LANKA CERAMIC PLC

ANNUAL REPORT 2017/18

LANKA CERAMIC PLC

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"At Lanka Ceramic, we work towards creating a positive social and environmental impact through every milestone we reach. We believe that our main responsibility is to leave our successor generation a meaningful future. Our best achievement is when our belief is put into action.

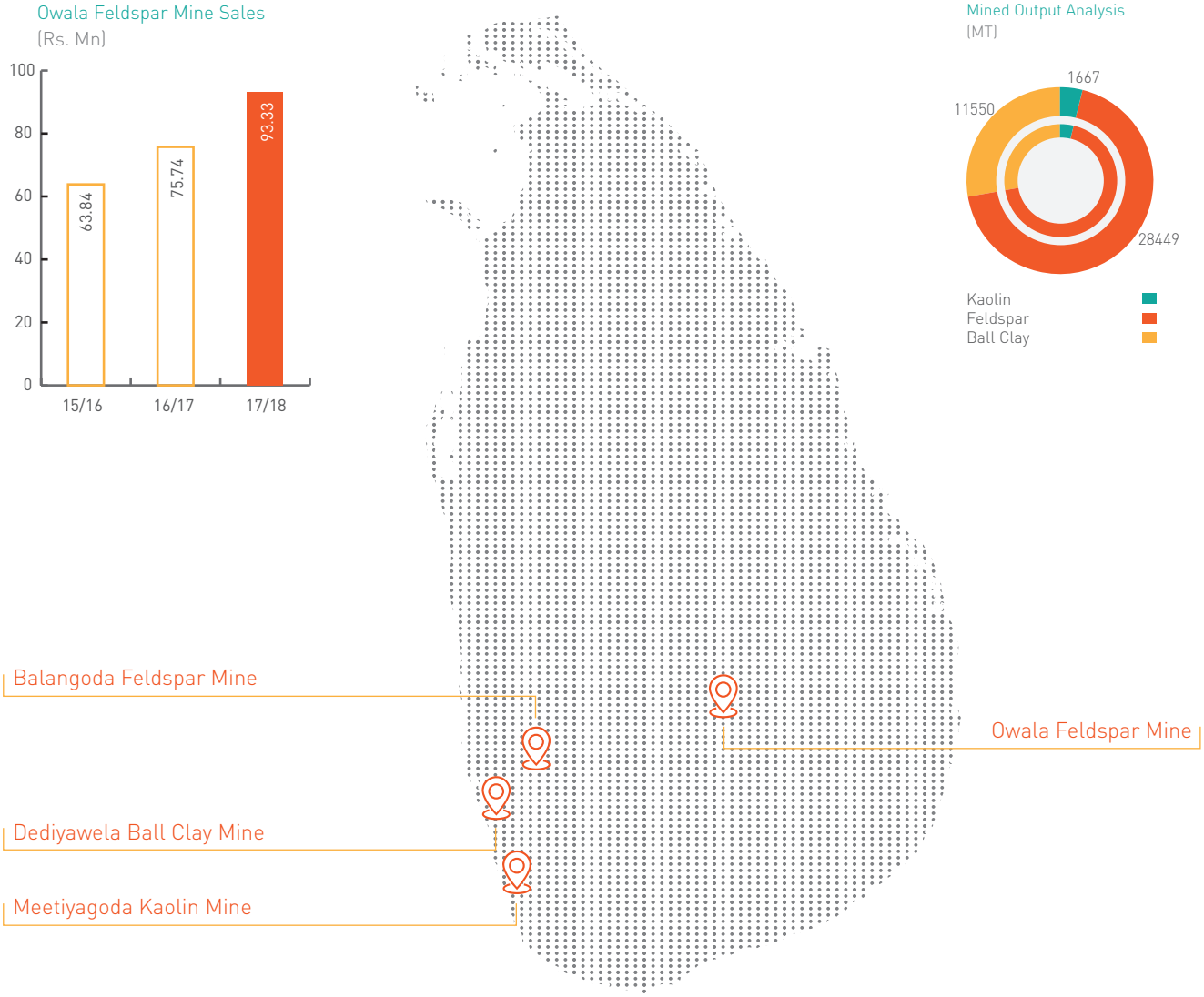
We evaluate our performance and the success of our strategy and business model by utilizing key performance indicators. We have chosen to measure these key performance indicators because we believe they best demonstrate how we are driving the business and creating value for our stakeholders..."

LANKA CERAMIC PLC

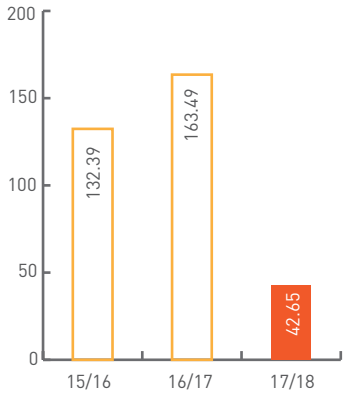
OPERATIONAL HIGHLIGHTS

Owala Feldspar Mine Sales
(Rs. Mn)

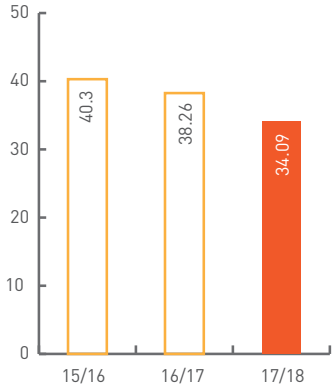
Mined Output Analysis
(MT)



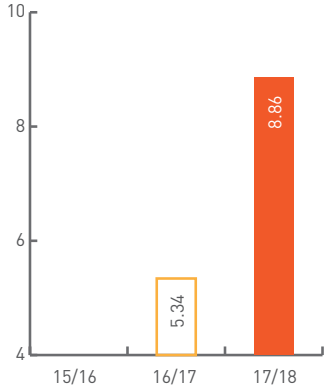
Dediyawala Ball Clay Mine Sales
(Rs. Mn)



Meetiyagoda Kaolin Mine Sales
(Rs. Mn)



Balangoda Feldspar Mine Sales
(Rs. Mn)



FINANCIAL HIGHLIGHTS

Company at a Glance For the year ended 31st March	Company 2017/18 Rs. '000	2016/17 (Restated) Rs. '000
Profitability		
Revenue	178,932	282,830
Gross Profit	76,116	152,954
Profit Before Tax	248,377	499,654
Profit After Tax	182,199	485,321
Financial Position		
Investment Property	827,600	706,000
Non-Current Assets	952,249	1,517,176
Current Assets	224,837	105,903
Total Assets	1,177,086	1,623,079
Key Indicators		
Dividend Pay-Out Ratio (%)	-	49.45
Interest Cover (Times)	7.13	14.29
Current Ratio	1.14:1	1.00:1
Quick Asset Ratios	0.89:1	0.55:1
Profit Before Tax to Revenue (%)	138.81	176.66
Share Performance		
No: of Shares	6,000	30,000
Basic Earnings Per Share (Rs.)	11.34	16.18
Dividend Per Share (Rs.)	-	8.00
Market Price as at the end of the year (Rs.)	158.00	115.00

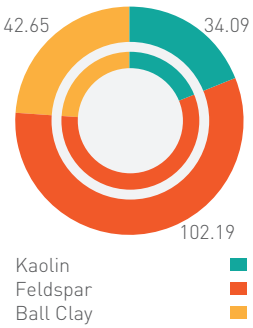
COMPANY REVENUE

Rs. 178.9 Mn

COMPANY TOTAL ASSETS

Rs. 1.18 Bn

Composition of Income
(Rs. Mn)



COMPANY PROFIT AFTER TAX

Rs. 182 Mn

COMPANY BASIC EARNING PER SHARE

Rs. 11.34

CHAIRMAN'S MESSAGE

Lanka Ceramic PLC now stands alone as a subsidiary of Royal Ceramics Lanka PLC as of 8th November 2017, a move that places the company in the ideal position for diversification.

I take great pleasure in welcoming you to the 27th Annual General Meeting of Lanka Ceramic PLC and to place before you the annual report and audited financial statements for the financial year 2017/18. The period under consideration has been an eventful one for your company and I am elated to report on some defining changes that took place at Lanka Ceramic PLC, of which we expect to reap considerable results in the years to come.

PERFORMANCE

Lanka Ceramics PLC's gross profit dropped from Rs. 153 Mn in the preceding year to Rs. 76 Mn in the 2017/18 financial year. Consequent to the restructure of the capital structure of the company that is described later in this report, the company's dividend income dropped from Rs.245 Mn in the previous year to Rs. 122 Mn in the period under review. Furthermore, the sector faced numerous challenges, including unfavourable weather conditions for mining, a delay in granting of mining license by the regulatory body, inconsistent policy climate and weak demand, all of which negatively impacted the company's performance.

MACRO ECONOMIC ENVIRONMENT

The local economic growth slumped to a 16-year low in 2017 with agriculture contracting for the second year running owing to bad weather. This deflation, coupled with the services sector also having displayed a slow performance, led to Sri Lanka recording an overall GDP growth of 3.1% in the period under review, in comparison to the 4.5% recorded in 2016, mainly attributable to alternating drought and flood conditions. Despite the challenging climate, it is heartening to note that the economy generated sufficient employment to bring the unemployment rate down to 4.2% during the year. In terms of expenditure, on a more positive outlook, growth was supported by the expansion of both consumption and investment expenditure in 2017, while conversely, net external demand continued to weigh on growth negatively. Furthermore, it is encouraging to observe that Sri Lanka's external sector performed well during the year under review, with exports reaching US$11.4 Bn, displaying a growth of 10% year-on-year. Sri Lanka's foreign reserves grew by as much as US$7.9 Bn at the end of 2017, and is expected to increase to US$10 Bn by the end of 2018.

RESTRUCTURE OF SHAREHOLDING

Your Board, after taking into consideration the long-felt need to restructure the shareholding of Lanka Ceramic PLC to reflect the real net worth of the company, successfully effected the restructure during the year under review, making sure that the interests of shareholders were kept foremost in mind. Lanka Ceramic PLC now stands alone as a subsidiary of Royal Ceramics Lanka PLC as of 8th November 2017, a move that places the company in the ideal position for diversification – a far-sighted strategy that would undeniably enhance stakeholder value and create even greater wealth in the future.

The number of shares in issue were reduced by 80% through the implementation of share buyback, by purchasing and cancelling 24 Mn shares, thus bringing the number of shares in line with the size and operations of the company. On approval by the shareholders, the overall number of shares of Lanka Ceramic PLC was reduced from 30 Mn to 6 Mn.

I am pleased to report that the process of restructuring was achieved in a streamlined manner, resulting in the full satisfaction of the shareholders of the company.

"We have ambitious plans in place for Lanka Ceramic PLC and believe that it is poised to grow exponentially, through the future expansion and diversification of its operations."

FUTURE OUTLOOK

We have ambitious plans in place for Lanka Ceramic PLC and believe that it is poised to grow exponentially, through the future expansion and diversification of its operations. As a means to this objective, going ahead, the company has already set the foundation for growth by formulating plans to diversify into tableware, which will be marketed under its own brand name. Having engaged in the business over a decade ago, Lanka Ceramic PLC already holds a wealth of experience in tableware, a sector which holds promise in the current atmosphere of renewed economic optimism.

APPRECIATION

I would like to place on record my deep gratitude to my colleagues on the Board and the senior management and staff of the company for their unstinted support. I would also like to welcome the newly appointed Managing Director of Lanka Ceramic PLC, Mr. Mahendra Jayasekera, whose extensive experience in the industry will prove valuable in driving the newly formulated strategic plans for the company. Furthermore, I would like to extend my appreciation for the valuable cooperation provided by our suppliers, partners, bankers, regulators and principals who partnered with us to navigate an essentially challenging year. I believe as a result of this adversity, the company has emerged stronger than before, and is well-positioned to reap the effects of the restructuring in the future by enabling diversification and growth.

