389 |
| Other Receivables - Other | 84,412,924 | 66,515,607 |
| - Related Parties (Note 10.1.2) | 157,459,056 | 204,954,666 |
| Dividend Receivables | 91,989,044 | - |
| | 707,392,197 | 545,300,662 |

Notes to the Financial Statements

10.1.1 Trade Debtors includes following related party receivables,

| | Relationship | Company | |
|---------------------------|--------------|-------------|-------------|
| | | 2019 Rs. | 2018 Rs. |
| Rocell Pty Limited | Subsidiary | 2,414,511 | 4,709,184 |
| Delmege Forsyth Co. Ltd | Affiliate | 70,560 | - |
| Nilano Garments (Pvt) Ltd | Subsidiary | 1,122,994 | - |
| The Kingsbury PLC | Affiliate | 50,575 | 1,398,440 |
| Lanka Ceramic PLC | Subsidiary | 219,926 | - |
| LB Finance PLC | Associate | - | 412,772 |
| | | 3,878,566 | 6,520,396 |

10.1.2 Amount due from Related Parties

| | Relationship | Company | |
|--|--------------|---------------|---------------|
| | | 2019 Rs. | 2018 Rs. |
| Royal Ceramics Distributors (Pvt) Ltd | Subsidiary | 1,512,497 | 1,352,881 |
| Vallibel One Ltd | Parent | 4,311,149 | - |
| Rocell (Pty) Ltd | Subsidiary | 26,807,671 | 25,078,051 |
| Rocell Ceramics Ltd | Subsidiary | 10,410,250 | 8,143,329 |
| Lanka Tiles PLC | Subsidiary | 4,220,490 | 19,850,570 |
| Lanka Wall Tiles PLC | Subsidiary | 13,854,783 | 18,908,887 |
| Ever Paint and Chemical Industries (Pvt) Ltd | Subsidiary | 406,967,789 | 428,534,434 |
| Swisstek Ceylon PLC | Subsidiary | 4,022,298 | 2,675,431 |
| Uni-Dil Packaging Limited | Subsidiary | 47,671,464 | 49,676,856 |
| | | 519,778,391 | 554,220,439 |
| Impairment Provision | | (362,319,335) | (349,265,773) |
| | | 157,459,056 | 204,954,666 |

10.1.3 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March, 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 | 2019 | 373,531,173 | 151,325,140 | 164,980,370 | 58,794,991 | 1,922,064 | - | (3,491,392) |
| | 2018 | 273,830,389 | 139,625,218 | 100,518,815 | 26,304,613 | 8,358,728 | - | (976,985) |

10.2 GROUP

| | | Group | |
|--------------------------------------|--|---------------|---------------|
| | | 2019 Rs. | 2018 Rs. |
| Trade debtors - Other | | 4,104,272,443 | 3,596,520,188 |
| - Related Parties (Note 10.2.1) | | 4,696,064 | 3,890,199 |
| Trade Debtors | | 4,108,968,507 | 3,600,410,387 |
| Provision for Bad and Doubtful Debts | | (79,160,745) | (65,700,294) |
| | | 4,029,807,762 | 3,534,710,093 |
| Loans to company officers | | 38,093,678 | 38,997,000 |
| Other Receivables -Others | | 382,367,278 | 428,090,266 |
| - Related Parties (Note 10.2.2) | | 4,311,149 | - |
| | | 4,454,579,867 | 4,001,797,359 |

10.2.1 Trade Debtors includes following related party receivables,

| | | Group | |
|-----------------------------------|-----------|-------------|-------------|
| | | 2019 Rs. | 2018 Rs. |
| Relationship | | | |
| LB Finance PLC | Associate | 276,901 | 650,688 |
| Grip Delmege (Pvt) Ltd | Associate | - | 656,158 |
| Singer (Sri Lanka) PLC | Affiliate | 1,466,682 | 223,050 |
| Singhe Hospitals PLC | Affiliate | 17,280 | 20,664 |
| The Kingsbury PLC | Affiliate | 82,918 | 1,581,530 |
| Delmege Forsyth & Co. Ltd | Associate | 441,322 | - |
| Greener Water Limited | Affiliate | 58,952 | - |
| HJS Condiments Ltd. | Affiliate | 83,009 | - |
| Kandyan Resorts (Pvt) Ltd | Affiliate | 284,286 | - |
| Hayleys Agriculture Holding Ltd | Affiliate | 129,552 | - |
| Hayleys Agro Fertilizer (Pvt) Ltd | Affiliate | 558,385 | - |
| Talawakelle Plantations PLC | Affiliate | 50,215 | - |
| Kelani Valley Plantations PLC | Affiliate | 882,929 | - |
| MN Properties (Pvt) Ltd | Affiliate | 363,633 | - |
| Haycarb PLC | Affiliate | - | 105,984 |
| Hayleys Fabric PLC | Affiliate | - | 61,435 |
| Alumex PLC | Affiliate | - | 105,690 |
| MN Properties (Pvt) Ltd | Affiliate | - | 485,000 |
| | | 4,696,064 | 3,890,199 |

Notes to the Financial Statements

10.2.2 Other receivables includes following related party receivables,

| | Relationship | Group 2019 Rs. | 2018 Rs. |
|------------------|--------------|----------------------|-------------|
| Vallibel One Ltd | Parent | 4,311,149 | - |
| | | 4,311,149 | - |

10.2.3 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March, 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 | 2019 | 4,029,807,762 | 2,519,309,847 | 1,012,758,227 | 453,124,917 | 76,641,516 | 47,134,000 |
| | 2018 | 3,534,710,093 | 1,653,914,540 | 1,572,334,022 | 206,692,182 | 138,676,454 | 31,545,189 |
| | | | | | | | (79,160,745) |
| | | | | | | | (65,700,294) |

10.2.4 Allowances for Doubtful Debts

| | 2019 Rs. | 2018 Rs. |
|--|-------------|--------------|
| Balance at the beginning of the year | 65,700,294 | 86,357,841 |
| Amount provided/(reversal) during the year | 13,460,451 | (20,657,547) |
| Balance at the end of the year | 79,160,745 | 65,700,294 |

10.3 Contract Assets

| | Group 2019 Rs. | 2018 Rs. |
|----------------------------|----------------------|-------------|
| As at 1st April | - | |
| During the year recognized | 58,269,049 | |
| As at 31st March | 58,269,049 | |

The contract assets primarily relate to Swisstek Ceylon PLC rights to consideration for work completed but not billed at the reporting date on supply of timber. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

11. OTHER NON FINANCIAL ASSETS

| | Company | | Group | |
|--------------------------|-------------|-------------|---------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Receivables - Other | 7,264,282 | 8,166,026 | 61,820,048 | 38,727,672 |
| Advances and Prepayments | 266,828,783 | 360,919,797 | 965,550,947 | 924,189,127 |
| | 274,093,065 | 369,085,823 | 1,027,370,995 | 962,916,799 |

12 OTHER FINANCIAL ASSETS

12.1 Current - Company/Group

Investments at fair Value Through Profit or Loss

| | No. of Shares | | Fair Value | | | |
|---------------------------------|---------------|-----------|-------------|-------------|-------------|-------------|
| | | | Company | | Group | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | | Rs. | Rs. | Rs. | Rs. |
| Quoted | | | | | | |
| The Fortress Resorts PLC | 336,100 | 336,100 | 3,361,000 | 3,529,050 | 3,361,000 | 3,529,050 |
| Aitken Spence PLC | 225,000 | 225,000 | 9,225,000 | 11,385,000 | 9,225,000 | 11,385,000 |
| Lanka Hospitals Corporation PLC | 45,519 | 45,519 | 1,989,180 | 2,731,140 | 1,989,180 | 2,731,140 |
| Citrus Leisure PLC | 2,768,276 | 2,768,276 | 11,626,759 | 20,762,066 | 11,626,759 | 20,762,066 |
| Serendib Hotels PLC | 16,000 | 16,000 | 254,400 | 280,000 | 254,400 | 280,000 |
| Softlogic Finance PLC | 8 | 8 | 173 | 280 | 173 | 280 |
| Kalpitiya Beach Resorts Ltd | - | - | 2,158,554 | 4,200,430 | 2,158,554 | 4,200,430 |
| | | | 28,615,066 | 42,887,966 | 28,615,066 | 42,887,966 |
| 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) |
| | | | 28,615,066 | 42,887,966 | 28,615,066 | 42,887,966 |

12.2 Bank Term Deposits

| | 2019 | 2018 | 2019 | 2018 |
|------------------------------|------------|-------------|-------------|-------------|
| | Rs. | Rs. | Rs. | Rs. |
| Term Deposit-USD | 36,143,386 | 104,039,715 | 53,727,020 | 163,680,338 |
| Term Deposit-AUD | - | - | 46,700,684 | 43,601,355 |
| Deposit of Tsunami donations | - | - | 3,499,474 | 3,239,000 |
| | 36,143,386 | 104,039,715 | 103,927,178 | 210,520,693 |
| Total | 64,758,452 | 146,927,681 | 132,542,244 | 253,408,659 |

Notes to the Financial Statements

13. STATED CAPITAL - COMPANY/GROUP

| | 2019 | | 2018 | |
|------------------------|-------------|---------------|-------------|---------------|
| | Number | Rs. | Number | Rs. |
| Balance as at 01 April | 110,789,384 | 1,368,673,373 | 110,789,384 | 1,368,673,373 |
| Balance as at 31 March | 110,789,384 | 1,368,673,373 | 110,789,384 | 1,368,673,373 |

14. RESERVES

| | Company | | Group | |
|---|-------------|-------------|---------------|---------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Summary | | | | |
| Revaluation Reserve (Note 14.1) | 830,590,905 | 830,590,905 | 2,935,874,612 | 2,638,434,432 |
| Available for sale reserve (Note 14.2) | - | - | - | 5,967,555 |
| Fair Value Reserve (Note 14.3) | - | - | (19,732,588) | - |
| Exchange Differences on translation of foreign operations (Note 14.4) | - | - | 17,068,601 | 8,113,059 |
| | 830,590,905 | 830,590,905 | 2,933,210,625 | 2,652,515,046 |

14.1 Revaluation Reserve

On: Property, Plant and Equipment

| | Company | | Group | |
|---|-------------|---------------|---------------|-----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| As at 1 April | 830,590,905 | 213,634,264 | 2,638,434,432 | 2,020,248,355 |
| Revaluation surplus during the year | - | 1,014,246,685 | 275,152,659 | 1,878,176,454 |
| Realised Surplus on Disposal Transferred to Retained Earnings | - | - | (1,180,020) | - |
| Tax effect on Revaluation Surplus | | (397,290,044) | 23,467,541 | (1,259,990,377) |
| As at 31 March | 830,590,905 | 830,590,905 | 2,935,874,612 | 2,638,434,432 |

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 | |
|--|-------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| As at 1 April | 5,967,555 | 3,865,437 |
| Transfers made during the financial year / Fair Value Gains and Losses arising on Re-measuring Available for Sale Financial Assets | (5,967,555) | 2,102,118 |
| As at 31 March | - | 5,967,555 |

The available-for-sale reserve comprises the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

14.3 Fair Value Reserve

| | Group | |
|--|--------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| As at 1 April | - | - |
| Transfers made during the financial year / Net Gains /(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income | (19,732,588) | - |
| As at 31 March | (19,732,588) | - |

The fair value through other comprehensive income reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until they are derecognised or impaired. Due to the adoption of SLFRS 09, the balance of the available for sale reserve was transferred to fair value through other comprehensive income reserve.

14.4 Foreign Currency Translation Reserve

| | Group | |
|---|-------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| As at 1 April | 8,113,059 | 3,331,413 |
| Transferred during the year, net of tax | 8,955,542 | 4,781,646 |
| As at 31 March | 17,068,601 | 8,113,059 |

15 INTEREST BEARING LOANS AND BORROWINGS

| | Company | | Group | |
|------------------------|---------------|---------------|----------------|----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Non Current | | | | |
| Long term loans (15.1) | 2,958,383,445 | 3,310,314,466 | 6,571,726,503 | 5,971,497,821 |
| Finance leases (15.2) | 856,416 | 3,817,720 | 89,011,632 | 96,392,942 |
| | 2,959,239,861 | 3,314,132,186 | 6,660,738,135 | 6,067,890,763 |
| Current | | | | |
| Long term loans (15.1) | 1,274,451,066 | 969,469,631 | 2,473,792,994 | 2,227,603,515 |
| Finance leases (15.2) | 2,963,229 | 2,712,900 | 18,188,455 | 20,595,967 |
| Short term loans | 352,773,200 | 358,677,950 | 5,798,179,480 | 4,399,223,969 |
| Bank overdrafts (20.2) | 294,837,331 | 335,779,594 | 3,924,122,695 | 2,347,691,755 |
| | 1,925,024,826 | 1,666,640,075 | 12,214,283,624 | 8,995,115,206 |
| Total | 4,884,264,687 | 4,980,772,261 | 18,875,021,759 | 15,063,005,969 |

Notes to the Financial Statements

15.1 Long Term Loans

| | Company | | Group | |
|-------------------------------------|-----------------|---------------|-----------------|-----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| At the beginning of the year | 4,279,784,097 | 3,906,707,719 | 8,199,101,336 | 8,017,891,351 |
| Loans obtained during the year | 1,006,042,619 | 1,070,561,908 | 3,156,841,725 | 2,277,025,388 |
| Exchange gain/loss on USD loans | - | - | 29,657,555 | 9,688,515 |
| Transfer to discontinued Operations | - | - | - | 25,750,000 |
| Repayments during the year | (1,052,992,205) | (697,485,530) | (2,340,081,118) | (2,131,253,918) |
| At the end of the year | 4,232,834,511 | 4,279,784,097 | 9,045,519,498 | 8,199,101,336 |
| Payable within 1 year | 1,274,451,066 | 969,469,631 | 2,473,792,995 | 2,227,603,515 |
| Payable after 1 year before 5 years | 2,958,383,445 | 3,310,314,466 | 6,571,726,503 | 5,971,497,821 |
| | 4,232,834,511 | 4,279,784,097 | 9,045,519,498 | 8,199,101,336 |

15.2 Finance Leases

| | Company | | Group | |
|---|-------------|-------------|--------------|--------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| JEDB/SLSPC estates (15.3) | - | - | 141,228,582 | 146,055,000 |
| Other finance lease creditors (15.3) | 4,054,027 | 7,236,414 | 21,350,763 | 30,149,222 |
| Gross liability | 4,054,027 | 7,236,414 | 162,579,345 | 176,204,222 |
| Exchange rate difference | - | - | 368,156 | 310,777 |
| Finance charges allocated to future periods | (234,382) | (705,794) | (55,747,414) | (59,526,090) |
| Net liability | 3,819,645 | 6,530,620 | 107,200,087 | 116,988,909 |
| Payable within 1 year | 2,963,229 | 2,712,900 | 18,188,455 | 20,595,967 |
| Payable after 1 year before 5 years | 856,416 | 3,817,720 | 89,011,632 | 96,392,942 |
| Total | 3,819,645 | 6,530,620 | 107,200,087 | 116,988,909 |

15.3 JEDB/SLSPC Estates

| | Company | | Group | |
|-------------------------------------|-------------|-------------|--------------|--------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| At the beginning of the year | - | - | 146,055,000 | 146,386,000 |
| New leases obtained during the year | - | - | 15,967,652 | 14,361,000 |
| Repayments during the year | - | - | (20,794,070) | (14,692,000) |
| At the end of the year | - | - | 141,228,582 | 146,055,000 |

15.4 Other Financial Lease Creditors

| | Company | | Group | |
|------------------------------------|-------------|-------------|--------------|--------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| At the beginning of the year | 7,236,414 | 10,418,801 | 30,149,222 | 48,146,603 |
| Leases obtained during the year | - | - | 7,276,400 | - |
| Repayments during the year | (3,182,387) | (3,182,387) | (16,074,859) | (17,997,381) |
| At the end of the year (Note 15.5) | 4,054,027 | 7,236,414 | 21,350,763 | 30,149,222 |

- 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 Million continued until 21 June 2008, and thereafter from 22 June 2008, annual lease payment remained at Rs.5.228 Million, until 21 June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.88.066 Million.