Dhammika Perera
Chairman

MANAGING DIRECTOR'S REVIEW

"The financial year 2017/18 opened a new chapter in the history of Lanka Ceramic PLC, as it commenced a visionary plan of transformation, performing the first step in a process of re-aligning and restructuring the company to reach its full potential."

The financial year 2017/18 opened a new chapter in the history of Lanka Ceramic PLC, as it commenced a visionary plan of transformation, performing the first step in a process of re-aligning and restructuring the company to reach its full potential. During the year your company undertook a share restructure, converting from a diversified group into a standalone entity in a strategic move that has empowered the company to chart a new course for itself in the months and years ahead. After considering the long-felt need to restructure the operating assets of the company to reflect the real net worth of the company, a share buyback was effected at Lanka Ceramic PLC.

It is testament to the untiring efforts of the Lanka Ceramic PLC team that this landmark transaction was performed speedily and effectively to the satisfaction of all the shareholders, and completed in a timely manner, while successfully avoiding the capital gains tax, which was scheduled to come into effect from 1st April 2018.

STRONGER FOOTING

We believe this move strongly positions Lanka Ceramic PLC to expand operations and enable considerable value creation in the years to come. In the past, your Company was required to leverage shareholdings of Lanka Walltiles PLC in order to raise capital, but following the restructure the barrier has been lifted, affording even greater opportunities for the future of Lanka Ceramic PLC. In order to capitalize on the restructure and this strategic shift, the company has embarked on plans to diversify into tableware under its own brand name. Lanka Ceramic PLC still enjoys strong brand equity as a tableware supplier, and as a business it was engaged in a decade ago, the Company has garnered considerable experience and customer loyalty over the years. It is also encouraging that the Lanka Ceramic brand remains synonymous with quality tableware and thus we intend to avail ourselves of this goodwill by rebuilding the brand and becoming recognized as a leading tableware provider in the country once more.

FINANCIAL PERFORMANCE

Lanka Ceramic PLC primarily engages in the mining industry, providing the highest quality raw material to both the ceramic and tile industry. During the year, the presence of salient challenges, including strict government regulations on mining, and adverse weather conditions stood in the way of Lanka Ceramic PLC achieving its financial targets.

As a result of these combined forces, Lanka Ceramic PLC's mining operations fell significantly below its performance compared to the previous year, dropping from a turnover of Rs. 283 Mn achieved in 2016/17 to Rs. 179 Mn in the year under review. This decline in performance was primarily attributable to the company not receiving its license for mining ball clay in Dediyawala mine until December 2017, which culminated in operations remaining at a standstill for a substantial four months of the year, thus adversely impacting your Company's performance. Consequently, gross profit dropped from Rs. 153 Mn to Rs. 76 Mn. Following the restructuring efforts, Lanka Ceramic PLC's dividend income dropped from Rs. 245 Mn to Rs. 122 Mn.

"In order to capitalize on the restructure and this strategic shift, the company has embarked on plans to diversify into tableware under its own brand name."

FUTURE STRATEGY

In terms of the Company's future outlook, even as we continue our focus on mining operations, we are embarking on a path of substantial growth, wherein which we target the tableware business in particular, an area in which Lanka Ceramic PLC was present 10 years ago. Now, as your Company continues in its quest of excellence through this strategic venture, here at Lanka Ceramic PLC, we eagerly look forward to a brighter future, with the expectation of the profitability of this business to reflect an upward trend. In addition, a new, dynamic team was appointed to pursue planned investments in new lands for clay mining, as a measure of strengthening its core business since some of its existing clay mines are exhausted.

ENSURING GOOD GOVERNANCE

Lanka Ceramic PLC complies with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Audit Committee and the Related Party Transaction Committee attended to all governance and risk related issues during the year. These strategically formed committees played a key role in ensuring the transparency of myriad transactions during the period under review.

ACKNOWLEDGEMENTS

I wish to thank the Chairman and Board of Directors for their valuable guidance and support throughout one of the most challenging years the Company has yet had to face. I would also like to place on record my gratitude for the support of our shareholders, business partners and employees which as always, has been exemplary. We look forward to the coming years in partnership with our valued shareholders, as we embark on an exciting journey of growth and diversification that holds the promise of immense value creation in the future.

J A P M Jayasekera
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

"The Company intends to purchase new lands to ensure an enhanced supply of raw materials for tiling industry and improve profits from the mining operations."

"Proactive policy measures implemented in a timely manner with increased consistency and focus will enable effective and sustainable utilization of resources resulting in an efficiency driven growth process"

MACRO-ECONOMIC CONDITIONS

Sri Lanka's GDP growth decelerated further during 2017 to 3.1%, from the growth of 4.5% recorded in 2016. Agriculture related activities recorded a contraction of 0.8% against the backdrop of adverse weather conditions that continued from 2016, while a slowdown in economic activity in both services and industrial sectors was observed.

With the exception of a few small non-bank financial institutions, the financial sector performed well amidst measures taken by the authorities to ensure the stability of the financial sector and to strengthen financial markets and related infrastructure. Industry related activities, accounting for 26.8% of real GDP, grew by 3.9% in 2017.

The growth in industrial activities was supported by manufacturing activities, construction activities, and mining and quarrying. However, the growth of construction activities that supported overall economic growth throughout the post conflict period, with the exception of 2015, decelerated notably during 2017. The growth in industry related activities slowed during 2017 with the deceleration in the growth of construction, and mining and quarrying activities. The construction sector, which supported the overall growth of the economy considerably during the post-war era, slowed down to record a growth of 3.1% compared to an expansion of 8.3% in 2016. Meanwhile, mining and quarrying activities also witnessed a slowdown in growth to 5.9% in 2017 from the expansion of 14.4% recorded in the previous year. The growth rate of services related activities, which accounted for over 56% of real GDP, also moderated during 2017.

Looking ahead, avoiding frequent reversals of policy decisions is essential to reinforce trust in public policymaking and strengthen stability in social and economic spheres. In recent times, Sri Lanka has witnessed an array of examples of inconsistent policies and policy reversals, spanning economic, social and political spheres. Several existing and emerging challenges need to be addressed for the country to achieve high economic growth and sustainable economic development over the medium term and beyond. Whilst the commitment of the government is essential to implement the envisaged reforms, increased private sector participation in productive economic activity is also vital in the country's progress as a middle-income economy. Proactive policy measures implemented in a timely manner with increased consistency and focus will enable effective and sustainable utilization of resources resulting in an efficiency driven growth process, which would facilitate improved welfare of the general public in the country.

ABOUT LANKA CERAMIC PLC

Lanka Ceramic PLC is engaged in mining operations. The company's mines are located in Meetiyagoda, Owala and Dediyawela from which Kaolin, Feldspar and Ball Clay are mined.

During the year the company repurchased 80% of its own shares in exchange of 1.14148 no. of Lanka Walltiles PLC shares or payment of Rs.190/- per share in cash. 963,810 no of shares were repurchased on cash and 32,591,554 no. of shares in Lanka Walltiles PLC were offered in exchange of 23,036,198 no. of Lanka Ceramic PLC shares, resulting only 1,365,460 shares remaining with the company. Consequently, the dividend income of Rs.245Mn enjoyed in previous year decreased to Rs.122Mn during the year under review.

TOTAL REVENUE

Rs.179Mn

PROFIT AFTER TAX

Rs.182Mn

FINANCIAL REVIEW

PROFITABILITY

The overall performance of Lanka Ceramic PLC fell below target in the financial year 2017/18. Company revenue decreased by 37% compared to Rs.283 Mn in the previous year to Rs.179 Mn during the year under review. This was mainly due to the cessation of the operations in Ball Clay mine at Dediyawala for 04-month period and closure down of feldspar mine situated at Balangoda, which resulted the, gross profit declined by 50% compared to previous year.

Other income fell to Rs.160 Mn during the year under review from Rs.282 Mn in the previous financial year. The drop in the dividend income was the main contributor to this.

Company profit after tax declined to Rs.182Mn compared to Rs.485Mn in the previous year.

"Post-restructuring, Lanka Ceramics PLC is ideally poised to expand and diversify its operations. The company is excited about enhancing the mining operations of the company by scouting for new lands for mining of ball clay."

TAXATION

Income Tax expenditure increased to Rs.66 Mn compared to Rs.14 Mn in the previous year due to need for compliance with the newly-introduced capital gains tax by the Inland Revenue Act, No.24 of 2017.

CAPITAL EXPENDITURE

The company spent Rs. 11 Mn to acquire property, plant and equipment to upgrade the plant and machinery in comparison to Rs.28 Mn spent in last year.

OTHER FINANCIAL REVIEW

The share price ended the year 31st March 2018 at Rs. 158 compared to Rs. 115 per share as at 31st March 2017.

Earnings per share stood at Rs.11.34 in the financial 2017/18 and Rs.16.18 in the financial year 2016/17.

OPERATIONAL REVIEW

The company faced tough challenges during the year and was unable to realize its true potential by having many disruptions to its mining operations. Apart from inclement weather conditions, delay in granting mining license and ad hoc policy changes were other challenges.

MANAGEMENT DISCUSSION AND ANALYSIS

The performance of the Owala feldspar mine was encouraging, as it has steadily increased production YoY. The company is taking steps to upgrade the mine's license.

Overall slow economic growth impacted group companies, which in turn caused a decline in demand for its products, forcing it to reduce production.

As a result of the prevailing operating conditions, the company lost several small customers engaged in ceramics industry who were forced to shut down their operations due to lack of orders. Several medium scale customers too are requesting easy credit terms as they struggle to survive. The government should consider the well-being of the mining industry as it is an essential part of the industries sector of the economy. Moreover, shortage of mining lands is another obstacle faced by the company, since ball clay mining in paddy fields is restricted.

EARNING PER SHARE

Rs. 11.34

MARKET PRICE PER SHARE

Rs. 158

Mining operations at the Dediyawela were halted for four months during the year under review due to delay in granting license by the regulatory bodies. Furthermore, another mine in Balangoda was shut down in December 2017 as carrying out of further mining operations was not financially viable. In order to stem losses from the operation, the company decided to abandon this mining operation during the year under review. However, in an effort to mitigate losses arising from the closure, the mine has been rented out to a third party, which will bring in rental income.

The performance of the Owala feldspar mine was encouraging, as it has steadily increased production YOY. Buoyed by the performance, the company is in the process of making further improvements to upgrade the mine's license to A-grade status. The mine will prove to be a strong contributor to profitability going ahead.

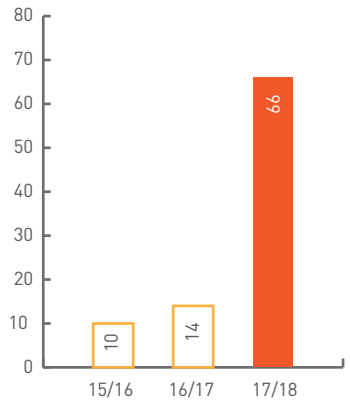
EMPLOYEE SAFETY AND WELL-BEING

Improving worker safety and health facilities, with a greater emphasis on injury-free mining operations, formed the focus of Human Resource activity in the year under review. Employees were provided with health and safety gear along with nutritious milk packets daily. During the year, their restrooms were improved, along with other workplace amenities. The year witnessed a hike in remuneration for workers, which has resulted in a highly motivated and satisfied workforce.