15.6 The net present value as at reporting date is represented by :-

| | 2019 Rs. | 2018 Rs. |
|-----------------------------|-------------|-------------|
| Gross Liability | 141,226 | 146,053 |
| | 141,226 | 146,053 |
| Less : Interest in Suspense | (53,160) | (59,592) |
| Net Present Value | 88,066 | 86,461 |

- 15.7** The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 15.968 Mn and the gross liability to make contingent rentals for the remaining 26 years of lease term at the current rate would be estimated to Rs. 415.168 Million as at 31st March 2019. (2018 - Rs. 387.747 Mn)

Notes to the Financial Statements

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. 24 Mn | AWPLR+1% | 60 equal monthly instalments |
| Commercial Bank of Ceylon PLC | Rs. 3.0 Bn | At 8.75% | 8 years (first 48 monthly instalments of Rs. 20Mn each and subsequent 48 monthly instalments of Rs. 42.5Mn each) |
| Commercial Bank of Ceylon PLC | Rs. 300Mn | AWPLR+1% | 60 equal monthly instalments with six months grace period commencing from April-2014 |
| Commercial Bank of Ceylon PLC | Rs. 109Mn | AWPLR+0.25% | 59 equal monthly instalments of Rs. 1,816,700 each and final instalment of Rs. 1,814,700 |
| Commercial Bank of Ceylon PLC | Rs. 95Mn | AWPLR+0.75% | 59 equal monthly instalments of Rs. 1,585,000 each and final instalment of Rs. 1,485,000 |
| Commercial Bank of Ceylon PLC | Rs. 200Mn | AWPLR+1.50% | 59 equal monthly instalments of Rs. 3,335,000 and a final instalment of Rs. 3,235,000 after a grace period of 6 months |
| Commercial Bank of Ceylon PLC | Rs. 100Mn | AWPLR+2.00% | 59 equal monthly instalments of Rs. 1,667,000 and a final instalment of Rs. 1,647,000 after a grace period of 6 months |
| Commercial Bank of Ceylon PLC | Rs. 150Mn | AWPLR+1.50% | 60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months |
| Commercial Bank of Ceylon PLC | Rs. 150Mn | AWPLR+1.50% | 60 equal monthly instalments of Rs. 2,500,000 after a grace period of 6 months |
| Commercial Bank of Ceylon PLC | AUD 2,407,000 | MP BID AND OFFER RATE+3.5% | 59 equal monthly installments of AUD 40,100 each and the final instalment of AUD 41,100 |
| Commercial Bank of Ceylon PLC | Rs.500Mn | 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.106Mn | AWPLR+1.25% | 59 equal monthly installments of Rs. 1,766,000 and the final instalment of Rs. 1,806,000 |
| Commercial Bank of Ceylon PLC | Rs.100Mn | AWPLR+1.50% | 59 equal monthly installments of Rs. 1,666,000 and the final instalment of Rs. 1,706,000 |
| Commercial Bank of Ceylon PLC | Rs.152Mn | AWPLR+1.50% | 59 equal monthly installments of Rs. 2,550,000 each and the final instalment of Rs. 1,550,000 |
| Commercial Bank of Ceylon PLC | Rs.500Mn | AWPLR+1.25% | 59 equal monthly installments of Rs. 8,400,000 each and the final instalment of Rs. 4,400,000 |
| DFCC Bank PLC | Rs. 292Mn | AWPLR+1.50% | 60 equal monthly instalment after a grace period of 12 months |
| Hatton National Bank PLC | Rs. 100Mn | AWPLR+0.75% | 59 equal monthly installments of Rs. 1.67 Mn and the final instalment of Rs. 1.47 Mn |
| Hatton National Bank PLC | Rs. 50Mn | AWPLR+0.75% | 59 equal monthly installments of Rs. 833,400 and a final instalment of Rs. 770,400 after a grace period of 6 months |

| Security | Security Amount Rs. Mn | Balance As At 31st March 2019 Rs. Mn | Balance As At 31st March 2018 Rs. Mn |
|--|---------------------------|---|---|
| Primary mortgage bond for 24Mn over the two LP Gas Tanks Corporate guarantee of Royal Porcelain (Pvt) Ltd | 24Mn | - | 1.2 |
| Tripate agreement between the company /custodian company and bank over a portfolio of 23,009,036 shares of Lanka Ceramics PLC and 7,545,422 shares of LB Finance PLC (Market value as at 15/09/2014 -Rs. 3,905 Mn) | 3Bn | 1870 | 2,200 |
| Primary mortgage bond over Land and Building at No 20, R. A. De Mel Mawatha, Colombo 03. | Rs. 300 Mn | - | 52 |
| Corporate guarantee of Royal Porcelain (Pvt) Ltd | Rs. 109 Mn | 29.06 | 50.86 |
| Corporate guarantee of Royal Porcelain (Pvt) Ltd | Rs. 95 Mn | 42.69 | 61.71 |
| Additional mortgage bond over the property at Baddeggedaramulla, Meegoda to be executed | Rs. 200 Mn | 119.96 | 159.98 |
| 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 2,407,000/- or equivalent in LKR and Rs 100Mn | Rs. 100 Mn | 28.95 | 48.96 |
| 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 Celain (Pvt) Ltd | Rs. 150 Mn | 95 | 125 |
| 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. 150 Mn | 100 | 130 |
| Floating Primary Concurrent Mortgage for AUD 2,407,000 over the property at Eheliyagoda owned by the Company to be executed-(HNB 's interest Rs. 350.3 Mn) | AUD 2,407,000 | 134.75 | 185.19 |
| Primary mortgage bond over Sacmi machine and other related machinery to be executed. | Rs.500 Mn | 374.99 | 474.99 |
| Simple deposit of 10,633,974 shares of Swisstek Aluminium Ltd Corporate guarantee of Royal Porcelain (Pvt) Ltd | Rs.106 Mn | 70.68 | 91.82 |
| Tertiary mortgage bond for Rs. 100Mn executed over the property at R. A. De Mel Mawatha, Colombo 03. | Rs.100 Mn | 71.67 | 91.67 |
| To purchase 1,365,460 Nos of shares of Lanka Wall Tiles PLC | Rs.152 Mn | 129.05 | - |
| To reimburse the expenditure incurred for construction/Refurbishment of Show rooms | Rs.500 Mn | 422.08 | - |
| 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 | 204.39 | 262.79 |
| Existing primary mortgage bond For Rs. 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon | Rs. 100 Mn | 1 | 21.04 |
| Existing primary mortgage bond For Rs. 350.3Mn over factory premises at Eheliyagoda and plant and machinery and everything standing thereon | Rs. 50 Mn | 5.82 | 15.83 |

Notes to the Financial Statements

| Lender | Approved Facility | Interest Rate | Repayment Terms |
|--|-------------------|---------------|---|
| Hatton National Bank PLC | Rs. 23 Mn | AWPLR+0.75% | 59 equal monthly installments of Rs. 383,400 and a final instalment of Rs. 379,400 after a grace period of 6 months |
| Hatton National Bank PLC | Rs. 7 Mn | AWPLR+0.75% | 59 equal monthly installments of Rs. 116,700 and a final instalment of Rs. 114,700 after a grace period of 6 months |
| Hatton National Bank PLC | Rs. 14 Mn | AWPLR+0.75% | 59 equal monthly installments of Rs. 233,330 and a final instalment of Rs. 233,520 |
| Hatton National Bank PLC | Rs. 28.5 Mn | AWPLR+0.75% | 60 equal monthly installments of Rs. 475,000 |
| Hatton National Bank PLC | Rs. 5.5 Mn | AWPLR+1% | 59 equal monthly installments of Rs. 91,600 and a final instalment of Rs. 95,600 |
| Hatton National Bank PLC | Rs. 12.9 Mn | AWPLR+1% | 60 equal monthly installments of Rs. 215,000 |
| Hatton National Bank PLC | Rs. 130 Mn | AWPLR+2% | 59 equal monthly installments of Rs. 2.15Mn each and a final instalment of Rs. 3.15 Mn |
| Hatton National Bank PLC | Rs.500 Mn | AWPLR+1.50% | 47 equal monthly installments of Rs. 10,400,000 and a final instalment of Rs. 11,200,000 |
| Hatton National Bank PLC | Rs.175 Mn | AWPLR+1.25% | 66 months in 59 equal monthly installments of Rs. 2,900,000 and a final installments of 3,900,000 with a grace period of 6 months |
| Company : Royal Porcelain (Pvt) Ltd | | | |
| Commercial Bank of Ceylon PLC | Rs.48Mn | AWPLR+1% | 60 equal monthly installments with six months grace period commencing from April-2014 |
| Commercial Bank of Ceylon PLC | Rs. 67Mn | AWPLR+1% | 60 equal monthly installments with six months grace period commencing from June-2014 |
| Commercial Bank of Ceylon PLC | Rs. 200Mn | AWPLR+1% | 60 equal monthly installments with six months grace period commencing from May-2014 |
| Commercial Bank of Ceylon PLC | Rs. 48.56Mn | AWPLR+5% | 60 equal monthly installments commencing from April-2014 |
| Commercial Bank of Ceylon PLC | Rs. 53Mn | AWPLR+5% | 60 equal monthly installments commencing from March-2014 |
| Commercial Bank of Ceylon PLC | Rs. 37Mn | AWPLR+5% | 59 equal monthly installments of Rs. 615,000 and a final instalment of Rs. 715,000 following the grace period of 6 months |
| Commercial Bank of Ceylon PLC | Rs. 28Mn | AWPLR+5% | 59 equal monthly installments of Rs. 466,700 and a final instalment of Rs. 464,700 commencing from 25 August 2015 |
| Commercial Bank of Ceylon PLC | Rs.114Mn | AWPLR+1.25% | 59 equal monthly installments |
| Hatton National Bank PLC | Rs. 300Mn | AWPLR+0.75% | 60 equal monthly installments of Rs. 5,000,000 plus interest commencing after a grace period of six months. |

| Security | Security Amount Rs. Mn | Balance As At 31st March 2019 Rs. Mn | Balance As At 31st March 2018 Rs. Mn |
|--|---------------------------|---|---|
| Corporate guarantee of Royal Porcelain (Pvt) Ltd | Rs. 23Mn | 4.21 | 8.81 |
| Corporate guarantee of Royal Porcelain (Pvt) Ltd | Rs. 23Mn | 1.28 | 2.68 |
| Corporate guarantee of Royal Porcelain (Pvt) Ltd | Rs. 14Mn | 5.36 | 8.16 |
| Corporate Guarantee from Royal Porcelain (Pvt) Ltd | Rs. 28.5Mn | 14.25 | 19.95 |
| Corporate Guarantee from Royal Porcelain (Pvt) Ltd | Rs. 5.5Mn | 2.75 | 3.85 |
| Corporate Guarantee from Royal Porcelain (Pvt) Ltd | Rs. 12.9Mn | 6.45 | 9.03 |
| Tripartite agreement between Royal Ceramics Lanka PLC, HNB and share brokering company along with irrevocable power of attorney over 1,000,000 Nos company shares of Lanka Ceramics PLC | Rs. 130Mn | 67.65 | 93.45 |
| 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 | 255 | 160.81 |
| Negative pledge over machinery for Rs. 233 Mn to be obtained | | | |
| To import machinery and spare parts /renovation of the main building for expansion of Eheliyagoda factory | Rs. 175Mn | 175 | - |
| | | 4,232.04 | 4,279.78 |
| Mortgage over Glazed Polishing Line | Rs.48Mn | - | 9.6 |
| Corporate Guarantee from Royal Ceramics Lanka PLC | | | |
| Mortgage over Digital Ceramic Printing Machine | Rs. 67Mn | 2.33 | 15.71 |
| Corporate Guarantee from Royal Ceramics Lanka PLC | | | |
| Mortgage over warehouse premises at Meegoda owned by Rocell Bathware Ltd | Rs. 200Mn | 2.35 | 42.55 |
| Mortgage over 4 units 4 wheel Forklifts and 4 units reach trucks | Rs.48.6Mn | - | 9.683 |
| Mortgage over the Nano coating line , Unloading Polishing Machine, Batching and mill Feeding Machine and Air Compressor | Rs.53Mn | - | 9.733 |
| Corporate Guarantee from Royal Ceramics Lanka PLC | | | |
| Primary Mortgage over the Automatic easy Line Sorting Line | Rs. 37Mn | 3.83 | 11.21 |
| Corporate Guarantee from Royal Ceramics Lanka PLC | | | |
| Corporate Guarantee Royal Ceramics Lanka PLC | Rs. 28Mn | 7.46 | 13.06 |
| Primary mortgage bond over Land at Marawila to be executed | Rs.114Mn | 68.87 | 97.37 |
| Corporate Guarantee Royal Ceramics Lanka PLC | Rs. 300Mn | 175 | 240 |

Notes to the Financial Statements

| Lender | Approved Facility | Interest Rate | Repayment Terms |
|--------------------------|-------------------|---------------|--|
| Hatton National Bank PLC | Rs. 200Mn | AWPLR+1.50% | 59 equal monthly installments of Rs. 3.33 Mn each and final instalment 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% | 60 equal monthly installments of Rs 1.5Mn each plus interest commencing after a grace period of six months. |
| Hatton National Bank PLC | Rs.100 Mn | AWPLR+1.25% | 59 equal monthly installments of Rs1.66 Mn each and final instalment of Rs 2.06 Mn plus interest commencing after a grace period of six months |
| Hatton National Bank PLC | Rs.45 Mn | AWPLR+1.25% | 60 equal monthly installments of Rs 75Mn each plus interest commencing after a grace period of six months |

Company : Rocell Bathware Limited

| | | | |
|-------------------------------|-----------|-------------|---|
| Hatton National Bank PLC | Rs.160 Mn | AWPLR+0.5% | 54 equal monthly installments |
| Hatton National Bank PLC | Rs.70 Mn | AWPLR+0.75% | 54 instalment with grace period of 06 months |
| Hatton National Bank PLC | Rs 20 Mn | AWPLR+0.5% | 64 equal monthly installments |
| Commercial Bank of Ceylon PLC | Rs. 25 Mn | AWPLR+0.25% | 53 equal monthly installments |
| Commercial Bank of Ceylon PLC | Rs 210Mn | AWPLR+1.25% | 60 equal monthly instalment of Rs 3,500,000 with a grace period of six months |
| Commercial Bank of Ceylon PLC | Rs 57.7Mn | AWPLR+0.75% | 59 equal monthly instalment of Rs 961,600 and a final instalment of Rs 965,600 |
| Commercial Bank of Ceylon PLC | Rs 70Mn | AWPLR+0.5% | 59 equal monthly instalment of Rs 11,165,000 and a final instalment of Rs 1,265,000 |
| Commercial Bank of Ceylon PLC | Rs.300Mn | AWPLR+1.50% | 60 equal monthly instalment of Rs 5,000,000 with a grace period of six months |
| Peoples Bank | Rs 160Mn | AWPLR+1 % | 59 equal monthly installments of Rs 2.7Mn each and final instalment 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 instalment |
|-------------------------------|---------------|-------|-----------------------------|

| Security | Security Amount Rs. Mn | Balance As At 31st March 2019 Rs. Mn | Balance As At 31st March 2018 Rs. Mn |
|--|---------------------------|---|---|
| Corporate Guarantee Royal Ceramics Lanka PLC | Rs 200Mn | 120.37 | 160.04 |
| Negative Pledge Over Machinery to be Purchased for Rs. 90 Mn | Rs.90Mn | 75 | 90.02 |
| Negative pledge over Heat Recovery system | Rs.37.2Mn | 37.2 | - |
| Negative Pledge Over Machinery to be purchased for RS 45 Mn | Rs.45 Mn | 44.25 | - |
| | | 536.66 | 698.976 |
| Primary Mortgage bond for Rs 250 Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda to be executed. | Rs 160 Mn | - | 17.78 |
| Corporate guarantee from Royal Ceramics Lanka PLC | Rs 160 Mn | - | - |
| Concurrent Mortgage bond for Rs 250 Mn over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda. | Rs 70 Mn | - | 15.56 |
| 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 | 9.33 | 13.33 |
| Corporate guarantee of Royal Ceramics Lanka PLC | Rs 20 Mn | - | - |
| Primary Mortgage bond over Water closet casting machine for Rs. 25 Mn | Rs 25 Mn | 9.25 | 14.81 |
| Primary mortgage bond over the shuttle Kiln burner machine for Rs 210 Mn | Rs 210 Mn | 113.56 | 155.56 |
| 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 | 28.79 | 41.64 |
| Corporate Guarantee Royal Ceramics Lanka PLC | Rs 70 Mn | 39.71 | 53.69 |
| Primary Mortgage bond over Water Closet Machine,water treatment plant, Central UPS system for Rs. 240 Mn to be executed. | Rs.240Mn | 124.17 | 183.88 |
| Corporate guarantee of Royal Ceramics Lanka PLC | Rs.60Mn | - | - |
| Corporate Guarantee Royal Ceramics Lanka PLC | Rs 200 Mn | 97.9 | 83.7 |
| | | 422.71 | 579.95 |
| Corporate Guarantee of Royal Ceramics Lanka PLC | AUD 1,175,000 | 78.19 | 100.62 |
| | | 78.19 | 100.62 |