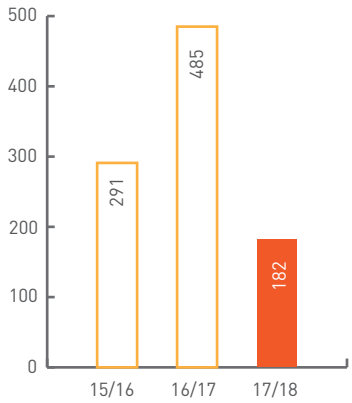
COMMUNITY OUTREACH

Since its mines are located near communities, the company engages closely with government institutions in

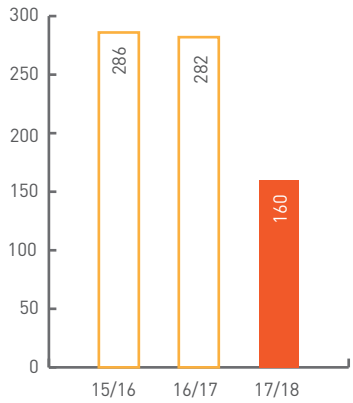
Income Tax Expense
(Rs. Mn)



Net Profit Rs.Mn
(Rs. Mn)



Other Income
(Rs. Mn)



the area and with local communities by supporting them with financial assistance for religious and cultural events. During the year, the company made a donation to a local orphanage.

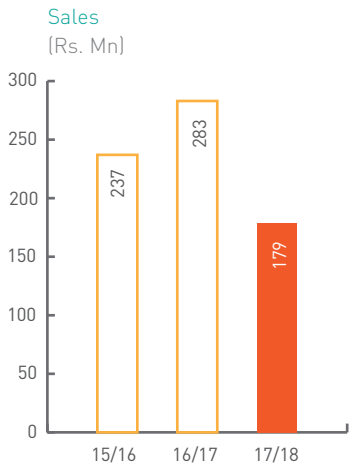
FUTURE OUTLOOK

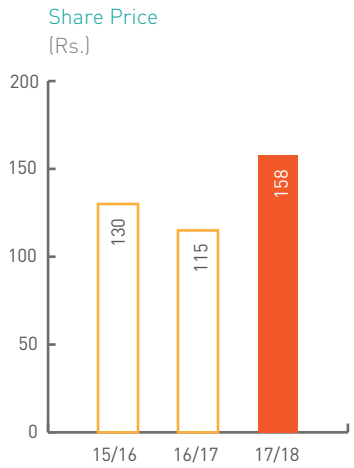
Post-restructuring, Lanka Ceramic PLC is ideally poised to expand and diversify its operations. The company is excited about enhancing the mining operations of the company by scouting for new lands for mining of ball clay. The company has identified new lands and already embarked on having a geological survey conducted by the relevant authorities. The Company intends to purchase new lands to ensure an enhanced supply of raw materials for tiling industry and improve profits from the mining operations. Another land extent was identified for kaolin mining and it is felt that these two lands will significantly augment enhanced production. In addition to mining of kaolin at Meetiyagoda, a tiles sales centre to sell Lanka Tiles was established at the same premises in December 2017. It is expected to generate reasonable sales commission income through this operation as it is located in a prime area.

Going ahead, existing lands in Dediyawela will be refilled and disposed of, which will strengthen the balance sheet. The company has taken a strategic decision to divest lands that do not meet its feasibility standards. Although the company would have held on to such lands in the past, it is becoming increasingly difficult to manage such lands due to illegal encroachments.

Lanka Ceramic PLC is delighted to announce that it plans to diversify its business into the realm of tableware. About a decade ago, Lanka Ceramic was a preferred tableware brand in Sri Lanka and aims to regain that status but this time will import tableware under its own brand name.

The upcoming 2018/19 financial year should augur well for Lanka Ceramic PLC as it has commenced operations at Meetiyagoda on receiving the new land mining license. The company is confident about its future growth prospects and foresees steady growth in 2018/19 by capitalizing on emerging opportunities and by following a strategic diversification plan.





BOARD OF DIRECTORS

MR. DHAMMIKA PERERA

Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality and Hydropower generation.

He has nearly thirty years of experience in building formidable business through unmatched strategic foresight.

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

MR.A.M.WEERASINGHE

Deputy Chairman

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. He has been in the business field for more than 35 years involved in Real Estate, Construction, Transportation and Hospital Industry. He has been a Landed Proprietor. In addition to the above, he is also the Chairman of the Singhe Hospitals Ltd and Weerasinghe Property Development (Pvt) Ltd. Trade Huts (Pvt) Ltd and Deputy Chairman of Lanka Tiles PLC and Lanka Walltiles PLC.

MR. J A P M JAYASEKERA

Managing Director

(APPOINTED W.E.F 01ST NOVEMBER 2017)

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, and Swisstek Aluminium Ltd. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited.

Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

DR. S SELLIAH

Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in various fields which include areas of manufacturing, healthcare, plantations, packaging, logistics and retail.

He currently holds the position of Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospital Pvt Ltd. He is a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Softlogic Holdings PLC, ODEL PLC, HNB Assurance PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. Dr. Selliah is the Chairman of JAT Holdings Pvt Ltd, Cleanco Lanka Pvt Ltd.

Dr. Selliah serves on the Audit committee, Investment committee, Risk committee, Strategic planning committee, Related Party Transaction committee and HR & Remuneration committee of some of the companies listed above.

MR. T G THORADENIYA

Director

Mr. Tharana 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 in Sri Lanka, including Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd., Unidil Packaging Ltd., Vallibel Plantation Management Ltd., Dipped Products (Thailand) Ltd., and several others. Mr. Thoradeniya has been credited as a proven business innovator across industries. A marketer by profession, Tharana was in the pioneering batch of Chartered Marketers of the Chartered Institute Marketing (UK).

MR. K D G GUNARATNE

Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009.

He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd. He is the Group Director Marketing and Business Development of Royal Ceramics Lanka PLC.

MS. A M L PAGE

Director

Ms. A M L Page holds a degree BSc (Hons) Psychology (First Class) from the University of Nottingham, United Kingdom and a MSc in Economics, Finance and Management (Distinction) from the University of Bristol, United Kingdom.

Ms. Page has been employed at several institutions and lastly served at Ernst & Young LLP, UK – (Advisory, Financial Services).

Ms. Page is currently working at Habitat for Humanity Sri Lanka.

MR. D J SILVA

Director

Mr. Dulanjana Silva is a graduate in Computer Science and Engineering and holds qualifications from the National University of Singapore and the University of Sunderland, UK. Having begun his career at the Port of Singapore Authority, he has experience in planning, developing, deploying, and supporting a wide range of IT solutions. At present, he is the a Director at Rocell Bathware Limited and Lankaal Industries (Pvt) Ltd.

MR. JOSEPH DACIUS NIHAL KEKULAWALA

Director

(APPOINTED W.E.F 17TH MAY 2018)

Mr. Kekulawala has over 30 years of results oriented financial management experience in the Financial Service Industry. He had played a strategic role in the diversification of Hatton National Bank PLC, from commercial banking to investment banking, venture capital, stock broking and life/general insurance.

Mr. Kekulawala had held senior positions in the Hatton National Bank including Chief Financial Officer, Senior Deputy General Manager Strategy & Compliance. He worked as the lead consultant responsible for commencing commercial banking operations in the Solomon Islands and also functioned as the inaugural CEO of the bank.

He had undergone extensive Management and Leadership Development studies at Stanford University in USA, Institute of Management Development in Lausanne Switzerland, University of Melbourne in Australia and Asian Institute of Management in Philippines. Mr. Kekulawala is a Past President of the Association of Professional Bankers Sri Lanka.

Mr. Nihal Kekulawala is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants in Sri Lanka and a Fellow of the Chartered Institute of Bankers in England. He holds a MBA from the University of Manchester.

MR. G A R D PRASANNA

Alternate Director to Mr. Dhammika Perera

(RESIGNED W.E.F 17TH MAY 2018)

Mr. Prasanna was appointed as an Alternate Director to the Lanka Ceramic Board on 13 October 2014. He has wide experience in various businesses and also in business management. He is the Chairman of Pan Asia Banking Corporation PLC and also the Managing Director of Wise Property Solutions (Pvt) Ltd. Further, he serves as Director on the Boards of La Fortresse Private (Pvt) Limited, Hayley's Global Beverages (Pvt) Limited, Delmege Group of Companies and Royal Ceramic Lanka PLC.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The compliance of Lanka Ceramic PLC to the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is as follows :-

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
A. DIRECTOR		
A.1 The board		
Frequency of Board Meeting	The Board met 06 times in the year under review. Board Meeting attendance of the Directors is given below. Board Meeting attendance Mr. K D D Perera (5/6) Mr. A M Weerasinghe (6/6) Mr. J A P M Jayasekera (5/6) Mr. T G Thoradeniya (6/6) Dr. S Selliah (5/6) Ms. A M L Page (6/6) Mr. K D G Gunaratne (6/6) Mr. D J Silva (0/6) Mr. R D P Godawatta Arachchige (Alternate director to Mr. K D D Perera)	Compliant
Responsibility of the Board	The Board is responsible for, a. The formulation and implementation of a sound business strategy. b. Monitoring compliance of governance, laws and regulations. c. Overseeing systems of internal control and risk management. d. Approving annual budgets and strategic plans. e. Appointing and reviewing the performance of the Managing Director. f. Approving any change in the Company's business portfolio and sanction of major investments and disinvestment in accordance with set parameters. g. Ensuring that effective remuneration, required recognition policies are in place to assist employees in giving their best. h. Submitting themselves for re-election at regular intervals and at least once in every three years.	Compliant

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
Compliance with Applicable Laws	The Board ensured in the year under review that the Company adhered to all applicable laws, rules and regulations.	Compliant
Company Secretary	The services and advice of the Company Secretary M/s. P W Corporate Secretarial (Pvt) Ltd, is available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant individually as Directors and collectively to the Board.	Compliant
Independent Judgment	The Board members are required to divulge all functions with the Company, refrain from matters of self-interest and to bring independent judgment to the decision making process.	Compliant
Dedication and adequate time and effort	Board members attend all Board meetings in person and need to be prepared to engage in decision making matters which may entail an adequate amount of time and effort spent.	Compliant
Appropriate training for Directors	All Directors have considerable experience in managing companies in the ceramic industry. Relevant training opportunities are made available to all Directors.	Compliant
A-2 Chairman and Managing Director		
Division of responsibilities between the Chairman and Managing Director	There is a clear division of responsibility at the head of the Company which is placed between the running of the Board and the executive responsibility of overseeing the Company's business. No single individual has liberal powers with regard to decision making.	Compliant
A-3 Role of Chairman		
Ensure good corporate governance and facilitate effective discharge of Board functions	The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.	Compliant
A.4- Financial Acumen		
Availability of sufficient financial acumen and knowledge	The Board includes Directors who possess the necessary knowledge and competence to offer the Board guidance on financial matters. The Managing Director is a Chartered Accountant.	Compliant

CORPORATE GOVERNANCE

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
A-5 Board Balance		
The Board should have an adequate number of Directors with balance of Executive and Non-Executive Directors of sufficient calibre along with independent Directors	The Board comprises eight members, as at 31 March 2018 and seven of whom including the Chairman are Non-Executive Directors. The Board has determined that 03 of such Non-Executive Directors are independent as per the listing Rules of the Colombo Stock Exchange. Directors' status during the financial year was as follows : Mr. K D D Perera (Chairman)- Non Executive Mr. A M Weerasinghe (Deputy Chairman) – Non-Executive Mr. J A P M Jayasekera - (Managing Director) - Executive (Appointed w.e.f 1st November 2017) Mr. T G Thoradeniya - Non-Executive Mr. D J Silva - Non-Executive Dr. S Selliah - Non-Executive - Independent Mr. K D G Gunaratne- Non-Executive - Independent Ms. A M L Page – Non-Executive- Independent Dr. S Selliah, Mr. K D G Gunaratne and Ms. A M L Page are also Directors of Lanka Walltiles PLC and Lanka Tiles PLC. However after taking into consideration the fact that they are not actively involved in the management of these companies the Board is of the view that their independence is not compromised. Accordingly the Board has determined that Dr. S Selliah, Mr. K D G Gunaratne and Ms. A M L Page are "Independent Directors" as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.	Compliant
A-6 Supply of Information		
Relevant information and agenda to be circulated in a timely manner to the Board	The Board papers are circulated a week prior to the Board meetings with an adequate briefing on relevant information.	Compliant
A-7 Appointments to The Board		
Procedure for the appointment and disclosure of new Directors and assessment of Board Composition	The appointment to the Board is undertaken by the Board itself, taking into consideration the Board composition required and the strategic input required. All Board appointments are informed to the CSE as per the existing regulations.	Compliant
A-8 Re-Election		
Re-election of Directors at regular intervals	As per the Articles of Association one-third of the Directors for the time being retire from office and offer themselves for re-election each year by the Shareholders.	Compliant

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
A-9 Appraisal of Board Performance		
Board should periodically appraise its own performance in order to ensure that responsibilities are discharged in a satisfactory manner	The Board regularly evaluates its performance based on achievement of results, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements.	Compliant
A-10 Disclosure of Information with Respect to Directors		
Shareholders at all times should be aware of relevant details with respect to Directors	All directors have declared their details in pages 12 to 13 in the Directors' Profiles.	Compliant
A-11 Appraisal of Managing Director		
The Board is required to assess the performance of the Managing Director annually	The Managing Director is evaluated each year as per the yearly targets that have been agreed within the annual budget.	Compliant
B.1 REMUNERATION PROCEDURE		
Formal and transparent procedure for developing policies on remuneration composition and disclosure of the members of the Remuneration Committee	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. The Remuneration Committee assists the Board in matters relating to compensation of the Company's Directors, Executive Officers and such other employees as determined by the Committee.	Compliant
B.2 The level and Make up of Remuneration		
Levels of Remuneration	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management required to run the Company successfully, while remaining within the industry's remuneration standards	Compliant
B. 3 Disclosure of Remuneration		
Disclosure of Remuneration in the Annual Report	Details of the Remuneration Committee and the Statement of Remuneration Policy are provided in the Annual Report. The aggregate remuneration paid to Executive and Non-Executive Directors are disclosed on page 77 of this Report.	Compliant
C. RELATIONS WITH SHAREHOLDERS		
C.1 - Constructive use of the Annual General Meeting		
Board should use the Annual General Meeting to communicate with shareholders and encourage their participation	The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders of Lanka Ceramic PLC.	Compliant

CORPORATE GOVERNANCE

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
C.2 Major Transactions		
Disclosure of major corporate transactions that will materially affect the Net Asset Base	The transactions during the year under review, which fall within the definition of Major Transactions in terms of the Companies Act are adequately and properly disclosed.	Compliant
D. ACCOUNTANCY AND AUDIT		
D.1 Financial Reporting		
The Board should present a balanced and understandable assessment of the company's financial position, performance and prospects	The Annual Report of the Company provides a balanced and understandable assessment of the Company which is in addition to the accounts of the management and financial review, directors' report and responsibility structures.	Compliant
D.2 - Internal Control		
The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	The Board has taken necessary steps to ensure the integrity of the Company's accounting, financial reporting and internal control systems and also review and monitor on a periodic basis.	Compliant
D. 3 Audit Committee		
The Board should establish formal and transparent arrangements in the manner in which they select and apply accounting policies, financial reporting, and internal control principles and maintain an appropriate relationship with the Company Auditors	The Audit Committee Report on page 29 of the report addresses this section in full.	Compliant
D. 4 - Code of Business Conduct and Ethics		
Companies must adopt a Code of Business conduct and Ethics for the Directors and members of the Senior Management Team and promptly disclose any waivers of the Directors or others	The Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission is adopted by the Directors, who then ensure that the Company and the employees behave ethically.	Compliant

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
D.5 Corporate Governance Disclosures		
Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance	Adhered to as per the Corporate Governance report in the Annual Report on page 14 to 21.	Compliant
E. SHAREHOLDERS		
E.1 Shareholder Voting		
Institutional shareholders should be encouraged to ensure their voting intentions are translated into practice	All Institutional shareholders are encouraged to participate and their views are communicated to all concerned parties.	Compliant
E.2 Evaluation of Governance Disclosures		
Institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	The Report contains the Company's Corporate Governance process and structure for investor's attention.	Compliant
F.1 Investing/Divesting Decision		
Individual shareholders, should be encouraged to carry out adequate analysis in investing or divesting decision	The Annual Report contains sufficient information to make an informed decision. The report is hosted on the Colombo Stock Exchange website with the quarterly reports to facilitate investors and shareholders to make informed decisions.	Compliant
F.2 - Shareholder Voting		
Individual shareholders should be encouraged to participate in the General Meeting of Companies and exercise their voting rights	All shareholders are encouraged to participate at the Annual General Meeting/Extraordinary General Meeting and cast their votes. AGM's are notified in advance as per the Companies Act and held in an accessible area to ensure shareholders can participate effectively.	Compliant

CORPORATE GOVERNANCE

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
Compliance with the Continuing Listing Rules on Corporate Governance of the CSE		
The extent of adherence to corporate governance rules under Section 7.10 of Continuous Listing requirements of the Colombo Stock Exchange is given as follows.		
7.10.1 Non -Executive Directors		
The Board of Directors should include at least two non-executive Directors or such number of non-executive Directors equivalent to one third of the total number of Directors whichever is higher	Lanka Ceramic PLC has 08 Non-Executive Directors out of 09 as given in terms A.5 in the ICASL adherence table, which is above the minimum requirement.	Compliant
7.10.2. Independent Directors		
The Board of Directors should include two or 1/3 of Non-Executive Directors appointed to the Board of Directors whichever is higher shall be independent.	The Company has 04 independent Directors out of 09 as given in item A. 5 in ICASL adherence table, which is above the minimum level.	Compliant
7.10.3 Disclosure Relating to Directors		
The Board shall make a determination annually as to the independence or non-independence of each Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be independent	The Board has determined the independence of each independent Director and set out and declared the independence in the Annual Report. Please refer Note 7. 10. 4 below	Compliant
7.10.4 Criteria for Defining Independence		
The Colombo Stock Exchange identified criteria of independence should be met by the Independent Directors of the Company	All Independent Directors meet the above criteria.	Compliant
7.10.5 Remuneration Committee		
a. Composition of Remuneration Committee		
The Remuneration Committee shall compromise in at least two Directors in which a majority shall be independent	As per the Remuneration Committee report given in page 28 the Remuneration Committee comprises of three Non- Executive Directors.	Compliant

Governance Principle	Lanka Ceramic PLC adherence	Compliance Status
b. Functions of Remuneration Committee		
The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed entity to the Board of the listed Entity among other defined functions	As per the Remuneration Committee report given in page 28 the Remuneration Committee recommends the remuneration of the Senior Management of the Company to the Board.	Compliant
c. Disclosure in the Annual report		
The Annual Report should set out the names of Directors in comprising the Remuneration Committee and contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	The Remuneration Committee report given in page 28 set out the names of the Directors in the Remuneration Committee and aggregate remuneration paid to all Directors is given in page 77 in Note 25.3.	Compliant
7.10.6 Audit Committee		
a. Composition of Audit Committee		
The audit committee shall comprise of at least two Non-Executive Directors a majority of whom shall be independent	The Audit Committee consists of three Independent Non-Executive Directors.	Compliant
b. Functions of Audit Committee		
Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a listed Entity, in accordance with Sri Lanka Accounting Standards	The Audit Committee Report given in page 29 of the Annual Report explains the function of the Audit Committee which has executed the above function.	Compliant
c. Disclosure in the Annual report relating to Audit Committee		
The names of the Directors comprising the Audit Committee should be disclosed	The Audit Committee report in page 29 has addressed this requirement.	Compliant

RISK MANAGEMENT

INTRODUCTION

Risk Management is a critical requirement for any company operating in a rapidly changing competitive business environment. Lanka Ceramic PLC (LCPLC), recognizes the importance of risk management and the process of risk management is developed to ensure that key risks are proactively identified and managed effectively with a view to protecting the shareholder value, thereby, reducing and eliminating risks. The Company has identified a range of risks relevant to the environment in which the industry operates and undertook a comprehensive assessment of all that needs to be actively managed in order to safeguard the interests of the stakeholders. LCPLC continues to adopt a holistic approach in managing risk and developed relevant risk management measures as depicted below.

BUSINESS ENVIRONMENT RISK MANAGEMENT

Environment risks arises when there are external forces that may affect the viability of the enterprise's business model, including the fundamentals that drive the overall objectives and strategies that define it. It is the adverse impact on profits as a result of negative changes in the political, economic, legal and social environment.

Changing laws could be detrimental to the Company's capacity to conclude important transactions, enforce contractual agreements or implement specific strategies and activities. The Company is exposed to high political and regulatory risk as formulation of new laws and amendments to the existing laws and regulations are possibly unfavorable to the Company's competitive position and its capacity to efficiently conduct business.

The Company maintains a strong relationship with stakeholders including statutory bodies influencing socio-economic stability within the country and especially in the locality. The Company regularly reviews the level of regulatory compliance and persistently monitors them in order to counter political and regulation risk and minimize the impact of environmental risk.

The Company is a Member of the Sri Lanka Ceramic & Glass Council, The Employers' Federation of Ceylon, The Ceylon Chamber of Commerce, The Import Section of the Ceylon Chamber of Commerce, Sri Lanka- China Business Council, Sri Lanka-Australia-New Zealand Business Council and the National Chambers of Commerce of Sri Lanka, and also maintains a close relationship with government and public institutions. The Company also assists government institutions in formulation of new laws and regulations.

OPERATIONAL RISK MANAGEMENT

Operational risks associated with production/processes adversely affects the smooth operation of the Company. The Company has a strong operational control mechanism where mining and refining processes, production, quality, cost and efficiency are monitored on a daily basis. The Company continues to analyze the business environment and make appropriate changes to its strategic plan to ensure smooth operation of the plants.

Risk management is also designed to protect our employees and the general public from any adverse effects from adverse operational activities. Training and incentives are given to employees to improve efficiency, address any gaps in skills and enhance motivating factors in order to achieve the objectives.

Depletion of the present mineral deposits, inconsistency in the mineral deposits, issues on sourcing of new deposits and rapid changes in the weather patterns of the country exposes the Company to a high operational risk in mining and could affect the operation of the plants and lead to capacity constraints. The Company has been regularly monitoring the situation with the expert advice from the Geological Survey and Mines Bureau to ensure the continuous supply of the customer requirements in terms of quality and quantity. A Mineral exploration program has been initiated by the Sri Lanka Ceramic Council to find new deposits in collaboration with the Ministry of Industries and Commerce.

MARKET RISK

LCPLC's business, processing of ceramic raw materials, is mainly industry driven and our products always have a derived demand. There are a few established competitors and a couple of new entrants in the ceramic raw materials business. The Company being a member company of the largest ceramic manufacturing group has successfully overcome a number of challenges it faced with respect to the market share. Nevertheless the Company regularly monitors the customer requirements and takes appropriate steps to meet their requirements. The Company being the pioneer in the industry always maintains a very healthy business relationship with all the major ceramic manufacturing companies.

FINANCIAL RISK MANAGEMENT

Exposure to lower returns or the necessity to borrow due to shortfalls in cash or expected cash flows or variances in timing or significant movements in interest rates expose the firm to a number of negative factors. These include higher borrowing costs, lower investment yields or decreased asset values that result in financial risks. Movements in prices, rates, indices and such affect the value of the Company' financial assets and stock price, which may additionally impact its costs of capital and its ability to raise capital.

Credit limits and given credit is reviewed through a detailed approval process reducing risk of debt and monthly overdue debtors are reported to the Board for necessary action. These actions reduce cash flow risk and all capital projects are financially evaluated to ensure that inflows are matched with borrowings. Both floating and fixed rate debt is maintained and structured using loans share capital and internal fund management to reduce borrowings.

The Company conducts internal audit processes regularly, to monitor the compliance of best financial practices and statutory regulations and detect any deviations. The Company's financial risk management practices are subject to independent review by the Audit Committee.