Notes to the Financial Statements

15.8 INTEREST BEARING LOANS AND BORROWINGS (Contd.)

Details of the Long Term Loans;

| Lender | Approved Facility | Interest Rate | Repayment Terms |
|--------------------------------------|-------------------|---------------|---|
| Lanka Ceramic PLC | | | |
| Hatton National Bank PLC | Rs. 500 Million | AWPLR based | 60 monthly installments |
| Lanka Walltiles PLC | | | |
| Hatton National Bank PLC | USD 1.8 Mn | LIBOR+0.5% | 60 monthly installments |
| Commercial Bank of Ceylon PLC | Rs. 584 Million | AWPLR+5% | 60 monthly installments |
| Commercial Bank of Ceylon PLC | Rs. 80 Million | AWPLR+0.75% | 60 monthly installments |
| DFCC Bank | Rs. 200 Million | AWPLR+0.5% | 60 monthly installments |
| Lanka Tiles PLC | | | |
| DFCC Bank | Rs. 150 Mn | AWPLR+0.5% | 48 monthly installments |
| DFCC Bank | Rs. 165 Mn | AWPLR+0.5% | 48 monthly installments |
| DFCC Bank | Rs. 80 Mn | AWPLR+0.5% | 59 monthly installments |
| DFCC Bank | Rs. 1,500 Mn | AWPLR+0.75% | 72 monthly installments |
| Uni-Dil Packaging Limited | | | |
| HSBC | USD 310,000 | LIBOR+3.8% | US\$ 7,380.95 monthly installments |
| Standard Chartered Bank | USD 310,000 | LIBOR+3.8% | US\$ 114,074 quarterly installments |
| Horana Plantations PLC | | | |
| Hatton National Bank PLC | 150 Mn | AWPLR+1% | 72 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% | 36 monthly installments |
| Commercial Bank of Ceylon PLC | Rs.100Mn | AWPLR+2% | 48 monthly installments after 24 month grace period |

| Security | Security Amount Rs. Mn | Balance As At | Balance As At |
|---|---------------------------|---------------------------|---------------------------|
| | | Rs. Mn 31st March 2019 | Rs. Mn 31st March 2018 |
| 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 | 120.839 | 245.714 |
| | | 120.839 | 245.714 |
| Assets comprising land, building and machinery at Meepe. | | | |
| 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 |
| Tripartite agreement for Rs.392.8 Mn between Bank, Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 share of Lanka Tiles PLC | Rs. 584 Million | 165.18 | 282.06 |
| Primary Mortgage bond for Rs.80Mn over the ceramic printer | Rs. 80 Million | - | 10.632 |
| Primary mortgage over movable machinery at Meepe | Rs. 200 Million | 95.83 | - |
| | | 261.01 | 325.765 |
| A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million | | - | 7.5 |
| A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million | Rs. 300 Mn | 5.89 | 29.464 |
| A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs.300 million | | 1.48 | 19.259 |
| A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala amounting to Rs. 1,500 million | | 1,455.33 | - |
| | | 1,462.7 | 56.223 |
| Mortgage bond for USD 310,000 over movable machinery & vehicle | USD 310,000 | - | 20.14 |
| Mortgage bond for USD 310,000 over movable machinery & Vehicle | USD 310,000 | 180.793 | 233.561 |
| | | 180.793 | 253.701 |
| Primary mortgage for 150 million over the leasehold rights of Frocester Estate | Rs. 550 Mn | 686.49 | 575.9 |
| Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla | | 44.42 | 59.98 |
| Primary mortgage over leasehold rights of Bambarakelly Estate | | 43.57 | 69.396 |
| No security has been offered | | 14.66 | 25.667 |
| No security has been offered | | 17.76 | 33.332 |
| Primary Floating Mortgage for Rs.120 Mn, over the leasehold rights land and buildings of Stockholm Estate. | | 100 | 100 |
| | | 906.9 | 864.275 |

Notes to the Financial Statements

| Lender | Approved Facility | Interest Rate | Repayment Terms |
|---|-------------------|---------------|-------------------------|
| Swisstek (Ceylon) PLC | | | |
| Bank of Ceylon | Rs.170Mn | AWPLR+1.5% | 54 monthly installments |
| Commercial Bank of Ceylon PLC | Rs.35Mn | AWPLR+1.5% | 60 monthly installments |
| DFCC Bank | Rs.110Mn | AWPLR+1.5% | 60 monthly installments |
| Swisstek Aluminium Limited | | | |
| DFCC Bank | Rs. 290 Mn | AWPLR+0.75% | 78 monthly installments |
| | Rs.50 MN | AWPLR+0.75% | 60 monthly installments |
| | Rs.10 MN | AWPLR+0.75% | 60 monthly installments |
| | Rs.500Mn | AWPLR+1.4% | 60 monthly installments |
| Hatton National Bank PLC | Rs.193.032 Mn | AWPLR+1.5% | 60 monthly installments |
| | Rs.80 Mn | AWPLR+1.5% | 48 monthly installments |
| Vallibel Plantation Management Limited | | | |
| Commercial Bank of Ceylon PLC | Rs. 144.79 Mn | AWPLR+1% | 60 monthly installments |
| Total Long Term Loans - Group | | | |

Security

| Security Amount | Balance As At | Balance As At |
|-----------------|-----------------|-----------------|
| Rs. Mn | 31st March 2019 | 31st March 2018 |
| | Rs. Mn | Rs. Mn |

| | | |
|---|----------|----------|
| Mortgage over immovable property at Balummahara, Imbulgoda | 118.99 | 152.99 |
| Mortgage over immovable property at Balummahara, Imbulgoda | 31.49 | 35 |
| Mortgage over land,building,plant & machinery ,stocks and book debt own by Swisstek Aluminium Ltd | 111 | - |
| | 261.48 | 187.99 |
| Primary mortgage over land and building and machinery of LKR 500 Mn | - | 26.026 |
| | - | 3.285 |
| | 1.502 | 3.504 |
| | 441.666 | 351.309 |
| Movable machinery | 113.807 | 156.838 |
| Simple receipt | 25.22 | 45.14 |
| | 582.195 | 586.102 |
| 12,750,000 shares of Horana Plantation PLC | - | 19.99 |
| | - | 19.99 |
| | 9,045.52 | 8,199.10 |

Notes to the Financial Statements

16 RETIREMENT BENEFIT OBLIGATIONS

| | Company | | Group | |
|------------------------------|--------------|--------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| At the beginning of the year | 245,857,725 | 208,701,087 | 1,180,729,942 | 997,367,058 |
| Interest cost | 24,585,773 | 27,339,842 | 114,892,627 | 118,943,593 |
| Current service cost | 20,295,668 | 18,435,157 | 81,232,980 | 86,089,079 |
| Benefits Paid | (11,922,191) | (22,103,999) | (112,497,831) | (124,552,699) |
| Actuarial (gain)/loss | (17,325,430) | 13,485,638 | 54,528,240 | 102,882,911 |
| At the end of the year | 261,491,545 | 245,857,725 | 1,318,885,958 | 1,180,729,942 |

16.1 Maturity Profile of the Defined benefit obligation

| | Company | | Group | |
|---------------------------------|-------------|-------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Future Working Life Time | | | | |
| Within the next 12 months | 52,052,850 | 46,185,797 | 242,418,054 | 176,479,037 |
| Between 1-2 Years | 61,205,506 | 60,919,164 | 255,112,596 | 212,107,081 |
| Between 2-5 Years | 72,035,857 | 63,931,791 | 302,536,665 | 274,703,311 |
| Over 5 Years | 76,197,332 | 74,820,973 | 518,818,643 | 517,440,513 |
| Total | 261,491,545 | 245,857,725 | 1,318,885,958 | 1,180,729,942 |

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 2019 | | |
| Effect on DBO due to decrease in the discount rate by 1% | 11,002,416 | 79,356,916 |
| Effect on DBO due to increase in the discount rate by 1% | (10,175,438) | (68,487,528) |
| Salary Escalation Rate as at 31 March 2019 | | |
| Effect on DBO due to decrease in salary escalation rate by 1% | (11,627,894) | (55,943,488) |
| Effect on DBO due to increase in salary escalation rate by 1% | 12,379,859 | 62,453,072 |
| 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 |

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 2019. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

| | 2019 Rs. | 2018 Rs. |
|-----------------------------|-------------|-------------|
| Discount rate assumed | 11% p.a | 10.0% p.a |
| Future salary increase rate | 10.0% p.a | 10.0% p.a |
| Staff Turn Over | 15.0% p.a | 15.0% p.a |

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

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 2019.

The principal assumptions used are as follows:

| | 2019 Rs. | 2018 Rs. |
|---------------------------------------|-------------|-------------|
| Discount rate (per annum) | 11.0% | 10.0% |
| Salary scale (per annum) - Executives | 10.0% | 10.0% |
| - Non Executives | 10.0% | 10.0% |
| Staff Turn Over | 10.0% | 10.0% |
| Retirement Age | 55Years | 55Years |

Notes to the Financial Statements

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2019 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

| | 2019 Rs. | 2018 Rs. |
|---------------------------------------|--|--|
| Discount rate (per annum) | 11.0% | 10.0% |
| 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% | 7% 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 2019 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

Principal actuarial assumptions are as follows

| | 2019 Rs. | 2018 Rs. |
|--------------------------------------|-------------|-------------|
| Discount rate | 11.0% | 10.5% |
| 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 2019 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

| | 2019 Rs. | 2018 Rs. |
|-------------------------|--|---|
| Rate of interest | 11.00% per annum | 11.0% 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% for first three years & 2.00% per annum beyond |
| 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.700.00 | Rs.500.00 |
| Rubber | Rs.700.00 | Rs.500.00 |

The company will continue as a going concern

Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2019.

Notes to the Financial Statements

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

Principal Actuarial Assumptions are as follows

| | 2019 Rs. | 2018 Rs. |
|-------------------------|-------------|-------------|
| Discount rate p.a | 11.00% | 11.00% |
| Future salary increases | 10.00% | 11.00% |
| Staff turnover factor | 21.00% | 9.00% |
| 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 2019.

Principal Actuarial Assumptions are as follows

| | 2019 Rs. | 2018 Rs. |
|-------------------------|-------------|-------------|
| Discount rate p.a | 11.00% | 10.00% |
| Future salary increases | 12.00% | 12.50% |

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2019.

Principal Actuarial Assumptions are as follows

| | 2019 Rs. | 2018 Rs. |
|-------------------------|-------------|-------------|
| Discount rate p.a | 11.00% | 10.00% |
| Future salary increases | 10.00% | 10.00% |
| Retirement age (Years) | 55 | 55 |

17. OTHER NON CURRENT LIABILITIES

| | Group | |
|-----------------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| Capital grants (17.1) | 125,726,261 | 136,532,000 |
| Refundable Deposit | 15,000,000 | 15,000,000 |
| | 140,726,261 | 151,532,000 |

17.1 Capital grants

Capital grants received on plantations

| Granted by | Purpose of the grant | Basis of amortisation | Amount received | Balance as at 01.04.2018 | Received during the year | Amortised during the year | Balance 31.03.2019 |
|---|--|---|-----------------|--------------------------|--------------------------|---------------------------|--------------------|
| | | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Sri Lanka Tea Board | Tea factory modernisation | Rate of depreciation applicable to plant & machinery (7.5% p.a.) | 701 | 371 | 55 | (53) | 373 |
| | 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 | 17,700 | - | (1,128) | 16,572 |
| Plantation human development trust | Improvement of workers living environment | Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.) | 45,143 | 28,737 | - | (1,600) | 27,137 |
| Estate infrastructure development project | Improvement of workers living environment | Rate of depreciation applicable to buildings (2.5% p.a.) | 489 | 288 | - | (17) | 271 |
| Plantation development project | Improvement of workers living environment | Rate of depreciation applicable to buildings (2.5% p.a.) | 20,051 | 14,616 | - | (717) | 13,899 |
| | 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 | 3,464 | - | (165) | 3,299 |
| | Minor factory development | Rate of depreciation applicable to buildings (2.5% p.a.) | 10,099 | 7,653 | - | (361) | 7,292 |
| Rubber Development Department | Rubber replanting subsidy | Rate applicable to rubber mature plantations (5% p.a.) | 51,311 | 58,597 | 2,319 | (9,088) | 51,828 |
| | Rubber factory development | Rate of depreciation applicable to plant & machinery (7.5% p.a.) | 675 | 110 | - | (51) | 59 |
| 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 | 136,532 | 2,374 | (13,180) | 125,726 |

Notes to the Financial Statements

18. TRADE AND OTHER PAYABLES

| | Company | | Group | |
|--|---------------|---------------|---------------|---------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Trade Creditors (Note 18.2) | 181,384,816 | 182,610,651 | 2,374,743,965 | 1,961,770,999 |
| Accrued Expenses | 151,545,009 | 141,856,002 | 218,100,364 | 198,213,382 |
| Sundry Creditors | 323,230,969 | 292,506,160 | 1,164,770,319 | 1,179,636,741 |
| Payable to Related Parties (Note 18.1) | 3,677,727,159 | 2,661,419,622 | 58,839,896 | 21,785,555 |
| | 4,333,887,953 | 3,278,392,435 | 3,816,454,544 | 3,361,406,677 |

18.1 Payable to Related Parties

| Relationship | | Company | | Group | |
|----------------------------|------------|---------------|---------------|-------------|-------------|
| | | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Royal Porcelain (Pvt) Ltd | Subsidiary | 3,112,902,256 | 2,227,153,858 | - | - |
| Rocell Bathware Ltd | Subsidiary | 543,453,446 | 423,258,675 | - | - |
| Nilano Garments (Pvt) Ltd | Subsidiary | 14,780,966 | 3,566,475 | - | - |
| Lanka Ceramics PLC | Subsidiary | 347,929 | 200,911 | - | - |
| Swisstek Aluminium Limited | Subsidiary | 6,242,562 | 1,696,534 | - | - |
| Vallibel One PLC | Parent | - | 5,543,169 | 58,839,896 | 21,785,555 |
| | | 3,677,727,159 | 2,661,419,622 | 58,839,896 | 21,785,555 |

18.2 Trade Creditors includes following related party payables,

| Relationship | | Company | | Group | |
|--|------------|-------------|-------------|-------------|-------------|
| | | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Vallibel One PLC | Parent | - | - | 3,178,564 | - |
| Royal Porcelain (Pvt) Ltd | Subsidiary | 828 | - | - | - |
| Rocell Bathware Limited | Subsidiary | 271,150 | - | - | - |
| Nilano Garments (Private) Limited | Subsidiary | 427,307 | - | - | - |
| Lanka Ceramics PLC | Subsidiary | 157,836 | 4,213,585 | - | - |
| Unidil Packaging Limited | Subsidiary | 49,603 | 148,945 | - | - |
| Unidil Packaging Solution Limited | Subsidiary | 6,166,085 | 13,435,734 | - | - |
| Swisstek Ceylon PLC | Subsidiary | 16,003,350 | 11,283,200 | - | - |
| Swisstek Aluminium Limited | Subsidiary | 102,291 | - | - | - |
| Lanka Walltiles PLC | Subsidiary | 861,557 | 63,038 | - | - |
| Ever Paint & Chemical Industries (Private) Limited | Subsidiary | 458,512 | 462,518 | - | - |
| Lanka Tiles PLC | Subsidiary | 513,154 | 603,900 | - | - |
| Delmege Forsyth Co. Limited | Associate | 56,190 | 7,931 | 861,507 | - |
| Grip Delmege (Pvt) Ltd | Affiliate | - | - | 3,929,663 | - |
| Grip Nordic (Pvt) Ltd | Associate | 24,000 | - | 71,790 | - |
| Singer (Sri Lanka) PLC | Affiliate | - | 291,559 | 525,753 | 672,559 |
| Hayleys PLC | Affiliate | - | - | 20,284,472 | 2,575,000 |
| Hayleys Agriculture Holding Limited | Affiliate | - | - | 6,387,444 | 2,024,000 |
| Hayleys Agro Fertilizer (Private) Limited | Affiliate | - | - | 943,943 | 42,204,000 |
| Hayleys Business Solutions International (Pvt) Ltd | Affiliate | - | - | 30,275 | - |
| Hayleys Electronics Ltd | Affiliate | - | - | 44,404 | - |
| Alufab PLC | Affiliate | - | - | 880,393 | - |
| Kelani Valley Plantations PLC | Affiliate | - | - | 1,447,760 | - |
| Puritas (Pvt) Ltd | Affiliate | - | - | 25,929 | - |
| Talawakelle Tea Estates PLC | Affiliate | - | - | 363,839 | - |
| Logiwiz Limited | Affiliate | - | - | 1,831 | - |
| NYK Line Lanka (Pvt) Ltd | Affiliate | - | - | 746,088 | - |
| Haycarb PLC | Affiliate | - | 105,984 | - | 105,984 |
| Hayleys Consumer Products Limited | Affiliate | - | 49,672 | - | 49,672 |
| Hayleys Agro Products (Private) Limited | Affiliate | - | - | - | 24,000 |
| Hayleys Aventura (Pvt) Ltd | Affiliate | - | - | - | 53,000 |
| Ravi Industries Limited | Affiliate | - | - | - | 840,000 |
| Diesel & Motor Engineering PLC | Affiliate | - | - | - | 478,000 |
| | | 25,091,863 | 30,666,066 | 39,723,655 | 49,026,215 |