CONCLUSION

The LCPLC considers risk management as a key area of focus. Lanka Ceramic being in the mining industry is exposed to high risk due to adverse weather conditions that prevailed in the country. The Company developed proper drainage systems and maintains adequate buffer stocks to cope with the adverse weather conditions.

As explained above LCPLC recognizes the complexity and the diversity of risks that surrounds its operational activities and the need to minimize the exposures to risk. Hence the company has taken adequate steps to minimize all potential risks and their probability of impact to the Company.

FINANCIAL CALENDAR -2017/18

1st Quarter 2017/18 Interim Financial Report (Unaudited)	01 August 2017
2nd Quarter 2017/18 Interim Financial Report (Unaudited)	08 November 2017
3rd Quarter 2017/18 Interim Financial Report (Unaudited)	09 February 2018
4th Quarter 2017/18 Interim Financial Report (Unaudited)	25 May 2018
Annual Report 2017/18	25 May 2018
27th Annual General Meeting	28 June 2018

FINANCIAL INFORMATION

FINANCIAL INFOMATIONS

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Adoption of the Code of Best Practices on Related Party Transactions

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

Purpose of the Committee

The purpose of the RPTRC of LCPLC is to conduct an independent review approval and oversight of all related party transactions of LCPLC 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 LCPLC consists of three (03) Directors. The members of the Committee during the year were:

Appointed with effect from July 2017

- Dr. S Selliah - Chairman (Independent Non-Executive Director)
- Ms. A M L Page - Member (Independent Non- Executive Director)
- Mr. K D G Gunaratne - Member (Independent Non- Executive Director)

Up to July 2017

- Mr. R N Asiriwatham - Chairman
- Mr. A M Weerasinghe - Member
- Mr. L W De S Wijeratne - Member

PW Corporate Secretarial (Pvt) Ltd, the Company Secretary functions as the Secretary to the Committee. Managing Director attends the meetings by invitation.

Meetings

The meetings were held two times during the year under review. The meeting minutes of the Committee meeting were tabled at Board meeting, for the review of the Board. The Related Party Transactions Review Committee meeting attendance of the Members is as follows.

Dr. S Selliah	(2/2)
Ms. A M L Page	(1/2)
Mr. K D G Gunaratne	(1/2)

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 authorized to:

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

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

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

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

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

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

Responsibilities of the Related Party Transactions Review Committee

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

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

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

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

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

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

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

Procedures for Reporting RPT's

Managing Director 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 Managing Director is required to report to the Committee on the approved related party transactions actually entered into by the Company.

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

Review of Related Party Transactions

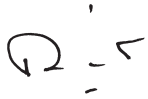
The Committee reviewed all related party transactions of the Company for the financial year 2017/18. It was observed that related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In relation to the non-recurrent related party transactions entered during the year Company has complied with the requirements stipulated by Securities and Exchange Commission of Sri Lanka.

In the opinion of the Committee, the terms of these transactions were not more favorable 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 25 to the Financial Statements, on page 77 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 30 to 34 of this Annual Report.



Dr S Selliah
Chairman - Related Party Transactions Review Committee

25 May 2018

REMUNERATION COMMITTEE REPORT

Role of the Remuneration Committee

The Committee reviews the performance of the executive staff against the set objectives and goals, and determines the compensation policy of the Company for all levels of employees. The Committee supports and advises the Board on remuneration and remuneration related matters and makes decisions under delegated authority with a view to aligning the interests of employees and shareholders.

Composition of the Remuneration Committee

The Remuneration Committee is a sub – committee of the main Board, to which it is accountable. The Remuneration Committee comprises of the following three independent non – executive Directors.

Appointed with effect from May 2017

Dr. S Selliah	-	Chairman of the Remuneration Committee
Mr. K D G Gunaratne	-	Committee Member
Ms. A M L Page	-	Committee Member

Up to July 2017

Mr. S H Amarasekera	-	Chairman of the Remuneration Committee
Mr. A M Weerasinghe	-	Committee Member
Mr. R N Asirwatham	-	Committee Member

The Committee members possess vast experience in the field of business management, human resource management, labour relations and labour law. Hence the Committee has adequate expertise in remuneration policy and management to deliberate and propose necessary changes, improvements to meet the roles and responsibility of the Committee.

Functions performed by the Remuneration Committee

a. The Remuneration Committee recommends the remuneration payable to the Senior Management of the Company to the Board to make the final determination. The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 77 of the Annual Report under key management remuneration.

b. Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. It also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.

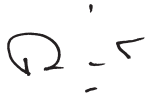
c. Constructing a specific cost of employment structure that enables Company to attract and retain a quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.

d. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.

e. Ensuring that staff costs are within the budget set by the Board and are sustainable over time.

Conclusion

The Committee is satisfied that it has completed the responsibilities that were delegated to it by the Board and the necessary objectives were achieved.



Dr. S Selliah
Chairman – Remuneration Committee

25 May 2018

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee of Lanka Ceramic PLC consisted of four Directors up to July 2017– Mr. L N de S Wijeratne (Chairman), Mr. S H Amarasekera, Mr. L T Samarawickrama and Mr. R N Asirwatham. With effect from July 2017 Mr. K D G Gunaratne (Chairman), Ms. A M L Page and Mr. J A P M Jayasekara (resigned w.e.f Oct.2017) served as audit committee members. Mr. J D N Kekulawela was appointed to the board and as the chairman of the audit committee (w.e.f 17th May 2018). The composition of the members of the Audit Committee satisfies the criteria as specified in the standards on Corporate Governance for Listing Companies.

Role of the Audit Committee

The Audit Committee is empowered to examine all matters pertaining to the financial affairs of the company and assists the Board of Directors in effectively discharging their duties. The Audit Committee examines the preparation, presentation and adequacy of disclosure with the Sri Lanka Accounting Standards (SLFRS/LKAS) and whether the financial reporting requirements are in accordance with the Companies Act No. 07 of 2007 and other relevant financial reporting related regulations and requirements.

The Audit Committee also reviewed and approved the annual and interim financial statements prior to the final approval by the Board. In all instance, the Audit Committee obtained relevant declarations from the Managing Director, Company Secretary and Legal Officer stating that the respective financial statements are in conformity with the applicable Accounting Standards, Company Law and other status including corporate Governance Rules and that the presentation of such Financial Statements are consistent with those of the previous quarterly statements of the year as the case may be and further states any departures from financial reporting statutory requirements and Group policies (if any).

This Audit Committee also reviewed the adequacy and proper continuous functioning of the internal control procedures of the Company to obtain reasonable assurances that the financial statements of the Company accurately reflect the state of affairs of the Company and the results for the period to which it relates.

An independent internal audit is carried out as and when required, Internal Audit Reports are reviewed and discussed with management with a view to further strengthening the internal control environment within the company. This Audit Committee also assessed major business and control risks of the Company.

Meetings

The Audit Committee meetings were held once during the year. Audit Committee Meeting attendance of the Members is as follows.

Mr. L N de S Wijeratne	(1/1)
Mr. S H Amarasekera	(1/1)
Mr. L T Samarawickrama	(0/1)
Mr. R N Asirwatham	(0/1)

Chief Executive Officer / Managing Director also attended the meeting by the invitation of Audit Committee. The Company Secretary functions as the Secretary to the Committee. Representatives of the external auditors also attended Audit Committee meetings by invitation.

External Audit

The Audit Committee, having assessed the independence and performance of the External Auditors M/s. Ernst & Young Chartered Accountants and recommended to the Board of Directors that they be re-appointed as Auditors of the Company for the year ending 31st March 2019, subject to the approval by the Shareholders at the Annual General Meeting. The Committee reviewed the Management Letter arising from the audit of Annual Statements together with the management response.

Mr. J D N Kekulawela
Chairman-Audit Committee

25 May 2018

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

The Directors of Lanka Ceramic PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2018.

General

Lanka Ceramic PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 on 19th January 1990 and re-registered as per the Companies Act, No.7 of 2007 on 5th June 2008 with PQ 157 as the new number assigned to the Company.

Both the registered office of the Company and its head office are situated at No. 23, Narahenpita Road, Nawala

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

The main activities of the Company during the year ended 31st March 2018 were mining, processing and sales of raw materials and allied products.

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

Re-purchase of Shares

On 31st August 2017, the Company 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 shares or payment of Rs. 190/- per share in cash.

Prior to the said re-purchase, the Capital of the Company was represented by Thirty Million (30,000,000) shares. However, further to the said re-purchase, Twenty Four Million (24,000,000) shares were cancelled and the Company now has an Issued Capital of Six Million (6,000,000) shares.

Financial Statements

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 39 to 80.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 36 to 38.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 43 to 55 and are consistent with those of the previous period, except for the policy on investment property included under Note 5.1.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 12 to 13.

Executive Directors

Mr. J A P M Jayasekera (Appointed w.e.f.1st November 2017)	-Managing Director

Non - Executive Directors

Mr. Dhammika Perera	-Chairman*
Mr. A M Weerasinghe	-Deputy Chairman
Mr. T G Thoradeniya	-Director
Mr. D J Silva	-Director

Independent Non - Executive Directors

Dr. S Selliah	-Director
Mr. K D G Gunaratne	-Director
Ms. A M L Page	-Director

*Mr. G A R D Prasanna - Alternate Director to Mr. Dhammika Perera.

Mr. J A P M Jayasekera was appointed the Managing Director of the Company on 1st November 2017.

Mr. G A R D Prasanna resigned as an Alternate Director to Mr. Dhammika Perera on 17th May 2018.

Mr. J D N Kekulawala was appointed to the Board as an Independent Non-Executive Director on 17th May 2018.

Ms. A M L Page and Mr. D J Silva retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 102 and 103 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Mr. J D N Kekulawala who was appointed during the year shall retire in terms of Article 109 of the Articles of Association of the Company and being eligible, is recommended by the Directors for re-election.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly

interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2018 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 25.3 to the Financial Statements on page 77.

Directors' Interests in Contracts

Directors' interests in contracts with the Company are stated in annexure (A). The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 25.3 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 following director related entities as described in annexure (A) On page 34.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 35.

Auditors

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

A total amount of Rs. 1,888,000 is payable by the Company to the Auditors for the year under review comprising Rs. 675,000 as audit fees and Rs. 1,213,000 as non audit fee.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 24 May 2018 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.300Mn

The number of shares issued by the Company stood at 6,000,000 fully paid ordinary shares as at 31st March 2018 (30,000,000 as at 31st March 2017).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2018 and 31st March 2017 are as follows.

	Shareholding as at 31/03/2018	Shareholding as at 31/03/2017
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekera	20	100
Mr. T G Thoradeniya	-	-
Dr. S Selliah	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	-	-
Mr. D J Silva	-	-

Subsequent to the share re-purchase, Royal Ceramic Lanka PLC is now the major shareholder of the Company holding 4,413,390 shares constituting 73.557% of the shares representing the stated capital of the Company. Mr. Dhammika Perera, Mr. A M Weerasinghe and Mr. T G Thoradeniya are Directors of Royal Ceramic Lanka PLC.

Shareholders

There were 1,484 shareholders registered as at 31st March 2018 (1,496 shareholders as at 31st March 2017). The details of distribution are given on page 82 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 81 to 83 under Share Information and 10 year summary.

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

Employment Policy

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

As at 31st March 2018, 80 persons were in employment (91 persons as at 31st March 2017).

Reserves

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 66.

Land holdings

The Company's land holdings referred to in note 3 and 5 of the accounts comprise of the following:

Location	No.of Buildings	Land Extent	Net written down value As at 31.03.2018 Rs.'000
Mining Land at Owala	7	26A-3R-17P	3,470
Land at Meetiyagoda	13	45A-0R-32.33P	28,943
Land at Dediyawala	-	50A-0R-5.48P	25,257
Total	20	121A-3R-54.81P	57,670

Location	No.of Buildings	Land Extent	Fair Value As at 31.03.2018 Rs.'000
Land at Kollupitiya	1	0A-1R-1.12P	740,160

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 3 to the Financial Statements on page 56 to 59.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2018 are given in Note 6.2.4 to the Financial Statements on page 63.

Donations

The Company made donations Rs. 123,285 during the year under review.

Risk Management

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 22 to 23.

Statutory Payments

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

Contingent Liabilities

As disclosed in Note 26 to the Financial Statements on page 78 there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Reporting date

As disclosed in Note 27 to the Financial Statements on page 78 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

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

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

W.e.f. July 2017

Mr. J D N Kekulawala	-	Chairman (Appointed w.e.f. 17th May 2018)
Mr. Gamini Gunaratne	-	Chairman up to May 2018
Ms. A M L Page		
Mr. J A P M Jayasekera	-	Up to October 2017

Up to July 2017

Mr. L N De S Wijeyeratne	-	Chairman
Mr. L T Samarawickrama		
Mr. R N Asirwatham		

Remuneration Committee

W.e.f. May 2017

Dr. S Selliah	-	Chairman
Mr. K D G Gunaratne		
Ms. A M L Page		

Up to May 2017

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

Related Party Transaction Review Committee

W.e.f. July 2017

Dr. S Selliah	-	Chairman
Mr. K D G Gunaratne		
Ms. A M L Page		

Up to July 2017

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

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 14 to 21 explains the measures adopted by the Company during the year.

Annual General Meeting

The Notice of the Twenty Seventh (27th) Annual General Meeting appears on page 84.

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

Dhammika Perera
Chairman

J A P M Jayasekara
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

25 May 2018

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

ANNEXURE A - RELATED PARTY TRANSACTIONS

Name of Related Party	Name of Director	Relationship	Details	Balance Outstanding as at 31/03/2018 Rs.
Lanka Tiles PLC	K D D Perera	Director	Materials worth of Rs.118,046,333/- were sold.	18,271,938
	A M Weerasinghe	Director	A sum of Rs.783,910/- was received as sales commission	
	J A P M Jayasekera	Director	A sum of Rs.140,000/- was received for reimbursement expenses	
	Dr.S Selliah	Director		
	A M L Page	Director		
	K D G Gunarathne	Director		
	T G Thoradeniya	Director		
Lanka Walltiles PLC	K D D Perera	Director	Materials worth of Rs.15,412,505/- were sold.	8,703,333
	A M Weerasinghe	Director	A sum of Rs.91,173/- was paid as reimbursement expenses	
	J A P M Jayasekera	Director	A sum of Rs.146,663/- was received as sales commission	
	Dr.S Selliah	Director		
	A M L Page	Director		
	K D G Gunarathne	Director		
	T G Thoradeniya	Director		
Horana Plantations PLC	K D D Perera	Director	Goods worth of Rs.64,875/- were purchased.	Nil
		Director	Goods worth of Rs.69,125/- were sold.	
Royal Ceramics Lanka PLC	K D D Perera	Director	Materials worth of Rs.43,863,032/- were sold.	6,323,605
	A M Weerasinghe	Director	A sum of Rs.46,347,376/- was paid as reimbursement expenses	
	T G Thoradeniya	Director		
	G A R D Prasanna	Director		
Royal Porcelain (Pvt) Ltd	K D D Perera	Director	Materials worth of Rs.6,141,802/- were sold.	121,687
	T G Thoradeniya	Director		
Rocell Bathware Ltd	K D D Perera	Director	Materials worth of Rs.7,217,826/- were sold.	586,151
	T G Thoradeniya	Director		
Swisstek (Ceylon) PLC	A M Weerasinghe	Director	Materials worth of Rs.1,343,360/- were sold.	Nil
	J A P M Jayasekera	Director		
	Dr.S Selliah	Director		
Delmege Ltd	K D D Perera	Director	Services worth of Rs.1,177,248/- were purchased	(323,136)

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements of the Company is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provision of the Companies Act No. 07 of 2007, is set out in the Independent Auditors' Report appearing on page 36.

The Companies Act No. 07 of 2007 stipulates that Directors are responsible for the preparation of financial statements for each financial year and place before a general meeting financial statements, comprising a Profit and Loss Account and a Statement of Financial Position which presents a true and fair view of the state of affairs the Company as at the end of the financial year and which comply with the requirements of the above Act.

The financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

As per Section 148 of the Act, the Directors are required to maintain sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for devising proper internal controls for safeguarding the assets of the Company against unauthorized use or disposition and prevention and detection of fraud and for reliability of financial information used within the business or publication.

The Directors continue to adopt the going concern basis in preparing accounts and after making inquiries and following a review of the Company's budget for the financial year 2018/2019 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

The Board of Directors is of the opinion that Board has discharged its responsibilities as set out above.

By order of the Board of
Lanka Ceramic PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
25 May 2018

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF LANKA CERAMIC PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Lanka Ceramic PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditors' 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.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment property As at 31 March 2018, Land and Buildings carried at fair value, classified as Investment Property amounted to Rs. 827.6 Mn. The fair value of such property was determined by an external valuer engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.	Our audit procedures focused on the valuation performed by the external valuer engaged by the Group, and included the following; • Assessed the competency, capability and objectivity of the external valuer engaged by the Group • Read the professional valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value • Engaged our internal specialised resources to assess the reasonability of the valuation technique, per perch price and value per square foot • We have also assessed the adequacy of the disclosures made in Notes 2.2.2. (e), 2.3.9 and 5 to the financial statements relating to the valuation technique and estimates used by the professional valuer.

Key Audit Matter	How our audit addressed the key audit matter
Share repurchase The Group exercised a group restructure through a Share repurchase transaction during the year as more fully described in notes 2.1.4(b) and 6 to the financial statements. The share repurchase transaction is identified as a key audit matter as the above transaction resulted in a loss of control over Lanka Walltiles PLC, which required our focus over identification and application of appropriate accounting policies and applicable disclosure relating to the restructure.	Our procedures included the following; • We inspected relevant information, including public announcements made, related minutes of the meeting of the Board of Directors, in order to understand the nature of the transaction. • We assessed whether the consequential loss of control over Lanka Walltiles PLC (subsidiary) and resulting discontinued operation are appropriately accounted and adequately disclosed in the financial statements.

Other information included in the Group's 2018 Annual Report

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

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

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

Responsibilities of management and those charged with governance

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

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

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

Auditors' 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 auditors' 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 judgement 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

25 May 2018
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018	Note	Group 2018 Rs.'000	Group 2017 (Restated) Rs.'000	Company 2018 Rs.'000	Company 2017 (Restated) Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	118,113	13,171,704	118,113	121,725
Consumable biological assets		-	490,534	-	-
Leasehold rights over mining land	4	6,536	16,080	6,536	16,080
Investment property	5	827,600	706,000	827,600	706,000
Intangible assets - goodwill	6	-	10,849	-	-
Investments in subsidiaries		-	-	-	673,371
Long term receivables		-	27,285	-	-
Deferred tax asset		-	12,176	-	-
		952,249	14,434,628	952,249	1,517,176
Current assets					
Non-harvested produce on bearer biological assets		-	6,860	-	-
Inventories	8	5,709	4,312,603	5,709	6,078
Trade and other receivables	9	78,579	2,937,482	78,579	79,269
Income tax receivable		-	24,674	-	-
Other financial assets	6.2.4	134,361	-	134,361	-
Cash and cash equivalents	23	6,188	1,447,488	6,188	20,556
		224,837	8,729,107	224,837	105,903
Total assets		1,177,086	23,163,735	1,177,086	1,623,079
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	10	300,000	300,000	300,000	300,000
Reserves	11	218,370	2,107,446	218,370	303,292
Retained earnings		163,156	4,357,472	163,156	698,453
Equity attributable to equity holders of the parent		681,526	6,764,918	681,526	1,301,745
Non controlling interest		-	7,435,973	-	-
Total equity		681,526	14,200,891	681,526	1,301,745
Non-current liabilities					
Interest bearing liabilities	12	126,926	1,933,074	126,926	190,768
Deferred tax liabilities	7	145,983	1,052,461	145,983	-
Retirement benefit liability	13	9,996	665,488	9,996	9,399
Other non-current liabilities	14	15,000	153,189	15,000	15,000
		297,905	3,804,212	297,905	215,167
Current liabilities					
Trade and other payables	15	21,658	1,821,952	21,658	28,119
Income tax liabilities		5,056	182,932	5,056	13,005
Interest bearing liabilities	12	170,941	3,153,748	170,941	65,042
		197,655	5,158,632	197,655	106,167
Total equity and liabilities		1,177,086	23,163,735	1,177,086	1,623,079

I certify that, these Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

B G W Sarathchandra
Group Finance Controller

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

Dhammika Perera
Chairman

J A P M Jayasekara
Managing Director

The accounting policies and notes on pages 43 to 80 form an integral part of the financial statements.

25 May 2018
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018	Note	Group 2018 Rs.'000	Group 2017 (Restated) Rs.'000	Company 2018 Rs.'000	Company 2017 (Restated) Rs.'000
Revenue	16	178,932	282,830	178,932	282,830
Cost of sales		(102,816)	(129,876)	(102,816)	(129,876)
Gross profit		76,116	152,954	76,116	152,954
Fair value gain on investment property	5.2	121,600	178,750	121,600	178,750
Other income	17	38,212	37,491	160,457	282,134
Distribution costs		(14,153)	(30,022)	(14,153)	(30,022)
Administrative expenses		(56,166)	(52,302)	(56,166)	(52,302)
Finance cost	18	(40,498)	(37,584)	(40,498)	(37,584)
Finance income	19	1,021	5,724	1,021	5,724
Profit before tax	20	126,132	255,011	248,377	499,654
Income tax expense	21.1	(79,761)	(41,515)	(66,178)	(14,333)
Profit for the year from continuing operations		46,371	213,496	182,199	485,321
Profit after tax for the year from discontinued operations	6.2	981,475	1,973,211	-	-
Profit for the year		1,027,846	2,186,708	182,199	485,321
Other comprehensive income					
Foreign currency translation differences of foreign operations		(531)	-	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		(531)	-	-	-
Revaluation of land and building		-	119,535	-	-
Actuarial gain/ (loss) on retirement benefit liability	13	(118)	74,983	(118)	(80)
Deferred tax on components of other comprehensive income	21.1	(84,889)	(15,497)	(84,889)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		(85,007)	179,021	(85,007)	(80)
Other comprehensive income for the year (net of tax)		(85,538)	179,021	(85,007)	(80)
Total comprehensive income for the year		942,308	2,365,728	97,192	485,241
Profit attributable to :					
Equity holders of the parent		477,483	933,794	182,199	485,321
Non controlling interest		550,363	1,252,913	-	-
Profit for the year		1,027,846	2,186,707	182,199	485,321
Total comprehensive income attributable to :					
Equity Holders of the Parent		392,360	1,022,504	97,192	485,241
Non Controlling Interest		549,948	1,343,224	-	-
Total comprehensive income for the year		942,308	2,365,728	97,192	485,241
Earnings per share- from continuing operations (Rs.)	22.1	2.89	7.12	11.34	16.18
Earnings per share- from discontinued operations (Rs.)	6.2.2	26.84	24.01	-	-
Dividends per share (Rs.)	22.2	-	8.00	-	8.00