Notes to the Financial Statements

19 OTHER CURRENT LIABILITIES

| | Company | | Group | |
|--------------------------|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Provisions | 82,587,299 | 64,417,060 | 112,590,448 | 164,536,284 |
| Advances | - | 420,097,065 | - | 434,870,053 |
| Other Statutory Payables | 78,549,211 | 48,118,800 | 206,071,241 | 142,768,196 |
| | 161,136,510 | 532,632,925 | 318,661,689 | 742,174,533 |

19.1 Contract Liability

| | Company | | Group | |
|----------------------------|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| As at 1st April | | | | |
| During the year recognized | 491,392,636 | - | 588,027,652 | - |
| As at 31st March | 491,392,636 | - | 588,027,652 | - |

The contract liability primarily relates to the advance consideration received from customers for Supply of timber and installation of timber flooring, for which revenue is recognized overtime and advances received for supply of tiles and sanitaryware. This will be recognized as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

20. CASH AND CASH EQUIVALENTS

Components of Cash and Cash Equivalents

20.1 Favourable Cash & Cash Equivalent Balances

| | Company | | Group | |
|--|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Cash & Bank Balances | 465,342,403 | 291,412,641 | 946,141,805 | 996,044,979 |
| | 465,342,403 | 291,412,641 | 946,141,805 | 996,044,979 |
| Cash & Bank Balances attributable to discontinued operations | - | - | 2,004,135 | 5,582,029 |

20.2 Unfavourable Cash & Cash Equivalent Balances

| | Company | | Group | |
|--|---------------|---------------|-----------------|-----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Bank Overdraft | (294,837,331) | (335,779,594) | (3,924,122,695) | (2,347,691,756) |
| Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement | 170,505,072 | (44,366,953) | (2,975,976,755) | (1,346,064,747) |

21. REVENUE/REVENUE FROM CONTRACTS WITH CUSTOMERS

21.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's/Company's revenue from contracts with customers:

Segments

| | Company | | Group | |
|---|---------------|---------------|----------------|----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Type of goods or service | | | | |
| Sale of Tiles & Associated Items | 3,794,578,371 | 3,452,289,344 | 20,640,627,473 | 18,783,512,028 |
| Sale of Sanitaryware | - | - | 2,467,482,104 | 2,049,442,223 |
| Sale of Plantation produce | - | - | 2,020,359,600 | 2,248,280,500 |
| Sale of Packaging Material | - | - | 3,269,830,998 | 2,654,272,109 |
| Sale of Aluminium Products | - | - | 3,089,556,585 | 3,340,583,000 |
| Other | - | - | 11,600,611 | 14,357,335 |
| Total revenue from contracts with customers | 3,794,578,371 | 3,452,289,344 | 31,499,457,371 | 29,090,447,195 |
| Geographical markets | | | | |
| Export sales | 128,812,369 | 214,960,750 | 868,482,476 | 1,054,366,378 |
| Local sales | 3,665,766,002 | 3,237,328,594 | 30,630,974,895 | 28,036,080,817 |
| Total revenue from contracts with customers | 3,794,578,371 | 3,452,289,344 | 31,499,457,371 | 29,090,447,195 |
| Timing of revenue recognition | | | | |
| Goods transferred at a point in time | 3,794,578,371 | 3,452,289,344 | 31,499,457,371 | 29,090,447,195 |
| Services transferred over time | - | - | - | - |
| Total revenue from contracts with customers | 3,794,578,371 | 3,452,289,344 | 31,499,457,371 | 29,090,447,195 |

Segmental Information given on note 28 to these financial statements.

21.2 Contract balances

| | Company | | Group | |
|----------------------------------|-------------|-------------|---------------|---------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Trade receivables (Note 10.1) | 373,531,173 | 273,830,389 | 4,029,807,762 | 3,534,710,093 |
| Contract assets (Note 10.3) | - | - | 58,269,049 | - |
| Contract liabilities (Note 19.1) | 491,392,636 | - | 588,027,652 | - |

Notes to the Financial Statements

22. OTHER OPERATING INCOME

| | Company | | Group | |
|---|---------------|---------------|--------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Dividends on long-term & current investments with Related Parties | 415,351,562 | 897,628,369 | - | - |
| Dividends on long-term & current investments | 825,307 | 475,696 | 825,307 | 475,696 |
| Profit on Disposal of Short Term Investments | - | 1,283,138,171 | - | 1,453,491 |
| Rental Income and Service Charge - Related Parties | 599,277,493 | 452,332,138 | - | - |
| Technical Fee Income - Related Parties | 11,625,354 | 108,461,817 | - | - |
| Sales Commission - Related Parties | 1,483,902 | 3,442,519 | - | - |
| Sales Commission - Others | - | - | - | 2,406,652 |
| Rent Income - Related Parties | 2,958,600 | 2,958,600 | - | - |
| Rent Income - Others | - | - | 36,750,000 | 36,750,000 |
| Profit/(Loss) on Disposal of Property, Plant & Equipment | (489,636) | 3,533,260 | (21,773,367) | 8,364,455 |
| Sundry Income | 8,670,858 | 7,317,237 | 142,846,852 | 134,459,921 |
| Amortisation of capital and revenue grants | - | - | 13,179,238 | 6,274,000 |
| Change in fair value of investment property | - | - | 436,475,750 | 121,600,000 |
| Change in fair value of consumable biological assets | - | - | 86,508,651 | 44,995,000 |
| | 1,039,703,440 | 2,759,287,807 | 694,812,431 | 356,779,215 |

22.1 Other Operating Expenses

| | Company | | Group | |
|---|------------|-------------|------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Net loss on financial Assets at fair value through profit or loss | 14,272,902 | 1,271,897 | 14,272,902 | 1,271,897 |
| Technical Fee Expense - Related Parties | 18,995,344 | 35,298,327 | 59,590,445 | 64,707,845 |
| Impairment of long term investment | - | 90,000,000 | - | 90,000,000 |
| | 33,268,246 | 126,570,224 | 73,863,347 | 155,979,742 |

23. FINANCE COST AND INCOME

23.1 Finance Cost

| | Company | | Group | |
|--|-------------|-------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Interest Expense on Overdrafts | 31,894,641 | 28,345,156 | 313,552,922 | 211,703,417 |
| Interest Expense on Loans & Borrowings | 511,007,622 | 403,771,738 | 1,634,641,826 | 1,194,056,144 |
| Finance Charges on Lease Liabilities | 471,413 | 698,665 | 17,797,234 | 17,151,180 |
| Less : Capitalisation of borrowing costs on immature plantations | - | - | (58,723,325) | (59,531,000) |
| | 543,373,676 | 432,815,559 | 1,907,268,657 | 1,363,379,741 |

23.2 Finance Income

| | Company | | Group | |
|-----------------|------------|-----------|------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Interest Income | 12,939,522 | 7,245,386 | 37,049,956 | 131,574,147 |
| | 12,939,522 | 7,245,386 | 37,049,956 | 131,574,147 |

24. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Stated after Charging /(Crediting)

| | Company | | Group | |
|---|--------------|-------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Included in Cost of Sales | | | | |
| Depreciation | 166,214,026 | 117,820,870 | 1,188,512,521 | 1,182,408,224 |
| Employee Benefits including the following | 408,564,862 | 363,852,639 | 3,505,729,941 | 3,596,792,002 |
| - Defined Benefit Plan Costs -Gratuity | 15,607,615 | 22,593,684 | 134,109,063 | 142,328,082 |
| - Defined Contribution Plan Costs - EPF & ETF | 30,502,602 | 26,874,362 | 287,055,784 | 260,306,207 |
| Operating lease rentals | - | - | - | 371,784 |
| Included in Administrative Expenses | | | | |
| Depreciation | 42,065,320 | 24,851,269 | 96,000,836 | 64,392,421 |
| Employee Benefits including the following | 233,973,189 | 202,442,152 | 591,288,648 | 585,032,480 |
| - Defined Benefit Plan Costs -Gratuity | 10,990,311 | 9,684,884 | 39,966,619 | 42,497,851 |
| - Defined Contribution Plan Costs - EPF & ETF | 19,471,677 | 17,345,770 | 50,309,851 | 44,069,585 |
| Auditors' Fees and Expenses | 1,343,239 | 1,123,400 | 11,095,206 | 11,754,104 |
| (Gain)/Loss on translation of foreign currency | (23,576,799) | (2,337,912) | (51,822,359) | (17,753,424) |
| Amortisation of intangible assets | 16,756,999 | 17,331,088 | 16,756,999 | 17,331,088 |
| Included in Selling and Distribution Costs | | | | |
| Depreciation | 245,620,662 | 186,693,258 | 360,767,582 | 262,639,597 |
| Employee Benefits including the following | 638,804,087 | 509,060,090 | 897,599,233 | 777,056,262 |
| - Defined Benefit Plan Costs -Gratuity | 18,283,514 | 13,496,431 | 22,049,926 | 18,609,007 |
| - Defined Contribution Plan Costs - EPF & ETF | 46,774,444 | 37,441,338 | 62,327,407 | 49,861,218 |

Notes to the Financial Statements

25 INCOME TAX EXPENSE

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

| | Company | | Group | |
|--|-------------|-------------|-------------|---------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Statement of Profit or Loss | | | | |
| Current Income Tax | | | | |
| Current Income Tax charge | - | - | 572,641,398 | 958,906,614 |
| Dividend Tax | - | - | 57,747,829 | 105,660,175 |
| Under/(Over) Provision of current taxes in respect of prior years | - | (250,669) | 13,242,511 | (1,123,365) |
| Unrecoverable ESC | 39,665,017 | 18,509,082 | 51,095,089 | 18,509,082 |
| | 39,665,017 | 18,258,413 | 694,726,827 | 1,081,952,506 |
| Deferred Income Tax | | | - | |
| Deferred Tax Charge/(Reversal) (Note 25.2) | 6,273,774 | 200,319,903 | 296,430,405 | 419,243,484 |
| Income tax expense reported in the statement of profit or loss | 45,938,791 | 218,578,316 | 991,157,232 | 1,501,195,990 |
| Statement of Other Comprehensive Income | | | | |
| Deferred Income Tax related to items charged or credited directly to equity : | | | | |
| Deferred Tax effect on Employee Benefits | 4,851,120 | (3,775,979) | (3,321,789) | (23,027,539) |
| Deferred Tax effect on Revaluation of Land and Buildings | - | 397,290,044 | 111,453,600 | 1,542,110,816 |
| Income tax expense reported in equity | 4,851,120 | 393,514,065 | 108,131,811 | 1,519,083,277 |

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

| | Company | | Group | |
|--|---------------|-----------------|-----------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Accounting Profit (Profit before Taxation) | 285,502,533 | 2,247,381,111 | 4,085,007,986 | 5,373,095,327 |
| Share of results of associates | - | - | (1,304,108,775) | (1,107,034,890) |
| | 285,502,533 | 2,247,381,111 | 2,780,899,211 | 4,266,060,437 |
| Exempt Profit | (416,176,869) | (2,181,242,236) | (581,683,975) | (2,432,323,730) |
| Non deductible expenses | 572,810,459 | 544,964,756 | 1,974,283,929 | 2,248,873,529 |
| Deductible expenses | (731,364,684) | (632,919,948) | (2,953,815,352) | (2,693,747,227) |
| Tax losses utilized | - | (2,624,359) | (246,069,093) | (126,257,031) |
| Income considered as separate source of income | 15,898,122 | 7,498,168 | (49,133,048) | 10,030,588 |
| Qualifying Payment Relief | - | - | - | (91,488,000) |
| Net Taxable Income | (273,330,438) | (16,942,508) | 924,481,674 | 1,181,148,566 |
| | | | | |
| Taxable Profits | - | - | 2,045,147,850 | 3,603,191,548 |
| Taxable Losses | (273,330,438) | (16,942,508) | (1,120,666,176) | (2,422,042,982) |
| Net Taxable Income | (273,330,438) | (16,942,508) | 924,481,674 | 1,181,148,566 |
| | | | | |
| Income Tax on Profit of the local sales @ 28% | - | - | 572,641,398 | 897,759,486 |
| Income Tax on Profit of the local sales @ 20% | - | - | - | 25,568,083 |
| Income Tax on Profit of the local sales @ 15% | - | - | - | 16,458,913 |
| Income Tax on Profit of the export sales @ 12% | - | - | - | 19,120,940 |
| Dividend Tax @ 14% | - | - | 57,747,829 | 105,659,367 |
| Charge/(Reversal) of Deferred Tax (Note 25.5) | 6,273,774 | 200,319,903 | 296,430,405 | 419,243,484 |
| Unrecoverable ESC | 39,665,017 | 18,509,082 | 51,095,089 | 18,205,219 |
| Adjustment of taxes in respect of prior years | - | (250,669) | 13,242,511 | (819,502) |
| | 45,938,791 | 218,578,316 | 991,157,232 | 1,501,195,990 |

Notes to the Financial Statements

25.3 Deferred Tax Assets

Statement of Financial Position

| | Company | | Group | |
|--|-------------|---------------|--------------|---------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| At the beginning of the year | - | 194,858,475 | 14,685,000 | 207,034,475 |
| Transferred from Deferred Tax Liability | - | 398,975,492 | - | 398,975,493 |
| Charge/(Reversal) for the year | - | (200,319,903) | (13,841,847) | (196,667,904) |
| Deferred Tax release on components of other comprehensive Income | - | 3,775,979 | 3,447 | 2,633,979 |
| Deferred Tax on Revaluation surplus | - | (397,290,044) | - | (397,290,044) |
| At the end of the year | - | - | 846,600 | 14,686,000 |
| The closing net deferred tax liability relate to the following: | | | | |
| Capital allowances for tax purposes | - | - | (24,312,399) | (27,261,354) |
| Revaluation surplus on Land and Buildings* | - | - | (1,218,000) | (1,218,000) |
| Defined Benefit Obligation | - | - | 864,346 | 720,337 |
| Unutilised tax losses | - | - | 23,753,000 | 42,445,017 |
| Provision for Obsolete and Slow Moving, Consumables and Spares | - | - | 1,759,653 | |
| | - | - | 846,600 | 14,686,000 |

25.4 Deferred Tax Liability

Statement of Financial Position

| | Company | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| At the beginning of the year | 398,975,493 | - | 2,957,760,382 | 1,211,769,933 |
| Transferred from Deferred Tax asset | - | 398,975,493 | - | 398,975,493 |
| On acquisition of subsidiary | - | - | - | - |
| Recognised in Profit or loss | 6,273,774 | - | 280,512,908 | 221,959,744 |
| Recognised in other comprehensive income | 4,851,120 | - | 108,135,605 | 1,125,055,212 |
| At the end of the year | 410,100,387 | 398,975,493 | 3,346,408,895 | 2,957,760,382 |
| The closing net deferred tax liability relate to the following: | | | | |
| Capital allowances for tax purposes | 497,917,379 | 390,722,185 | 2,615,358,246 | 2,449,215,316 |
| Revaluation surplus on Land and Buildings | 397,290,044 | 397,290,044 | 1,966,854,873 | 1,543,244,792 |
| Defined Benefit Obligation | (73,217,633) | (68,840,163) | (287,663,323) | (260,532,714) |
| Unutilised tax losses | (402,435,666) | (320,196,573) | (870,551,737) | (732,930,575) |
| Provision for Obsolete and Slow Moving, Consumables and Spares | (9,453,737) | - | (64,682,435) | (41,236,437) |
| Allowances for Doubtful Debts | | | (12,906,729) | |
| | 410,100,387 | 398,975,493 | 3,346,408,895 | 2,957,760,382 |

25.5 Statement of Profit or Loss

| | Company | | Group | |
|--|--------------|---------------|---------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Deferred tax expense/(reversal) arising from; | | | | |
| Capital allowances for tax purposes | 107,195,194 | (308,614,035) | 431,333,395 | 77,520,392 |
| Defined Benefit Obligation | (9,228,590) | 60,890,703 | (4,736,463) | 35,767,218 |
| Provision for Obsolete and Slow Moving, Consumables and Spares | (9,453,737) | - | (36,635,955) | (3,154,737) |
| Allowances for Doubtful Debts | - | - | (1,621,009) | - |
| Revaluation | - | - | 44,093,318 | - |
| Unutilized tax losses | (82,239,093) | 448,043,235 | (136,002,881) | 309,110,611 |
| | 6,273,774 | 200,319,903 | 296,430,405 | 419,243,484 |
| Deferred Tax on Un distributable Associate Profit | - | - | - | - |
| Share of Associate Company Deferred Tax | - | - | - | - |
| Total Deferred Tax Charge/(Reversal) for the year | 6,273,774 | 200,319,903 | 296,430,405 | 419,243,484 |

Deferred tax has been computed at 28% for all standard rate companies and at 14% 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.385,280/- (2018-Rs.200,663/-) that is available 5 years time limit. 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 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%.

Notes to the Financial Statements

25.6 Carried forward tax losses of the Company as follows

| | Company | |
|----------------------------|---------------|---------------|
| | 2019 | 2018 |
| | Rs. | Rs. |
| Tax loss brought forward | 1,162,751,152 | 1,631,021,706 |
| Loss for the year | 273,330,438 | 21,816,323 |
| Adjustment for prior years | - | (487,462,518) |
| Utilised during the year | - | (2,624,359) |
| Tax loss carried forward | 1,436,081,590 | 1,162,751,152 |

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 | |
|--|-------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Amount Used as the Numerator: | | | | |
| Net Profit for the year attributable to equity holders of the parent | | | | |
| Continuing operations | 239,563,742 | 2,028,802,795 | 2,642,473,220 | 2,901,233,708 |
| Discontinued operations | - | - | (10,924,203) | (20,848,383) |
| Net Profit for the year attributable to equity holders of the parent | 239,563,742 | 2,028,802,795 | 2,631,549,017 | 2,880,385,325 |
| Number of Ordinary Shares Used as the Denominator: | 2019 | 2018 | 2019 | 2018 |
| | 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 | |
|-----------------------------------|---------------|-------------|
| | 2019 Rs. | 2018 Rs. |
| Final Dividends for 2017/2018 | 221,578,768 | - |
| 1st Interim Dividends for 2017/18 | - | 553,946,920 |
| Final Dividends for 2016/2017 | - | 443,157,536 |
| Total Gross Dividends | 221,578,768 | 997,104,456 |
| No of shares | 110,789,384 | 110,789,384 |
| Total Dividend per Share | 2.00 | 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 |
| Sanitaryware | Plantation | Aluminium | |

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

No operating segments have been aggregated to form the reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements

28 SEGMENT INFORMATION (Contd.)

| | Tiles & Associated Items | | Sanitaryware | | Plantation | | Packaging Material | |
|--|--------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Revenue | | | | | | | | |
| Sales to external customers | 20,640,627,473 | 18,783,512,028 | 2,467,482,104 | 2,049,442,223 | 2,020,359,600 | 2,248,280,500 | 3,269,830,998 | 2,654,272,109 |
| Inter-Segment Sales | - | - | - | 105,983.00 | - | 181,500 | 431,397,944 | 288,479,906 |
| Total Revenue | 20,640,627,473 | 18,783,512,028 | 2,467,482,104 | 2,049,548,206 | 2,020,359,600 | 2,248,462,000 | 3,701,228,942 | 2,942,752,015 |
| Results | | | | | | | | |
| Gross Profit | 8,224,023,084 | 8,490,926,870 | 936,939,661 | 876,670,200 | 165,106,200 | 202,098,000 | 374,035,427 | 273,427,425 |
| Other Income | 599,806,804 | 216,312,492 | 5,518,985 | 7,022,788 | 106,548,981 | 51,563,012 | 93,976,110 | 92,915,497 |
| Distribution Expenses | (3,748,005,993) | (3,267,113,480) | (599,775,151) | (413,902,080) | - | - | (121,323,238) | (106,993,079) |
| Administrative Expenses | (1,263,874,706) | (1,101,866,102) | (27,555,772) | (39,579,634) | (136,222,046) | (112,290,000) | (145,511,039) | (136,391,733) |
| Other Operating Expenses | (61,687,202) | (147,732,851) | (12,176,145) | (8,246,891) | - | - | - | - |
| Finance Costs | (1,143,576,176) | (905,102,912) | (188,758,945) | (113,012,829) | (130,699,262) | (91,607,000) | (126,634,604) | (108,051,155) |
| Finance Income | 36,400,734 | 134,895,177 | 649,222 | 522,970 | - | - | - | - |
| Share of Associate Company's Profit | - | - | - | - | - | - | - | - |
| Net Profit before Income Tax | 2,643,086,545 | 3,420,319,195 | 114,841,855 | 309,474,524 | 4,733,873 | 49,764,012 | 74,542,656 | 14,906,955 |
| Income Tax Expense | (898,834,744) | (1,169,005,051) | (24,556,133) | (63,633,619) | (2,546,072) | (13,271,000) | (54,640,249) | 1,530,800 |
| Net Profit for the Year | 1,744,251,801 | 2,251,314,144 | 90,285,722 | 245,840,905 | 2,187,801 | 36,493,012 | 19,902,407 | 16,437,755 |
| As at 31st March | | | | | | | | |
| Assets and Liabilities | | | | | | | | |
| Segment Assets | 40,700,433,062 | 33,491,635,122 | 5,486,749,997 | 4,797,508,995 | 3,799,057,712 | 3,696,818,000 | 2,814,451,331 | 2,900,553,376 |
| Total assets | 40,700,433,062 | 33,491,635,122 | 5,486,749,997 | 4,797,508,995 | 3,799,057,712 | 3,696,818,000 | 2,814,451,331 | 2,900,553,376 |
| Segment liabilities | 24,887,186,090 | 19,295,743,474 | 2,132,563,200 | 1,524,128,142 | 2,491,170,945 | 2,308,928,000 | 1,662,631,012 | 1,770,285,758 |
| Total Liabilities | 24,887,186,090 | 19,295,743,474 | 2,132,563,200 | 1,524,128,142 | 2,491,170,945 | 2,308,928,000 | 1,662,631,012 | 1,770,285,758 |
| Other Segment Information | | | | | | | | |
| Total cost incurred during the period to acquire | | | | | | | | |
| Property, Plant & Equipment | 3,593,568,168 | 2,780,968,375 | 66,942,778 | 78,043,039 | 165,864,231 | 244,621,000 | 11,742,939 | 40,310,000 |
| Depreciation & Amortisation | 1,197,381,600 | 1,013,933,816 | 133,875,361 | 126,559,513 | 168,690,070 | 221,291,000 | 81,449,275 | 81,847,000 |
| Provisions for retirement benefit liability | 109,657,908 | 107,822,036 | 6,639,765 | 6,469,618 | 62,829,347 | 74,718,000 | 10,964,587 | 13,474,000 |

| Aluminium Products | | Finance | | Other | | Total Segments | | Eliminations/ Adjustments | | Total | |
|--------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------------------|-----------------|-----------------|-----------------|
| 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| | | | | | | | | | | | |
| 3,089,556,585 | 3,340,583,000 | - | - | 11,600,611 | 14,357,336 | 31,499,457,371 | 29,090,447,195 | - | - | 31,499,457,371 | 29,090,447,195 |
| 44,065,415 | - | - | - | 152,171,459 | 164,574,664 | 627,634,818 | 453,342,053 | (627,634,818) | (453,342,053) | - | - |
| 3,133,622,000 | 3,340,583,000 | | | 163,772,070 | 178,932,000 | 32,127,092,189 | 29,543,789,248 | (627,634,818) | (453,342,053) | 31,499,457,371 | 29,090,447,195 |
| | | | | | | | | | | | |
| 533,355,000 | 1,013,412,000 | - | - | 62,208,070 | 76,114,000 | 10,295,667,442 | 10,932,648,494 | - | - | 10,295,667,442 | 10,932,648,494 |
| 8,395,000 | 5,569,000 | - | - | 133,994,893 | 159,811,750 | 948,240,773 | 533,194,539 | (253,428,342) | (176,415,324) | 694,812,431 | 356,779,215 |
| (198,261,000) | (398,456,000) | - | - | (8,231,817) | (14,153,000) | (4,675,597,199) | (4,200,617,638) | 175,082,148 | 160,045,843 | (4,500,515,051) | (4,040,571,795) |
| (188,162,000) | (164,718,000) | - | - | (43,374,804) | (56,167,000) | (1,804,700,367) | (1,611,012,469) | 39,716,804 | 16,002,328 | (1,764,983,563) | (1,595,010,141) |
| - | - | | | - | - | (73,863,347) | (155,979,742) | - | - | (73,863,347) | (155,979,742) |
| (334,630,000) | (116,621,000) | - | - | (21,599,060) | (34,217,000) | (1,945,898,047) | (1,368,611,896) | 38,629,390 | 5,232,155 | (1,907,268,657) | (1,363,379,741) |
| - | - | - | - | - | 1,021,000 | 37,049,956 | 136,439,147 | - | (4,865,000) | 37,049,956 | 131,574,147 |
| - | - | 1,324,713,301 | 1,107,109,661 | (20,604,526) | (74,771) | 1,304,108,775 | 1,107,034,890 | - | - | 1,304,108,775 | 1,107,034,890 |
| (179,303,000) | 339,186,000 | 1,324,713,301 | 1,107,109,661 | 102,392,756 | 132,334,979 | 4,085,007,986 | 5,373,095,327 | - | - | 4,085,007,986 | 5,373,095,327 |
| 54,496,000 | (84,978,000) | - | - | (7,328,205) | (66,178,000) | (933,409,403) | (1,395,534,870) | (57,747,829) | (105,661,120) | (991,157,232) | (1,501,195,990) |
| (124,807,000) | 254,208,000 | 1,324,713,301 | 1,107,109,661 | 95,064,551 | 66,156,979 | 3,151,598,583 | 3,977,560,457 | (57,747,829) | (105,661,120) | 3,093,850,754 | 3,871,899,337 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 4,424,811,000 | 3,928,890,000 | - | - | 1,150,505,483 | 1,042,727,000 | 58,376,008,585 | 49,858,132,493 | 2,824,273,379 | 3,299,601,757 | 61,200,281,964 | 53,157,734,250 |
| 4,424,811,000 | 3,928,890,000 | - | - | 1,150,505,483 | 1,042,727,000 | 58,376,008,585 | 49,858,132,493 | 2,824,273,379 | 3,299,601,757 | 61,200,281,964 | 53,157,734,250 |
| | | | | | | | | | | | |
| 3,209,960,000 | 2,600,456,000 | - | - | 332,007,788 | 495,564,000 | 34,715,519,035 | 27,995,105,374 | (5,765,171,387) | (4,044,248,320) | 28,950,347,648 | 23,950,857,053 |
| 3,209,960,000 | 2,600,456,000 | - | - | 332,007,788 | 495,564,000 | 34,715,519,035 | 27,995,105,374 | (5,765,171,387) | (4,044,248,320) | 28,950,347,648 | 23,950,857,053 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 175,487,000 | 489,727,000 | - | - | 21,971,988 | 10,848,000 | 4,035,577,104 | 3,644,517,414 | - | - | 4,035,577,104 | 3,644,517,414 |
| 99,463,000 | 62,468,000 | - | - | 14,984,657 | 23,802,000 | 1,695,843,963 | 1,529,901,329 | - | - | 1,695,843,963 | 1,529,901,329 |
| 4,349,000 | 4,000,000 | - | - | 1,685,000 | 1,904,000 | 196,125,607 | 205,032,673 | - | - | 196,125,607 | 205,032,673 |

Notes to the Financial Statements

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

| | Company | |
|--|-----------------|-----------------|
| | 2019 Rs. | 2018 Rs. |
| Reconciliation of Net Profit for the year | | |
| Segment Net Profit for the year | 3,151,598,583 | 3,977,560,457 |
| Dividend Tax on Inter-company dividend Income | (57,747,829) | (105,661,120) |
| Group Net Profit for the year | 3,093,850,754 | 3,871,899,337 |
| Reconciliation of assets | | |
| Segment assets | 58,376,008,585 | 49,858,132,493 |
| Assets of discontinued operations | 54,409,217 | 85,247,716 |
| Investment in subsidiaries (elimination) | 893,065,240 | 860,430,135 |
| Inter company balances (elimination) | (5,773,394,451) | (4,052,524,984) |
| Share of associate company's accumulated profit net of dividend received (elimination) | 7,650,193,373 | 6,406,448,889 |
| Group assets | 61,200,281,964 | 53,157,734,249 |
| Reconciliation of Liabilities | | |
| Segment Liabilities | 34,715,519,035 | 27,995,105,374 |
| Liabilities of discontinued operations | 8,223,064 | 8,276,664 |
| Deferred Tax effect on Associate undistributable Profit | - | - |
| Inter company balances (elimination) | (5,773,394,451) | (4,052,524,984) |
| Group Liabilities | 28,950,347,648 | 23,950,857,054 |

29. CONTINGENT LIABILITIES

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

Further, Commercial Bank of Ceylon PLC has offered a combined letter of guarantee facility for the above mentioned companies amounting to Rs. 100 Mn & at the reporting date total guaranteed value is Rs. 56.8 Mn.

The Department of Inland Revenue has issued to assessments claiming an 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 these assessments. 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, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in respect of Income tax, Value added tax and economic service charge totalling Rs. 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch. The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the company. Accordingly no provision for liability has been made in these financial statements.

- c) **Horana Plantation PLC**

Several other 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 (Note 17.1).

- d) **Royal Porcelain (Private) Limited**

As at the reporting date, an assessment related to income tax for the year of assessment 2014/15 is on progress and currently the company has provided for respective tax liability in financial statements. However, resulting penalty has not been provided and management is of the view that it will not be a material adverse effect to the profitability of the company at the settlement in future.

- e) **Rocell Ceramics 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. During the year, UDA signed the MOU with the Company on the settlement and informed that it does not require the acquisition of the land. The court has ordered that the case be mentioned on 24 June 2019 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.

Notes to the Financial Statements

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 | |
|---------------------------------|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Contracted but not provided for | 27,963,295 | 356,596,675 | 85,814,267 | 699,162,714 |
| | 27,963,295 | 356,596,675 | 85,814,267 | 699,162,714 |

No provision has been made in these Financial Statements in this regard as at 31st March 2019

Lease commitments

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

| | Value Rs. |
|----------------------|--------------|
| Less than 1 year | 3,336 |
| Between 1 to 5 years | 733 |
| Over 5 years | - |

- b). Lanka Tiles PLC is committed to pay Rs. 375,000/- & Rs. 2,300,471/- respectively as rent per month for the use of buildings situated in Rajagiriya and Nawala.
- c). Horana Plantation PLC has commitments under operating lease rentals on Dumbara Estate as given below;
- | | |
|---------------------------|-------------------|
| 1 - 10 years (per annum) | Rs. 0.552 million |
| 11 - 20 years (per annum) | Rs. 0.698 million |
| 21 - 30 years (per annum) | Rs. 0.838 million |
- Finance lease rentals payable to the Secretary to the Treasury ;
- | | |
|--------------------------------------|-------------------|
| 22.06.2019 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

The Company declared and paid an interim dividend of Rs 2.50 per share for the year ended 31 March 2019 on 11 April 2019 and 06 May 2019 respectively.

Further, Subject to the approval of the shareholders at the Annual General Meeting Directors recommended payment of a final dividend of Rs 1.50 per share for the year ended 31 March 2019 on 27 May 2019.