The accounting policies and notes on pages 43 to 80 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018		Attributable to the equity holders of the parent							
Group	Note	Stated capital Rs.' 000	Capital reserves Rs.' 000	Revaluation reserve Rs.' 000	General reserve Rs.' 000	Retained earnings Rs.' 000	Total Rs.' 000	Non controlling interests Rs '000	Total equity Rs '000
Balance as at 31 March 2016		300,000	139,659	1,871,659	32,166	3,181,427	5,524,911	6,576,695	12,101,606
Prior year adjustment	5.1	-	-	-	-	288,536	288,536	-	288,536
Balance as at 01 April 2016 - (Restated)		300,000	139,659	1,871,659	32,166	3,469,963	5,813,447	6,576,695	12,390,142
Profit for the year		-	-	-	-	933,794	933,794	1,252,913	2,186,707
Other comprehensive income		-	-	63,962	-	24,748	88,710	90,310	179,020
Total comprehensive income		-	-	63,962	-	958,542	1,022,504	1,343,223	2,365,727
Subsidiaries dividend to minority shareholders		-	-	-	-	168,967	168,967	(483,945)	(314,978)
Dividends paid	22.2	-	-	-	-	(240,000)	(240,000)	-	(240,000)
Balance as at 31 March 2017		300,000	139,659	1,935,621	32,166	4,357,472	6,764,918	7,435,973	14,200,891
Profit for the year		-	-	-	-	477,483	477,483	550,363	1,027,846
Other comprehensive income		-	-	(84,922)	-	(200)	(85,121)	(416)	(85,537)
Total comprehensive income		-	-	(84,922)	-	477,283	392,362	549,947	942,309
Subsidiaries dividend to minority shareholders		-	-	-	-	-	-	(150,016)	(150,016)
Shares issued to minority shareholders		-	-	-	-	-	-	5,997	5,997
Share repurchase									
-Settled through Cash						(184,682)	(184,682)		(184,682)
-Settled through disposal of Subsidiary	6.1					(4,376,720)	(4,376,720)	-	(4,376,720)
Effect of disposal of Subsidiary	6.1	-	(139,659)	(1,632,329)	(32,166)	(110,197)	(1,914,351)	(7,841,901)	(9,756,252)
Balance as at 31 March 2018		300,000	-	218,370	-	163,156	681,526	-	681,526

Company		Stated capital Rs.' 000	Revaluation reserve Rs.' 000	Retained earnings/ (loss) Rs.' 000	Total Rs.' 000
Balance as at 31 March 2016		300,000	303,292	164,676	767,968
Prior year adjustment	5.1	-	-	288,536	288,536
Balance as at 01 April 2016 - (Restated)		300,000	303,292	453,212	1,056,504
Profit for the year		-	-	485,321	485,321
Other comprehensive income		-	-	(80)	(80)
Total comprehensive income		-	-	485,241	485,241
Dividends paid	22.2	-	-	(240,000)	(240,000)
Balance as at 31 March 2017		300,000	303,292	698,453	1,301,745
Profit for the year		-	-	182,199	182,199
Other comprehensive income		-	(84,922)	(85)	(85,007)
Total comprehensive income		-	(84,922)	182,114	97,192
Share repurchase					
-Settled through Cash		-	-	(184,682)	(184,682)
-Settled through disposal of Subsidiary	6.1	-	-	(4,376,720)	(4,376,720)
Effect of disposal of Subsidiary	6.1	-	-	3,843,991	3,843,991
Balance as at 31 March 2018		300,000	218,370	163,156	681,526

The accounting policies and notes on pages 43 to 80 form an integral part of the financial statements.

CASH FLOW STATEMENT

	Note	Group 2018 Rs.'000	Group 2017 (Restated) Rs.'000	Company 2018 Rs.'000	Company 2017 (Restated) Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax from continuing operations		126,132	255,011	248,377	499,654
Profit before income tax from discontinued operations		1,334,564	2,622,586	-	-
Adjustments for					
Depreciation and amortisation		426,988	637,089	20,672	12,202
Amortisation of leasehold right over land		3,130	-	3,130	-
Change in Fair Value of biological assets		(6,407)	-	-	-
Profit/ (loss) on sale of property, plant and equipment		1,207	3,199	(246)	(8)
Finance costs		353,884	447,893	34,217	37,584
Investment (income)/loss		20,441	(169,767)	6,281	(250,367)
Provision for retirement benefit obligations		98,764	123,307	1,904	1,614
Allowance/ (reversal) for obsolete and slow moving inventories		2,000	(3,013)	-	-
Allowance for doubtful debts		1,614	(5,650)	-	-
Revaluation gain on investment property		(121,600)	(178,750)	(121,600)	(178,750)
Deferred income/capital grants amortisation		(2,944)	(4,760)	-	-
Write off field development expenditure		-	743	-	-
Changing in fair value of biological assets		-	(28,871)	-	-
Exchange loss		(7,977)	10,740	-	-
Operating profit before working capital changes		2,229,796	3,709,757	192,734	121,929
Working capital adjustments					
(Increase)/ decrease in inventories		(872,948)	(1,164,672)	368	(928)
(Increase)/ decrease in trade and other receivables		(607,357)	(691,243)	690	(17,763)
Increase /(decrease) in trade and other payables		211,867	257,876	(6,456)	11,539
Cash generated from operations		961,358	2,111,718	187,336	114,777
Finance costs paid		(353,884)	(447,893)	(34,217)	(37,584)
Retirement benefit plan costs paid		(50,827)	(91,222)	(1,425)	(1,145)
Income tax paid		(440,727)	(822,373)	(13,033)	(7,618)
Net cash flows from operating activities		115,920	750,230	138,661	68,430
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(422,678)	(1,651,306)	(10,850)	(27,505)
Acquisition of consumable biological assets		(145,801)	(14,640)	-	-
Acquisition of leased hold right over mining land		-	(8,000)	-	(8,000)
Proceeds from sale of property, plant and equipment		888	8,207	447	647
Income from investments		108,085	169,767	-	250,367
Net cash flows from/(used in) investing activities		(459,506)	(1,495,972)	(10,403)	215,509
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Proceeds from interest bearing loans and borrowings		3,193,649	4,697,987	61,200	12,113
Repayment of interest bearing borrowings		(3,025,325)	(4,297,126)	(63,965)	(64,172)
Repurchase of shares		(184,682)	-	(184,682)	-
Dividends paid on ordinary shares		(218,400)	(390,000)	-	(390,000)
Dividend paid to non controlling interest		(67,438)	(314,978)	-	-
Proceeds on issue of shares to minority shareholders		5,997	-	-	-
Capital grants received		2,199	8,650	-	-
Net cash flows used in financing activities		(294,000)	(295,467)	(187,447)	(442,059)
Effect on cash and cash equivalents from disposal of subsidiary		330,742	-	-	-
Net increase/(decrease) in cash and cash equivalents		(306,844)	(1,041,209)	(59,189)	(158,119)
Cash and cash equivalents at the beginning of the year	23	264,576	1,305,785	16,921	175,038
Cash and cash equivalents at the end of the year	23	(42,268)	264,576	(42,268)	16,921

The accounting policies and notes on pages 43 to 80 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Lanka Ceramics PLC ("Company") is a 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. 23, Narahenpita Road, Nawala.

1.2 Principal activities and nature of operations

During the year, principal activities of the Company were to provide raw materials to ceramic industry and managing and holding of investments in an investment property.

1.3 Parent enterprise and ultimate parent enterprise

The Company's parent entity is Royal Ceramics Lanka PLC and the Company's ultimate parent undertaking and controlling party is Vallibel One PLC.

1.4 Date of authorization for issue

The Financial Statement of Lanka Ceramic PLC and its Subsidiaries for year ended 31 March 2018 was authorised for issue in accordance with a resolution of the Board of Directors dated 25 May 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.1 Basis of measurement

The financial statements of the Company and the Group have been prepared on a historical cost basis, other than for following assets measured at fair value;

1. Property, Plant and Equipment
2. Biological assets
3. Investment properties
4. Other financial assets

The financial statements are presented in Sri Lankan Rupees (Rs), except when otherwise indicated.

2.1.2 Statement of compliance

The financial statements of the Company and consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards ("SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act No.07 of 2007.

2.1.3 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.1.4 Changes in accounting policies and disclosure

The accounting policies adopted are consistent with those used in the previous financial year except for the policy on investment property included under Note 2.1.4(a).

2.1.4(a) change in Accounting policy related to measurement of Investment property.

The Group has changed its accounting policy in relation to subsequent measurement of investment property from cost model to Fair value model.

Accordingly, the Group has applied this change in accounting policy retrospectively in the Financial Statements. For the details refer note 5.

2.1.4(b) Group Restructure

During the year, the Company made a share repurchase offer to all of its shareholders to repurchase 80% of its own shares in the proportion of four shares out of every five shares held by a shareholder. The fair value of the consideration for the repurchase was determined as either exchange of 1:1.4148 number of Lanka Walltiles PLC shares or payment of Rs. 190/- per share in cash. Accordingly the resulting liability of the share repurchase has been accounted at its fair value. Following the acceptance of this offer the Company lost its controlling stake over Lanka Walltiles PLC and accordingly, the share repurchase consideration settled through shares of Lanka Walltiles PLC was recorded as a disposal of subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

Consequentially the Group derecognised the related assets (including goodwill), liabilities, non-controlling interest and other components of equity. As the above transaction was under common control, the resultant effect of such derecognition has been accounted within Equity. The investment retained is classified as an investment to be carried at fair value through profit or loss. The Company thereby discontinued the consolidation of financial results of Lanka Walltiles PLC and its subsidiaries from October 2017. The operational results of Lanka Walltiles PLC and its subsidiaries are reflected as relevant in the consolidated financial statements as discontinued operations up to the date of disposal. Detailed notes for the Group have not been presented in these financial statements following the disposal of the subsidiary detailed in Note 6.

2.1.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and Its Subsidiaries as at the reporting date. 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:

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee
3. 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:

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

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

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

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

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

2.1.6 Goodwill

Business combinations 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 any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 acquire are assigned to those units.

2.2 Significant Accounting Judgments, Estimates And Assumptions

2.2.1 Judgements

In the process of applying the Group accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

a) Taxation

The group is subject to income taxes and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of preparation of these financial statements. The Group recognized assets and liabilities for current and deferred based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

b) 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. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainties.

2.2.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and Liabilities are given in related notes to the financial statements.

a) Defined benefit plans

The cost of defined benefit plan- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 13.

b) Fair value of freehold land and buildings

The Group measures freehold land and buildings at fair value with changes in fair value being recognized in other comprehensive income. 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.

Fair value related disclosures for assets measured at fair value are summarized in the Note 3 to the financial statements.

c) Impairment of debtors

The Group reviews at each reporting date all receivables to assess impairment of debtors. (Note 9).

d) Deferred tax assets

Deferred tax assets are recognized 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 recognized, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

e) Fair Value of investment properties

The Group carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Group engaged an independent valuer to determine the fair value as at 31 March 2018. The valuation of investment property, management require to make significant estimates such as current market price per perch, market rent per similar properties and yield rate which are based on current and future market or economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

Fair value related disclosures for assets measured at fair value are summarized in the Note 5 to the financial statements.

f) Impairment of non financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When values in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

g) 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, judgement 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 12.4.

h) 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. .

2.3 Summary Of Significant Accounting Policies

2.3.1 Foreign currency translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was determined.

2.3.2 Fair value measurement

Fair value related disclosures for assets measured at fair value or assets and liabilities that are not measured at fair value, for which fair values are disclosed, are summarized in the Note 3.1 (f), Note 12.4 and Note 5.3 to the financial statements.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows,

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
The management determines the policies and procedures for both recurring fair value measurement and for non- recurring measurement.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Taxation

Current taxes

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 total comprehensive income.

Deferred taxation

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 the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and 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.

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 tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity statement is recognized in equity statement and not in the statement of total comprehensive income.

Sales tax

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.

2.3.4 Borrowing costs

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of comprehensive income using the effective interest method.

The amounts of borrowing cost 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 the field development activities have been capitalized as part of the cost of relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

NOTES TO THE FINANCIAL STATEMENTS

2.3.5 Inventories

Inventories are valued at the 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:-

Finished goods and work-in-progress

At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity, but excluding borrowing cost.

Trading goods

At purchase cost on first in first out basis

Consumable and spares

At actual cost on weighted average basis

Raw materials

At purchase cost on weighted average cost basis, except for Ceytea Plantation Management Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

Goods in transit

At actual cost

2.3.6 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and short-term deposits, loans, trade and other receivables. Accordingly the group financial assets have been classified as Loans and Receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. 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 and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances 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. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) 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 amortized cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognized in the statement of comprehensive income.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized 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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization 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.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized; the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

Financial liabilities

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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification:

c) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

NOTES TO THE FINANCIAL STATEMENTS

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

Derecognition

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

2.3.7 Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognized 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 income statement in the year the asset is derecognized.