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

| | | Rs. |
|--|----------------------|-------------|
| Import Loan 1 (Hatton National Bank PLC) | Immovable Property | 110,000,000 |
| | Stock & Debtors | 145,000,000 |
| Import Loan 2 (Standard Chartered Bank) | Stock & Debtors | 40,000,000 |
| | Immovable Property | 70,000,000 |
| Import Loan 3 (DFCC Bank) | Stock & 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 | Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets. | (AWPLR+0.5%) | 100,000 |
| 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. | 13.26% p.a (AWPLR+0.75%) (AWPLR+0.75%) | 100,000 |
| | | | 400,000 |

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 |

Notes to the Financial Statements

33. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

33.1 Transactions with the Related Entities

| | Parent | | Subsidiaries | |
|--|---------------|---------------|-----------------|-----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Nature of Transaction | | | | |
| Statement of Profit or Loss | | | | |
| Sale of Goods | - | - | 13,363,893 | 29,050,923 |
| Purchase of Goods/Services | - | - | (369,992,647) | (385,636,701) |
| Rendering of Services | - | - | 1,551,870,101 | 1,398,098,064 |
| Rent Income | - | - | 3,471,827 | 3,471,827 |
| Dividend Income | - | - | 291,087,643 | 572,519,281 |
| Dividend Payments | (124,005,200) | (558,023,400) | - | - |
| Technical Fee | (19,205,344) | (35,298,327) | 7,800,929 | 122,452,453 |
| Investments made by the Company | - | - | (151,628,079) | (106,344,740) |
| Reimbursement of Expenses net of fund Transfer | (31,260,718) | 46,052,133 | (2,484,460,204) | (2,865,491,829) |
| Impairment of Investment | - | - | - | (90,000,000) |
| Statement of Financial Position | | | | |
| Balance outstanding as at end of the year | | | | |
| Trade Debtors | - | - | 23,652 | 4,709,184 |
| Due from Related Parties | - | - | 514,725,535 | 464,220,440 |
| Due to Related Parties | (56,009,232) | (5,543,169) | (3,693,965,449) | (2,655,876,612) |
| Trade Creditor | - | - | (23,853,875) | (30,210,920) |

| | Associates and other | | Affiliates | |
|---|----------------------|-------------|--------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Nature of Transaction | | | | |
| Statement of Profit or Loss | | | | |
| Sale of Goods | - | - | 12,167,374 | 10,377,621 |
| Purchase of Goods/Services | (8,318,972) | - | (36,740,869) | (9,548,710) |
| Rendering of Services | - | - | - | - |
| Dividend Income | 124,263,918 | 325,109,088 | - | - |
| Statement of Financial Position | | | | |
| Balance outstanding as at end of the year | | | | |
| Trade Debtors | 66,920 | 412,772 | 90,572 | 1,398,440 |
| Trade Creditor | - | (7,931) | (70,064) | (447,215) |

Companies within 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.

33.1.1 Transaction with the related entities-Group

| | Parent | | Affiliates** | |
|--|---------------|---------------|---------------|--------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Nature of Transaction | | | | |
| Statement of Profit or Loss | | | | |
| Sale of Goods | - | - | 19,165,295 | 30,972,495 |
| Purchase of Goods/Services | - | - | (301,682,375) | (33,725,392) |
| Dividend Payments | (124,005,200) | (558,023,400) | - | - |
| Technical Fee | (19,205,344) | (89,849,922) | - | - |
| Reimbursement of Expenses net of fund Transfer | (6,705,508) | 70,607,343 | - | - |
| Balance outstanding as at end of the year | | | | |
| Trade Debtors | - | - | 8,871,909 | 3,890,199 |
| Due to Related Parties | (60,735,617) | (21,785,555) | - | - |
| Trade Creditor | - | - | (49,026,215) | (49,026,215) |

Parent company is Vallibel One PLC

Transactions With the Subsidiaries include Royal Porcelain (Pvt) Limited, Rocell Bathware Limited, Royal Ceramics Distributors (Pvt) Ltd, Ever Paint & Chemical industries (Pvt) Ltd, Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek aluminium Ltd., Horana Plantation PLC, Uni-Dil Packaging Ltd, Uni Dil Papersacks (Private) Limited, LWL Development (Private) Limited, Beyond Paradise Collection Limited, Rocell Pty Limited and Nilano Garments (Pvt) Ltd.

Associates 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.

Notes to the Financial Statements

33.2 Transactions with Key Management Personnel (*)

33.2.1 Compensation to Key Management Personnel

| | Company | | Group | |
|------------------------------|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Nature of Transaction | | | | |
| Short term Employee Benefits | 127,313,444 | 120,420,972 | 277,650,457 | 273,444,309 |
| Post Employment Benefits | 25,066,733 | 22,467,218 | 76,573,739 | 60,059,724 |
| | 152,380,177 | 142,888,190 | 354,224,196 | 333,504,033 |

33.2.2 Other Transactions with Key Management Personnel

| | Company | | Group | |
|--------------------|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Rent Expenses | 8,233,500 | 8,098,800 | 8,233,500 | 8,098,800 |
| Transport Expenses | 4,624,574 | 1,191,154 | 4,624,574 | 1,191,154 |
| Sales | 54,989 | 160,160 | 54,989 | 160,160 |

(*) 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 | |
|----------------------------|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Sale of Goods/Services | 12,167,374 | 10,490,712 | 19,165,295 | 27,890,495 |
| Purchase of Goods/Services | 36,740,869 | 9,548,710 | 258,153,375 | 11,868,392 |
| Dividend Income | - | 393,750 | - | 393,750 |

b) Statement of Financial Position

| | Company | | Group | |
|---|-------------|-------------|-------------|-------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Balance outstanding as at end of the year | | | | |
| Cash and Cash equivalents | 24,843,938 | 265,858,044 | 25,191,006 | 266,205,112 |
| Trade Debtors | 90,572 | 1,398,440 | 8,386,909 | 2,992,427 |

** 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.

Culture Club Resorts (Pvt) Ltd, Aitken Spence PLC, Dipped Products PLC, Greener Water Ltd, Hayleys Aventura (Pvt) Ltd, Link Natural Products (Pvt) Ltd, Sampath Bank PLC, The Fortress Resorts PLC, Haycarb PLC, Pan Asia Banking Corporation PLC, Singhe Hospitals PLC, Hayleys PLC, The Kingsbury PLC, Delmege Forsyth & Co. (Shipping) Ltd, LB Finance PLC, Hayles Fabric PLC, Thalawakele Plantation PLC, Fentons (Pvt) Ltd, Kandyan Resort (Pvt) Ltd.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Market risk

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

Interest rate risk

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

Interest rate sensitivity

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

| | Company | | Group | |
|------|------------------------|-----------------------------|------------------------|-----------------------------|
| | Change in basis points | Change in Profit before tax | Change in basis points | Change in Profit before tax |
| 2019 | 100 (1%) | Rs. 48.8 Mn | 100 (1%) | Rs. 104.6 Mn |
| 2018 | 100 (1%) | Rs. 49.8 Mn | 100 (1%) | Rs. 101.6 Mn |

Notes to the Financial Statements

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

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates with all other variables held constant, the Groups profit before tax. The Group exposure to all the other currencies are not material.

| Balance outstanding as at end of the year | Company | | Group | |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | Change in exchange rate | Change in Profit before tax | Change in exchange rate | Change in Profit before tax |
| 2019 | 5% | Rs. 6.6 Mn | 5% | Rs. 41.4 Mn |
| 2018 | 5% | Rs. 0.7 Mn | 5% | Rs. 70.2 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. 28.6 Mn (2018 - 43 Mn). A change in 5% of the ASPI could have an impact on approximately Rs. 2.2 Mn (2018 - 3.7 Mn) on the Company/Groups profit before tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. Part of the trade receivable of the group are backed by bank guarantees. Hence the Group evaluates the concentration of risk with respect to trade receivables as low.

| As at 31 March 2019 | 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 | 294,837,331 | 688,929,952 | 1,029,915,276 | 3,847,011,819 | - | 5,860,694,378 |
| Trade and other payables | - | 4,333,887,953 | - | - | - | 4,333,887,953 |
| | 294,837,331 | 5,022,817,905 | 1,029,915,276 | 3,847,011,819 | - | 10,194,582,331 |
| Group | | | | | | |
| Interest-bearing loans and borrowings | 2,166,507,228 | 7,788,239,004 | 2,668,990,322 | 8,590,099,037 | 117,393,452 | 21,331,229,043 |
| Trade and other payables | - | 3,816,454,544 | - | - | - | 3,816,454,544 |
| | 2,166,507,228 | 11,604,693,548 | 2,668,990,322 | 8,590,099,037 | 117,393,452 | 25,147,683,587 |
| As at 31 March 2018 | | | | | | |
| 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 | 355,779,594 | 616,766,681 | 783,822,166 | 4,308,371,842 | - | 6,064,740,283 |
| Trade and other payables | - | 3,278,392,435 | - | - | - | 3,278,392,435 |
| | 355,779,594 | 3,895,159,116 | 783,822,166 | 4,308,371,842 | - | 9,343,132,718 |
| 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 | - | 3,361,406,677 | - | - | - | 3,361,406,677 |
| | 1,338,605,755 | 9,545,522,225 | 1,794,917,952 | 5,650,813,473 | 176,069,000 | 18,505,928,406 |

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 2019 and 31 March 2018.

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.

| Balance outstanding as at end of the year | Company | | Group | |
|---|---------------|---------------|----------------|----------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Interest Bearing Borrowings | 4,884,264,687 | 4,980,772,261 | 18,875,021,759 | 15,063,005,969 |
| Trade and Other payables | 4,333,887,953 | 3,278,392,435 | 3,816,454,544 | 3,361,406,677 |
| Less: Cash and Cash Equivalents | (465,342,403) | (291,412,641) | (946,141,805) | (996,044,979) |
| Net Debt | 8,752,810,237 | 7,967,752,055 | 21,745,334,498 | 17,428,367,667 |
| Equity | 9,703,355,084 | 9,665,809,541 | 32,249,934,316 | 29,206,877,197 |
| Gearing ratio | 47% | 45% | 40% | 37% |

Notes to the Financial Statements

36 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

| Company Name | Country of incorporation and operation | Location | 2019 | 2018 |
|--------------------------------------|--|-----------|--------|--------|
| Lanka Ceramic PLC | Sri Lanka | Sri Lanka | 26.44% | 26.44% |
| Lanka Walltiles PLC | Sri Lanka | Sri Lanka | 45.45% | 46.11% |
| Lanka Tiles PLC | Sri Lanka | Sri Lanka | 60.17% | 60.62% |
| Vallibel Plantation Limited | Sri Lanka | Sri Lanka | 45.45% | 46.11% |
| Swisstek (Ceylon) PLC | Sri Lanka | Sri Lanka | 67.82% | 68.11% |
| Swisstek Aluminium Limited | Sri Lanka | Sri Lanka | 64.28% | 64.54% |
| Horana Plantation PLC | Sri Lanka | Sri Lanka | 72.18% | 72.52% |
| Uni Dil Packaging (Private) Limited | Sri Lanka | Sri Lanka | 45.45% | 46.11% |
| Uni Dil Papersacks (Private) Limited | Sri Lanka | Sri Lanka | 45.45% | 46.11% |
| LWL Development (Private) Limited | Sri Lanka | Sri Lanka | 45.45% | 46.11% |
| Beyond Paradise Collection Limited | Sri Lanka | Sri Lanka | 60.17% | 60.62% |
| Lanka Tile (Pvt) Ltd | India | India | 79.69% | 79.92% |
| Swisstek Development (Pvt) Limited | Sri Lanka | Sri Lanka | 67.82% | 68.11% |

| Company Name | 2019 Rs. 000's | 2018 Rs. 000's |
|--|-------------------|-------------------|
| Accumulated Balances of Material Non - Controlling Interest | | |
| Lanka Ceramic PLC | 216,440 | 144,689 |
| Lanka Walltiles PLC | 2,426,902 | 2,296,830 |
| Lanka Tiles PLC | 3,879,336 | 3,749,067 |
| Vallibel Plantation Limited | 143,797 | 144,566 |
| Swisstek (Ceylon) PLC | 732,417 | 703,858 |
| Swisstek Aluminium Limited | 780,946 | 857,344 |
| Horana Plantation PLC | 965,717 | 1,030,333 |
| Uni Dil Packaging (Private) Limited | 503,624 | 517,350 |
| Uni Dil Papersacks (Private) Limited | 89,041 | 73,999 |
| LWL Development (Private) Limited | 75,974 | 19,466 |
| Beyond Paradise Collection Limited | 104,866 | 30,416 |
| Lanka Tile (Pvt) Ltd | 9,368 | 8,763 |
| Swisstek Development (Pvt) Limited | 53 | 53 |
| Less - Cross investments | (1,113,970) | (1,134,928) |
| Add - Attributed Goodwill | 445,990 | 452,480 |
| Accumulated Material Non- Controlling Interest | 9,260,501 | 8,894,287 |

| Company Name | 2019 Rs. 000's | 2018 Rs. 000's |
|--|-------------------|-------------------|
| Profit allocated to Material Non - Controlling Interest | | |
| Lanka Ceramic PLC | 30,587 | 14,364 |
| Lanka Walltiles PLC | 50,521 | 152,852 |
| Lanka Tiles PLC | 240,020 | 518,311 |
| Vallibel Plantation Limited | (1,600) | 1,897 |
| Swisstek (Ceylon) PLC | 68,222 | 86,416 |
| Swisstek Aluminium Limited | (80,297) | 168,830 |
| Horana Plantation PLC | 3,347 | 21,932 |
| Uni Dil Packaging (Private) Limited | (7,103) | 3,950 |
| Uni Dil Papersacks (Private) Limited | 16,153 | 4,830 |
| LWL Development (Private) Limited | 56,778 | (2,567) |
| Beyond Paradise Collection Limited | 74,678 | 661 |
| Lanka Tiles (Private) Limited | 72 | (811) |
| Accumulated Material Non- Controlling Interest | 451,378 | 970,666 |

Notes to the Financial Statements

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

Summarised statement of profit or loss for year ended 31 March 2019:

| | Lanka Ceramic PLC | Lanka Walltiles PLC | Lanka Tiles PLC | Valibel Plantation Mgt Limited |
|---|----------------------|------------------------|-----------------|--------------------------------------|
| | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's |
| Summarised statement of profit or loss for year ended 31 March 2019: | | | | |
| Revenue | 163,772 | 3,220,934 | 7,008,992 | - |
| Cost of sales | (101,564) | (2,291,881) | (4,996,548) | - |
| Administrative expenses | (43,375) | (206,134) | (403,519) | (1,538) |
| Finance costs | (21,599) | (166,487) | (22,076) | (1,077) |
| Profit before tax | 144,919 | 288,196 | 594,314 | 2,868 |
| Income tax | (7,328) | (56,915) | (169,925) | - |
| Profit for the year from continuing operations | 137,591 | 231,281 | 424,389 | 2,868 |
| Total comprehensive income | 136,973 | 512,907 | 429,966 | 2,868 |
| Attributable to non-controlling interests | 30,423 | 178,520 | 243,376 | (1,600) |
| Dividends paid to non-controlling interests | - | 74,447 | 100,554 | - |

Summarised statement of profit or loss for year ended 31 March 2018:

| | | | | |
|--|-----------|-------------|-------------|---------|
| Revenue | 178,932 | 3,316,247 | 6,126,307 | 15,000 |
| Cost of sales | (102,818) | (2,106,806) | (3,745,803) | - |
| Administrative expenses | (56,167) | (208,646) | (404,447) | (1,817) |
| Finance costs | (40,498) | (113,185) | (21,768) | (4,693) |
| Profit before tax | 248,374 | 867,409 | 1,232,587 | 33,825 |
| Income tax | (66,178) | (176,368) | (348,721) | (1,849) |
| Profit for the year from continuing operations | 182,195 | 691,041 | 883,866 | 31,976 |
| Total comprehensive income | 97,189 | 972,313 | 755,105 | 31,976 |
| Attributable to non-controlling interests | (8,115) | 282,551 | 440,251 | 1,897 |
| Dividends paid to non-controlling interests | - | 224,249 | 154,709 | - |

| Swisstek (Ceylon) PLC | Swisstek Aluminium Limited | Horana Plantation PLC | Unidil Packaging Limited | Unidil Packaging Solutions Limited | LWL Development (Private) Limited | Beyond Paradise Collection Limited | Lanka Tile (Private) Limited |
|--------------------------|----------------------------------|--------------------------|--------------------------------|---|--|---|------------------------------------|
| Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's |
| 1,175,154 | 3,133,622 | 2,020,360 | 2,622,306 | 1,078,923 | - | - | - |
| (886,135) | (2,600,267) | (1,855,253) | (2,339,669) | (987,524) | - | - | - |
| (43,541) | (188,162) | (134,684) | (136,314) | (9,197) | (8,351) | (230) | (401) |
| (68,970) | (334,630) | (129,622) | (102,666) | (23,969) | - | - | - |
| 189,680 | (179,303) | 7,348 | 25,211 | 49,331 | 176,634 | - | 82 |
| (64,357) | 54,496 | (2,546) | (40,749) | (13,892) | (51,691) | - | 8 |
| 125,323 | (124,807) | 4,802 | (15,537) | 35,440 | 124,943 | 124,103 | 90 |
| 125,790 | (113,583) | (70,382) | (13,875) | 35,429 | 124,943 | 124,103 | 791 |
| 68,539 | (73,082) | (50,922) | (6,348) | 16,148 | 56,778 | 74,678 | 630 |
| 37,129 | - | 9,023 | - | - | - | - | - |
| 736,784 | 3,340,583 | 2,248,462 | 2,170,766 | 779,297 | - | - | - |
| (561,592) | (2,327,171) | (1,982,948) | (1,946,922) | (729,713) | - | - | - |
| (39,607) | (164,718) | (125,264) | (126,778) | (9,614) | (6,053) | (56) | (1,234) |
| (33,779) | (116,621) | (86,914) | (90,469) | (17,581) | - | - | - |
| 184,138 | 339,186 | 104,674 | 4,993 | 9,915 | (5,674) | - | - |
| 2,943 | (84,978) | (20,329) | 1,621 | (90) | (267) | - | - |
| 187,081 | 254,208 | 84,345 | 6,614 | 9,825 | (5,408) | 1,070 | (1,015) |
| 42,270 | 254,852 | 49,147 | 1,065 | 8,365 | (5,408) | 1,070 | (1,274) |
| (12,221) | 169,246 | (3,591) | 1,391 | 4,157 | (2,567) | 661 | (1,018) |
| 32,437 | 3,518 | - | - | - | - | - | - |

Notes to the Financial Statements

| | Lanka Ceramic PLC | Lanka Walltiles PLC | Lanka Tiles PLC | Valibel Plantation Mgt Limited |
|--|----------------------|------------------------|-----------------|--------------------------------------|
| | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's |

Summarised statement of financial position as at 31

March 2019:

| | | | | |
|--------------------------|-----------|-----------|-----------|---------|
| Current Assets | 114,950 | 3,148,992 | 5,013,131 | 2,928 |
| Non- Current Assets | 1,035,555 | 5,812,377 | 5,995,438 | 346,407 |
| Current Liabilities | 55,998 | 2,394,346 | 2,322,479 | 32,967 |
| Non- Current Liabilities | 276,009 | 1,227,322 | 2,239,088 | - |
| Total equity | 818,498 | 5,339,701 | 6,447,002 | 316,368 |
| Attributable to: | | | | |
| Equity holders of parent | 602,058 | 2,912,799 | 2,567,666 | 172,571 |
| Non-controlling interest | 216,440 | 2,426,902 | 3,879,336 | 143,797 |
| | 818,498 | 5,339,701 | 6,447,002 | 316,368 |

Summarised statement of financial position as at 31

March 2018:

| | | | | |
|--------------------------|-----------|-----------|-----------|----------|
| Current Assets | 90,477 | 2,430,193 | 3,906,972 | 2,812 |
| Non- Current Assets | 1,086,611 | 5,390,644 | 4,107,887 | 346,407 |
| Current Liabilities | 197,659 | 1,678,628 | 1,022,724 | 35,719 |
| Non- Current Liabilities | 297,905 | 1,161,169 | 807,990 | - |
| Total equity | 681,524 | 4,981,039 | 6,184,144 | 313,500 |
| Attributable to: | | | | |
| Equity holders of parent | 543,996 | 3,272,636 | 2,588,037 | 328,675 |
| Non-controlling interest | 137,528 | 1,708,403 | 3,596,107 | (15,175) |
| | 681,524 | 4,981,039 | 6,184,144 | 313,500 |

Summarised cash flow information for year ending

31 March 2019:

| | | | | |
|--|-----------|-----------|-------------|----------|
| Operating Cash Flow | 33,383 | (254,389) | (62,083) | 14,462 |
| Investing Cash Flow | 148,188 | (94,082) | (2,139,832) | 5,483 |
| Financing Cash Flow | (128,002) | 179,724 | 1,605,452 | (19,990) |
| Net increase / (decrease) in cash and cash equivalents | 53,569 | (168,747) | (596,463) | (45) |

Summarised cash flow information for year ending

31 March 2018:

| | | | | |
|--|-----------|-----------|-----------|----------|
| Operating Cash Flow | 138,661 | 145,311 | 417,142 | 5,975 |
| Investing Cash Flow | (10,401) | 173,712 | (336,408) | 25,110 |
| Financing Cash Flow | (187,447) | (273,474) | (591,920) | (31,200) |
| Net increase / (decrease) in cash and cash equivalents | (59,187) | 45,549 | (511,186) | (115) |

| Swisstek (Ceylon) PLC | Swisstek Aluminium Limited | Horana Plantation PLC | Unidil Packaging Limited | Unidil Packaging Solutions Limited | LWL Development (Private) Limited | Beyond Paradise Collection Limited | Lanka Tile (Private) Limited |
|--------------------------|----------------------------------|--------------------------|--------------------------------|---|--|---|------------------------------------|
| Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's | Rs. 000's |
| 754,997 | 2,945,293 | 444,371 | 1,412,733 | 504,298 | 3,391 | 3,000 | 11,831 |
| 1,539,101 | 1,479,518 | 3,351,757 | 916,770 | 132,758 | 541,448 | 394,819 | - |
| 728,165 | 2,735,081 | 956,105 | 953,810 | 438,069 | 325,989 | 175,659 | - |
| 486,027 | 474,879 | 1,502,099 | 267,666 | 3,087 | 51,691 | 47,885 | - |
| 1,079,905 | 1,214,853 | 1,337,916 | 1,108,028 | 195,900 | 167,159 | 174,275 | 11,756 |
| 347,488 | 433,907 | 372,199 | 604,404 | 106,859 | 91,185 | 69,409 | 2,388 |
| 732,417 | 780,946 | 965,717 | 503,624 | 89,041 | 75,974 | 104,866 | 9,368 |
| 1,079,905 | 1,214,853 | 1,337,916 | 1,108,029 | 195,900 | 167,160 | 174,275 | 11,756 |
| 310,188 | 2,533,654 | 381,700 | 1,395,912 | 523,675 | 8,364 | 1,800 | 78 |
| 1,391,178 | 1,395,237 | 3,312,306 | 974,339 | 158,735 | 310,696 | 223,800 | - |
| 328,790 | 2,044,755 | 786,721 | 967,850 | 519,365 | 276,844 | 175,428 | - |
| 339,220 | 555,701 | 1,486,488 | 280,499 | 2,573 | - | - | - |
| 1,033,354 | 1,328,435 | 1,420,798 | 1,121,903 | 160,471 | 42,216 | 50,172 | 78 |
| 486,064 | 471,091 | 390,465 | 674,695 | 86,472 | 22,749 | 19,756 | (8,685) |
| 547,290 | 857,344 | 1,030,333 | 447,208 | 73,999 | 19,466 | 30,416 | 8,763 |
| 1,033,354 | 1,328,435 | 1,420,798 | 1,121,903 | 160,471 | 42,216 | 50,172 | 78 |
| (31,173) | (855,374) | 14,388 | 188,887 | (20,238) | 54,158 | 970 | 82 |
| (178,168) | (171,389) | (173,276) | (7,853) | (3,890) | (46,140) | - | - |
| 267,934 | 719,366 | 66,961 | (140,393) | 27,894 | - | - | - |
| 58,594 | (307,397) | (91,927) | 40,641 | 3,766 | 8,018 | 970 | 82 |
| 46,464 | 101,538 | 247,530 | (76,450) | 33,322 | 14,704 | - | - |
| (162,918) | (489,727) | (257,037) | (37,255) | (3,085) | (19,976) | - | - |
| 83,211 | 368,192 | 3,030 | 77,873 | (22,376) | - | - | - |
| (33,243) | (19,997) | (6,477) | (35,832) | 7,861 | (5,272) | - | - |

Notes to the Financial Statements

37. SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

| | L. B. Finance PLC | | Delmege Limited | |
|---|----------------------|----------------------|----------------------|------------------------|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Revenue / Operating Income | 15,402,164,567 | 12,876,879,950 | 6,088,348,604 | 7,028,582,750 |
| Cost of sales / Operating Expenses | (5,613,351,919) | (5,068,165,348) | (4,350,150,844) | (5,197,320,910) |
| Other Income and Gains | - | - | 97,907,112 | 73,871,437 |
| Administrative expenses | - | - | (687,722,412) | (642,104,448) |
| Selling and Distribution Costs | - | - | (692,920,415) | (745,795,144) |
| Other Operating Expenses | - | - | (10,672,455) | - |
| Finance costs | - | - | (584,368,469) | (549,334,812) |
| Finance Income | - | - | 51,776,094 | 84,349,605 |
| Tax on Financial Services | (2,015,619,490) | (1,336,693,019) | - | - |
| Profit before tax | 7,773,193,158 | 6,472,021,583 | (87,802,785) | 52,248,478 |
| Income tax Expenses | (2,693,770,991) | (2,226,968,696) | (35,316,790) | (50,782,429) |
| Loss After Tax From Discontinued Operations | - | - | 2,536,848 | (19,824,760) |
| Profit for the year | 5,079,422,167 | 4,245,052,887 | (120,582,727) | (18,358,711) |
| Other Comprehensive income | 938,726 | (21,113,516) | 755,695,446 | (1,125,186,735) |
| Total Comprehensive income | 5,080,360,893 | 4,223,939,371 | 635,112,719 | (1,143,545,445) |
| Group share of profit for the year | 1,324,713,301 | 1,107,109,793 | (20,604,526) | (74,771) |
| Group share of Total comprehensive income for the year | 1,324,958,121 | 1,101,603,388 | 121,180,109 | (219,270,249) |

| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
|---|-----------------------|-----------------------|----------------------|----------------------|
| Current Assets | 77,705,385,239 | 67,536,354,250 | 4,151,565,725 | 4,608,361,049 |
| Non- Current Assets | 58,765,920,692 | 53,287,092,061 | 4,685,319,748 | 4,655,900,018 |
| Current Liabilities | 81,815,651,329 | 73,122,821,782 | 2,111,923,820 | 3,562,938,717 |
| Non- Current Liabilities | 36,188,685,889 | 32,351,689,572 | 3,777,934,200 | 3,342,073,840 |
| Total Equity | 18,466,968,713 | 15,348,934,957 | 2,947,027,452 | 2,359,248,510 |
| Group's Carrying amount of the investments | 6,778,216,184 | 5,655,651,809 | 871,977,189 | 750,797,080 |
| Group Share of Contingent liabilities | 1,374,416 | 11,623,574 | - | - |
| Capital and other commitments | 473,504,884 | 329,124,604 | - | - |

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.

Notes to the Financial Statements

38.1 Assets Measured at Fair Value:

| | 2019 | | | | |
|--|------|------------------------------|-------------|----------------|------------------|
| | Note | Fair Value Measurement Using | | | Total Fair Value |
| | | Quoted prices | Significant | Significant | |
| | | in active | observable | unobservable | |
| | | markets | inputs | inputs | |
| | | Level 1 | Level 2 | Level 3 | |
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Other Financial Assets | 12. | | | | |
| Investments at fair value through profit or loss | | 28,615,066 | - | - | 28,615,066 |
| | | 28,615,066 | - | - | 28,615,066 |
| Property, Plant & Equipment | 3.6 | | | | |
| Freehold and Clay Mining Land | | - | - | 7,815,174,068 | 7,815,174,068 |
| Buildings | | - | - | 6,590,071,516 | 6,590,071,516 |
| Consumable Biological Assets | | - | - | 585,919,801 | 585,919,801 |
| Investment Property | | - | - | 1,725,249,760 | 1,725,249,760 |
| | | 28,615,066 | - | 16,716,415,145 | 16,745,030,211 |

There were no transfers into and transfers out of the hierarchy levels during 2018 & 2019.

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. 1,056 Mn (2018 - Rs. 1,436.3 Mn) as at reporting date.

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

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

| 2018 | | | |
|---|---|---|----------------------------|
| Fair Value Measurement Using | | | |
| Quoted prices in active markets Level 1 Rs. | Significant observable inputs Level 2 Rs. | Significant unobservable inputs Level 3 Rs. | Total Fair Value Rs. |
| 42,887,966 | - | - | 42,887,966 |
| 42,887,966 | - | - | 42,887,966 |
| - | - | 7,387,889,468 | 7,387,889,468 |
| - | - | 6,347,026,022 | 6,347,026,022 |
| - | - | 536,574,000 | 536,574,000 |
| - | - | 1,287,007,000 | 1,287,007,000 |
| 42,887,966 | - | 15,558,496,490 | 15,601,384,456 |

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, Contract Assets, Amounts Due From Related Parties and Cash and short-term deposits.

Liabilities

Trade and Other Payables, Contract Liabilities 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.

Notes to the Financial Statements

39 ACQUISITION OF ADDITIONAL INTEREST

Acquisition of additional interest in 2019

In Lanka Walltiles PLC

On 18th June 2018, the Group acquired an additional 2.5% interest in the voting shares of Lanka Walltiles PLC, increasing its effective ownership interest to 54.55%. Cash consideration of Rs. 151,628,079/- was paid to Lanka Ceramic PLC which is a subsidiary company of the group. The carrying value of the net assets of Lanka Walltiles PLC was Rs. 14,449,138,874/-. Following is a schedule of additional interest acquired in Lanka Walltiles PLC.

| | Rs. |
|---|------------|
| Cash consideration paid to non-controlling shareholders | 2,855,079 |
| Carrying value of the additional interest acquired | 34,942,909 |
| Difference recognised in retained earnings | 32,087,830 |

Acquisition of additional interest in 2018

In Swisstek Ceylon PLC

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 |
|--|--------------------------------------|-------------------------------------|---------------------------------------|
| Effective holding in Lanka Ceramic PLC | 80.30% | 73.56% | -6.74% |
| Effective holding in Lanka Walltiles PLC | 51.00% | 53.89% | 2.89% |

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) | 1,281,684,680 |

40 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 2018/19, 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.

| | 2019 Rs. | 2018 Rs. |
|---|---------------------|---------------------|
| Net Revenue | 10,237,659 | 2,355,780 |
| Cost of Sales | (24,664,248) | (12,905,648) |
| Operating Income | (14,426,589) | (10,549,868) |
| Other Operating Income | (1,100,475) | 3,682,929 |
| Distribution Expenses | (2,174,933) | (7,343,182) |
| Administrative Expenses | 6,777,794 | (5,499,304) |
| Finance Expenses | - | (3,463,161) |
| Other Expenses | - | 2,324,203 |
| Loss for the year from discontinued operations | (10,924,203) | (20,848,383) |

Notes to the Financial Statements

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

| | 2019 Rs. | 2018 Rs. |
|---|-------------------|-------------------|
| Assets | | |
| Property, Plant & Equipment | 36,721,633 | 45,282,742 |
| Inventories | - | 18,560,493 |
| Trade and Other Receivables | 15,683,448 | 15,822,452 |
| Cash and Cash Equivalents | 2,004,135 | 5,582,029 |
| Assets Held for Sale | 54,409,217 | 85,247,716 |
| Liabilities | | |
| Trade and Other Payables | (8,223,064) | (7,873,906) |
| Interest Bearing Loans & Borrowings | - | - |
| Retirement Benefit Liability | - | (401,756) |
| Liabilities Directly Associated with the Assets Held for Sale | (8,223,064) | (8,275,662) |
| Net Assets Directly Associated with Disposal Group | 46,186,153 | 76,972,054 |

The net cash flows incurred by EPCI is as follows:

| | 2019 Rs. | 2018 Rs. |
|----------------------------------|--------------------|---------------------|
| Operating | (10,448,637) | (6,806,461) |
| Investing | 6,870,743 | 35,286,143 |
| Financing | - | (120,879,837) |
| Net cash (outflow)/inflow | (3,577,894) | (92,400,155) |

| | 2019 Rs. | 2018 Rs. |
|--|-------------|-------------|
| Earnings Per Share | | |
| Basic, profit/(loss) for the year from discontinued operations | (0.55) | (1.04) |

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

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/-

Write-down of Assets held for sale

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

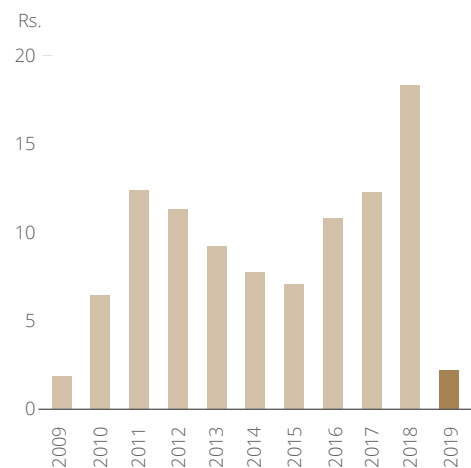
| Trading results (RS.'000) | SLFRS | | | | | | | | SLFRS | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Net Turnover | 3,794,578 | 3,452,289 | 3,824,905 | 3,405,538 | 2,649,933 | 2,413,817 | 2,296,295 | 2,178,913 | 2,180,608 | 1,529,017 |
| Other Income | 1,039,703 | 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 |
| Profit before interest | 828,876 | 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 |
| Interest | (543,374) | (432,816) | (386,935) | (360,784) | (376,515) | (518,989) | (364,554) | (834,642) | (72,735) | (132,419) |
| Profit After Interest Before Tax | 285,503 | 2,247,381 | 1,489,818 | 1,177,680 | 635,642 | 668,861 | 918,762 | 1,270,331 | 1,467,488 | 747,223 |
| Tax Reversal/Expense | (45,939) | (218,578) | (130,701) | 15,315 | 143,881 | 185,780 | 67,724 | (15,716) | (93,663) | (36,611) |
| After Tax Profit from Discontinued Operations | - | - | - | - | - | - | 31,386 | - | - | - |
| Net Profit | 239,564 | 2,028,803 | 1,359,117 | 1,192,996 | 779,524 | 854,641 | 1,017,873 | 1,254,614 | 1,373,825 | 710,612 |

| Statement of Financial Position (RS.'000) | SLFRS | | | | | | | | SLFRS | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| 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 | 1,368,673 | 814,726 |
| Capital Reserve | 830,591 | 830,591 | 213,634 | 213,634 | 213,634 | 213,634 | 213,634 | - | - | 365,714 |
| Retained Earnings | 7,504,091 | 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 |
| Shareholders Funds | 9,703,355 | 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 |
| Fixed Assets | 7,055,383 | 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 |
| Investments | 9,769,937 | 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 |
| Other Financial Assets | 64,758 | 146,928 | 43,981 | 56,771 | 131,735 | 197,210 | 196,470 | 192,395 | 183,962 | |
| Current Assets | 3,459,721 | 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 |
| Current Liabilities | (6,950,855) | (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) |
| Non Current Liabilities | (3,630,832) | (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) |
| Total Equity | 9,703,355 | 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 |

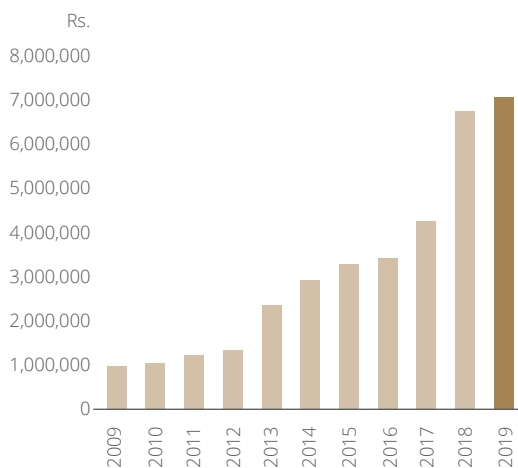
| Ratios and Statistics | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|-------------------------------------|---------|---------|---------|---------|---------|--------|---------|---------|---------|---------|
| Ordinary Dividends (Rs.'000) | 221,579 | 997,104 | 997,104 | 664,736 | 443,158 | - | 221,579 | 443,158 | 276,973 | 138,487 |
| Dividend per Share (Rs)* | 2.00 | 9.00 | 9.00 | 6.00 | 4.00 | - | 2.00 | 4.00 | 2.50 | 1.25 |
| Dividend Payout Ratio(%) | 92 | 49 | 73 | 56 | 57 | - | 22 | 35 | 20 | 19 |
| Earnings Per Share (Rs.)* | 2.16 | 18 | 12.27 | 10.77 | 7.04 | 7.71 | 9.19 | 11.32 | 12.40 | 6.41 |
| Market value per share-closing(Rs.) | 59.00 | 105.40 | 119.00 | 100.10 | 111.00 | 79.30 | 99.50 | 115.00 | 157.00 | 113.00 |
| Market value per share-Highest(Rs.) | 109.50 | 134.70 | 125.30 | 137.00 | 125.00 | 112.00 | 118.50 | 167.50 | 335.00 | 116.50 |
| Price Earnings Ratio(Times) | 27.29 | 5.76 | 9.70 | 9.30 | 15.77 | 10.29 | 10.83 | 10.16 | 12.66 | 17.62 |
| Net Assets Per Share(Rs.) | 87.58 | 87.24 | 72.45 | 69.13 | 64.34 | 61.27 | 53.59 | 44.47 | 37.15 | 21.04 |
| Return on Equity(%) | 2 | 21 | 17 | 16 | 11 | 13 | 17 | 25 | 33 | 30 |

Ten Year Summary - Company

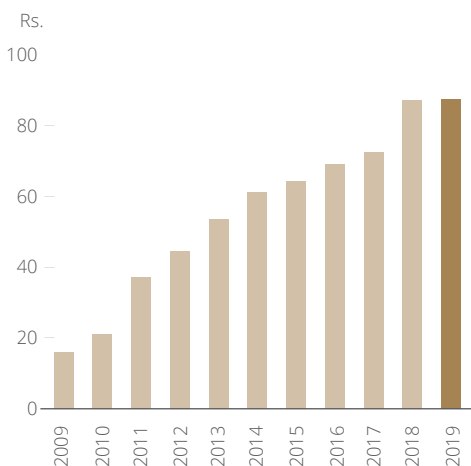
Earnings Per Share



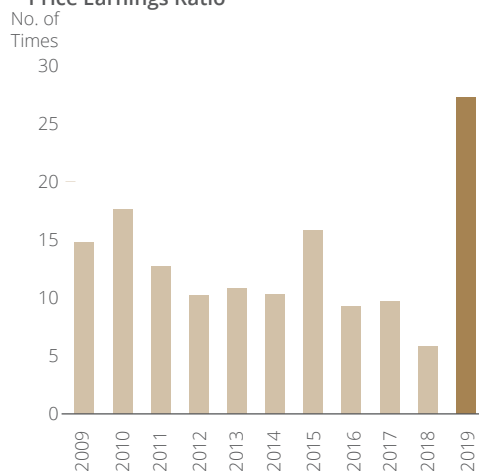
Fixed Assets



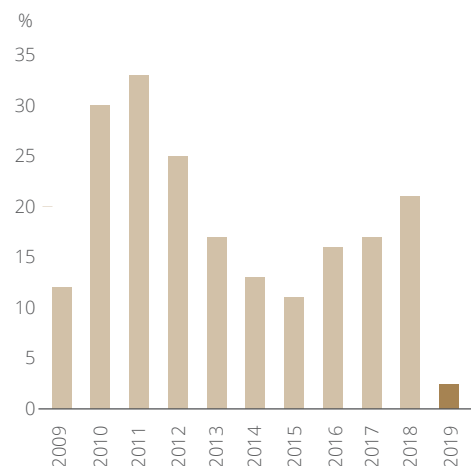
Net Assets Per Share



Price Earnings Ratio



Return on Equity



Group Value Added Statement

| | 2019 | | | 2018 | | |
|---|--------------|------------|------|--------------|------------|------|
| | RS.'000 | RS.'000 | % | RS.'000 | RS.'000 | % |
| Turnover | 35,266,548 | | | 32,538,483 | | |
| Finance & Other Income | 731,862 | | | 488,353 | | |
| Share of Associate Company's profit | 2,012,679 | | | 1,698,108 | | |
| | 38,011,090 | | | 34,724,945 | | |
| Less: Cost of Material & Services bought in | (20,357,861) | | | (17,448,680) | | |
| | 17,653,229 | | | 17,276,265 | | |
| Value Allocated to Employees | | | | | | |
| Salaries and Wages and Other Benefits | | 4,994,618 | 28% | | 4,958,881 | 29% |
| To Government | | | | | | |
| Income Tax | 1,699,727 | | | 2,092,269 | | |
| VAT/NBT | 4,265,627 | 5,965,354 | 34% | 3,925,164 | 6,017,433 | 35% |
| To Providers of Capital | | | | | | |
| Dividends | 345,265 | | | 1,404,165 | | |
| Finance Cost | 1,907,269 | 2,252,534 | 13% | 1,366,843 | 2,771,008 | 16% |
| To Expansion and Growth | | | | | | |
| Retained in Business | 2,762,362 | | | 2,019,502 | | |
| Depreciation | 1,678,361 | 4,440,723 | 25% | 1,509,440 | 3,528,943 | 20% |
| | | 17,653,229 | 100% | | 17,276,265 | 100% |

Share Information

SHARE DISTRIBUTION

Shareholding as at 31st March 2019

| Number of Shares Held | No of Holders | No of Shares | % |
|-----------------------|---------------|--------------------|---------------|
| 1 - 1,000 | 9,734 | 2,038,003 | 1.84 |
| 1,001 - 10,000 | 973 | 3,147,492 | 2.84 |
| 10,001 - 100,000 | 194 | 5,900,256 | 5.33 |
| 100,001 - 1,000,000 | 37 | 11,114,045 | 10.03 |
| 1,000,000 & over | 7 | 88,589,588 | 79.96 |
| Total | 10,945 | 110,789,384 | 100.00 |

| Categories of Shareholders | No of Holders | No of Shares | % |
|----------------------------|---------------|--------------------|---------------|
| Local Individuals | 10,498 | 11,172,132 | 10.08 |
| Local Institutions | 319 | 88,600,907 | 79.97 |
| Foreign Individuals | 116 | 562,389 | 0.51 |
| Foreign Institutions | 12 | 10,453,956 | 9.44 |
| Total | 10,945 | 110,789,384 | 100.00 |

Share prices for the year

| Market price per share | As at 31/03/2019 | As at 31/03/2018 |
|-------------------------|-------------------------|-------------------------|
| Highest during the year | Rs. 109.50 (02.05.2018) | Rs. 134.70 (28.06.2017) |
| Lowest during the year | Rs. 58.00 (22.03.2019) | Rs. 105.10 (27.03.2018) |
| As at end of the year | Rs. 59.00 | Rs. 105.40 |

| | | |
|--|---|----------------------|
| Public Holding Percentage as at 31st March 2019 | - | 42.448% |
| Number of shareholders representing the above Percentage | - | 10,935 |
| The float adjusted market capitalization as at 31st March 2019 | - | Rs. 2,774,626,689.00 |

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

TWENTY MAJOR SHAREHOLDERS

| No | Name | 31st March 2019 | | 31st March 2018 | |
|----|---|--------------------|-----------------------|--------------------|-----------------------|
| | | No of Shares | (%) of Issued Capital | No Of Shares | (%) 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. | 4,738,453 | 4.277 | 4,522,423 | 4.082 |
| 4 | MSCO - Briarwood Capital Partners LP | 1,972,748 | 1.781 | 1,972,748 | 1.781 |
| 5 | BBH-Grandeur Peak Emerging Markets Opportunities Fund | 1,749,110 | 1.579 | 2,965,133 | 2.676 |
| 6 | National Savings Bank | 1,748,679 | 1.578 | 1,748,679 | 1.578 |
| 7 | BNYMSANV Re-Compass Asia Partners, L.P. | 1,100,000 | 0.993 | 1,100,000 | 0.993 |
| 8 | N P Capital Ltd | 1,000,000 | 0.903 | - | - |
| 9 | Seylan Bank PLC/W.D.N.H. Perera | 862,495 | 0.778 | 140,000 | 0.126 |
| 10 | Mr A.M. Weerasinghe | 812,401 | 0.733 | 749,928 | 0.677 |
| 11 | AIA Insurance Lanka PLC A/C No.07 | 745,000 | 0.672 | 745,000 | 0.672 |
| 12 | Mercantile Investments and Finance PLC | 550,000 | 0.496 | 550,000 | 0.496 |
| 13 | Mrs S.N. Fernando | 550,000 | 0.496 | 550,000 | 0.496 |
| 14 | BBH-Grandeur Peak Global Reach Fund | 547,598 | 0.494 | 893,948 | 0.807 |
| 15 | Amaya Leisure PLC | 521,600 | 0.471 | 521,600 | 0.471 |
| 16 | Employees Trust Fund Board | 479,349 | 0.433 | 479,349 | 0.433 |
| 17 | Bank of Ceylon - No. 2 A/C | 469,410 | 0.424 | 469,410 | 0.424 |
| 18 | Amaliya Private Limited | 404,135 | 0.365 | - | - |
| 19 | Mr. D.L.B.C. Perera & Mrs. L. V. Kariyakarawana | 329,242 | 0.297 | 339,525 | 0.306 |
| 20 | Pinnacle Trust (Pvt) Limited | 266,491 | 0.241 | 266,491 | 0.241 |
| | | 96,127,309 | 86.765 | 95,294,832 | 86.014 |
| | Others | 14,662,075 | 13.235 | 15,494,552 | 13.986 |
| | Total | 110,789,384 | 100.000 | 110,789,384 | 100.000 |

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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, 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 Ninth (29th) Annual General Meeting of Royal Ceramics Lanka PLC will be held at the Winchester hall, The Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo on the 5th day of July 2019 at 08.45 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 2019 and the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To re-elect Mr. S H Amarasekera, 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 76 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 76 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 elect Mr. N J Weerakoon who retires in terms of the Articles of Associations, as a Director of the Company.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine payments for the year 2019/2020 and up to 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
Director / Secretaries

At Colombo
6 June 2019

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 8.45 a.m. on 3rd July 2019.

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..... ofor 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. 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 | or failing him |
| Mr. N J Weerakoon | |

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 5th July 2019 at 08.45 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. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect Mr. S H Amarasekera, who retires by rotation in terms of the Articles of Association, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To pass the ordinary resolution set out below to re-appoint Mr. R N Asirwatham who is 76 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 76 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" | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To elect Mr. N J Weerakoon who retires in terms of the Articles of Associations, as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To authorize the Directors to determine payments for the year 2019/2020 and up to the date of the next Annual General Meeting for Charitable and other purposes as set out in the Companies Donations Act (Cap 147). | <input type="checkbox"/> | <input type="checkbox"/> |

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

.....
 Signature

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid the completed Form of Proxy shall be deposited at the Registered Office of the Company situated at No. 20, R. A. de Mel Mawatha, Colombo 3, by 8.45 a.m. on 3rd July 2019.

Corporate Information

NAME OF THE COMPANY

Royal Ceramics Lanka PLC

LEGAL FORM

A Public Quoted Company with limited liability incorporated Under the provisions of Companies Act No. 7 of 2007

DATE OF INCORPORATION

29th August 1990

COMPANY REGISTRATION NUMBER

PQ 125

NATURE OF BUSINESS

Manufacture and sale of Porcelain & Ceramic Tiles

BOARD OF DIRECTORS

Mr. K.D.D. Perera
(Chairman)

Mr. A.M. Weerasinghe
(Deputy Chairman)

Mr. M.Y.A. Perera
(Managing Director)

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

Mr. L.T. Samarawickrama (Resigned w.e.f. 11th April 2019)

Mr. G.A.R.D. Prasanna

Mr. R.N. Asirwatham

Mr. S.H. Amarasekara

Ms. N.R. Thambiayah

Mr. L.N. De S. Wijeratne

Mr. N.J. Weerakoon (Appointed w.e.f. 17th May 2019)

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.roccl.com

SUBSIDIARY COMPANIES

Royal Porcelain (Pvt) Ltd.

Royal Bathware Ltd.

Royal Ceramics Distributors (Pvt) Ltd.

Ever Paint and Chemical Industries (Pvt) Ltd.

Lanka Ceramic PLC

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

PABC Bank PLC

Sampath Bank PLC

MCB Bank Ltd.

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ROYAL CERAMICS LANKA PLC

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