Depreciation is calculated on a straight line basis over the useful life of the assets. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Free hold land and building is subsequently measured at fair value. Valuations are performed every 3-5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognized in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2.3.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

2.3.8.1 Finance leases

Assets obtained under finance lease, which effectively transfer to the Group substantially the entire risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of the present value of the minimum lease payments and fair value of the leased property.

Assets held under finance lease are amortized shorter of the lease period or the useful lives of equivalent owned assets, unless ownership is not transferred at the end of the lease period.

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 capitalized, 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.

2.3.8.2 Operating leases

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 income statement 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 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 recognized over the lease term on the same basis rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.3.9 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 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.

2.3.10 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, 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 recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of total comprehensive income net of any reimbursement.

2.3.11 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 LKAS 19 – "Employee benefits". 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. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

Funding arrangements

The Gratuity liability is not externally funded.

(b) Defined contribution plans- employees' provident fund and employees' trust fund

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

The Group contributes 12% & 15% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount an asset is considered impaired and is written down to its recoverable amount.

2.4.13 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand 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 the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

2.3.14 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that 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 have been used for the purpose of recognition of revenue.

Sale of goods

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

Interest

For all financial instruments measured at amortized cost and interest bearing financial assets, 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 total comprehensive income.

Dividends

Dividend income is recognized when the shareholders' right to receive payment is established.

Rental income

Rental income receivable under operating leases is recognized on a straight-line basis over the term of the lease.

Other income

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non- current assets including investments have been accounted for in the statement of total comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of re-valued property, 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.

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

2.4.1 Basis of preparation

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

a) Lease hold right to Bare Land and leased assets of JEDB/ SLSPC, which have been revalued as more fully described in Note 3.1 (d) and (e)
b) Consumable Mature Biological Assets are measured at fair value less cost to sell. (LKAS 41)
c) Employee Benefits recognized based on actuarial valuation (LKAS 19)

2.4.2 Property, plant and equipment

a) Permanent land development cost
Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands.
These costs have been capitalized and amortized over the remaining lease period.

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

b) Biological assets

(i) Bearer biological assets & consumer biological assets

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

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

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

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

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

The 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

The main variables in Discounted Cash Flow model concerns,

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

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

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

(ii) Infilling cost on biological assets

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

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

(iii) Produce on bearer biological assets

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 fair value of such agricultural produce are 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.

2.4.3 Inventories

a) Agricultural produce harvested from biological assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi finished inventories from Agricultural produce are valued by adding the cost of 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 allowances for obsolete and slow moving items.

2.4.4 Retirement benefit liability

a) Defined benefit plan

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

Provision for gratuity on the employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries. Messers Actuarial Management and Consultants (Private) Limited as at 31 March 2018.

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.

2.4.5 Deferred income

a) Grants and subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 16 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.

2.4.6 Revenue recognition

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognized 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 recognized as a reduction of revenue as the sales are recognized. The fair value gain arising on the valuation of harvested crops has been separately disclosed as part of the revenue.

2.5 Effect Of Sri Lanka Accounting 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 9 – Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The group expect no significant impact on its statement of financial position and equity.

SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The group plans to adopt the new standard on the effective date using full retrospective method possible impact from SLFRS 15 is not estimable as of the reporting date as the Group is in the process of completing the detail impact analysis.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognize assets and liabilities for all leases un less 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

3 PROPERTY, PLANT & EQUIPMENT

a) Gross carrying amounts	Company Balance as at 01.04.2017 Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2018 Rs.'000
At cost				
Plant and machinery	59,833	4,877	-	64,710
Tools, implements, furniture & fittings and electrical appliances and computer software	6,254	439	-	6,693
Transport & communication equipment	13,152	-	(320)	12,832
	79,239	5,316	(320)	84,235
At valuation				
Freehold land and clay mining land	55,301	5,250	-	60,551
Buildings	20,048	282	-	20,330
	75,349	5,532	-	80,881
Assets on finance lease				
Plant and machinery	15,487	-	-	15,487
Transport & communication equipment	4,530	-	-	4,530
	20,017	-	-	20,017
Total	174,605	10,848	(320)	185,133

b) Depreciation	Company Balance as at 01.04.2017 Rs.'000	Charge for the year Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2018 Rs.'000
At cost				
Plant and machinery	37,678	4,822	-	42,500
Tools, implements, furniture & fittings and electrical appliances and computer software	2,901	1,277	-	4,178
Transport & communication equipment	6,554	1,847	(120)	8,281
	47,133	7,946	(120)	54,959
At valuation				
Freehold and clay mining land	1,361	1,520	-	2,881
Buildings	1,600	1,851	-	3,451
	2,961	3,371	-	6,332
Assets on finance lease				
Plant and machinery	2,440	2,035	-	4,474
Transport & communication equipment	348	906	-	1,254
	2,788	2,941	-	5,728
Total	52,881	14,258	(120)	67,019

c) Net book value of assets	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At cost				
Buildings	-	275,675	-	-
Plant and machinery	22,210	3,430,599	22,210	22,157
Water supply, electricity distribution scheme	-	127,108	-	-
Tools, implements, furniture & fittings and electrical appliances and computer software	2,515	156,015	2,515	3,353
Transport & communication equipment	4,551	156,895	4,551	6,598
At valuation				
Freehold land and clay mining land	57,670	3,932,446	57,670	53,940
Buildings	16,879	2,544,923	16,879	18,448
Assets on finance leases				
Leasehold land	-	12,652	-	-
Plant and machinery	11,012	22,111	11,012	13,047
Transport & communication equipment	3,276	17,789	3,276	4,182
Capital work in progress	-	246,533	-	-
Net assets value	118,113	10,922,746	118,113	121,725

d) Net book value of assets	Group		Company	
	As at 31.03.2018 Rs.'000	As at 31.03.2017 Rs.'000	As at 31.03.2018 Rs.'000	As at 31.03.2017 Rs.'000
Property, plant and equipment [3 (c)]	118,113	10,922,746	118,113	121,725
Leasehold right to bare land of JEDB/SLSPC Estates [3 (e)]	-	109,120	-	-
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [3 (e)]	-	54,820	-	-
Bearer biological assets [3 (e)]	-	2,085,018	-	-
Total	118,113	13,171,704	118,113	121,725

(e) These assets have been derecognised on disposal of subsidiary

NOTES TO THE FINANCIAL STATEMENTS

(f) Fair value measurement disclosure related to properties are carried valuation are as follows;

Location	Extent	Valuer	Valuation date	Valuation details	"Significant unobservable input : price per perch/ acre/range"	"Fair value measurement using significant unobservable inputs (Level 3) Rs.000's"
Mining Land at Owala	25A-2R-15P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 100,000/- to Rs. 250,000/- per acre	4,809
Land situated at Owala	1A-1R-02.0P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 400,000/- per acre	500
Factory building & office building at Owala mine	7038 Sq.ft	Mr.P.B.Kalugalagedera	31 March 2016	Depreciated cost method	Rs. Nil to Rs. 1,000/- per sq.ft	5,157
Mining Land at Meetiyagoda	35A-10R-4.33P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 300,000/- to Rs. 1,000,000/- per acre	17,051
Mining Land at Dediyawala	50A-0R-05.48P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 200,000/- per acre	10,007
Land situated at Meetiyagoda	7A-2R-28P	Mr.P.B.Kalugalagedera	31 March 2016	Market based evidence	Rs. 750,000/- to Rs. 1,750,000/- per acre	12,931
Factory building & office building at Meetiyagoda mine	39,512sq.ft	Mr.P.B.Kalugalagedera	31 March 2016	Depreciated cost method	Rs. 100/- to Rs. 500/- per sq.ft	13,557

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

(g) The useful lives of the assets are estimated as follows ;

	2018 Years	2017 Years
Non plantation assets		
Clay mining Land	Units of production basis	Units of production basis
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	4 to 12	4 to 12
Permanent land development cost	40	40

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

	Company			
	Cost	Accumulated depreciation	Net carrying amount	Net carrying amount
	2018	2018	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold land and clay mining land	4,354	(3,528)	826	1,556
Freehold building	34,468	(22,893)	11,575	13,939
	38,822	(26,421)	12,401	15,495

4 LEASEHOLD RIGHT OVER MINING LAND

	Group/Company	
	2018	2017
	Rs.'000	Rs.'000
Cost		
Balance at the beginning of the year	23,880	15,880
Additions	-	8,000
Disposals	(8,080)	-
Balance at the end of the year	15,800	23,880
Accumulated Depreciation / Amortisation		
Balance at the beginning of the year	7,800	7,800
Charge for the year	3,130	-
Disposals	(1,666)	-
Balance at the end of the year	9,264	7,800
Written down value	6,536	16,080

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTY

5.1 Prior year Adjustment- Change in accounting policy

During the year, the Company has changed in its accounting policy in relation to subsequent measurement of Investment Property from Cost model to Fair Value model. According to LKAS 8 Accounting Policies, Changes in Accounting Estimates & Errors, the retrospective adjustments have been made for the above accounting policy change.

	Group			Company		
	Previously reported amount	Adjustment amount	Restated amount	Previously reported amount	Adjustment amount	Restated amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Profit or Loss - Year ended 31 March 2017						
Other income	37,491	178,750	2,016,241	282,134	178,750	460,884
Administrative expenses	52,992	690	52,302	52,992	690	52,302
Profit before tax	75,571	255,011	499,654	320,214	179,440	499,654
Statement of financial position						
Investment Property						
Balance as at 1st April 2016	238,714	288,536	527,250	238,714	288,536	527,250
Balance as at 1st April 2017	238,024	467,976	706,000	238,024	467,976	706,000
Retained Earnings						
Balance as at 1st April 2016	3,181,427	288,536	3,469,963	164,676	288,536	453,212
Balance as at 1st April 2017	3,889,496	467,976	4,357,472	230,477	467,976	698,453

5.2

	Group/Company	
	2018	2017
	Rs.'000	Rs.'000
Balance at the beginning of the year- as previously reported	238,024	238,714
Prior year adjustment (5.1)	467,976	288,536
Balance at the beginning of the year- as restated	706,000	527,250
Change in Fair Value	121,600	178,750
Balance at the end of the year	827,600	706,000

As at 31 March 2018, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kolupitiya Road, Colombo 03 (1R - 1.12 P).

5.3 Fair value of investment property

The fair value of freehold land and buildings were determined by P.B Kalugalagedara and Associates an independent professionally qualified valuer (Valuation report dated 31 March 2018). The basis of valuation is the Direct Capital Comparison Method using the depreciated value of buildings and Current Open Market Value of land.

Investment property	Group/Company Fair value measurement using significant unobservable inputs (Level 3)	Group/Company Fair Value measurement using significant unobservable inputs (Level 3)	Group/Company Fair Value measurement using significant unobservable inputs (Level 3)
	2018	2017	2016
	Rs.	Rs.	Rs.
Date of valuation	31 March 2018	31 March 2017	31 March 2016
Land	740,200,000	617,000,000	452,250,000
Building	87,400,000	89,000,000	75,000,000
Significant unobservable input :			
Price per perch	18,000,000	15,000,000	11,000,000
Price per square foot	Rs. 2,000/- Rs. 3,900/-	Rs. 2,000/- Rs. 4,000/-	Rs. 2,000/- Rs. 3,250/-

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

5.3.1 Rental Income earned from Investment Property by the Group amounted Rs. 36.75 Mn. (2017 - Rs. 36. 75 Mn). Direct operating expenses incurred by the Group amounted to Rs. 1.39 Mn.(2017 - Rs. 1.86 Mn.).

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

	Less than 1 year	Between 1year and 5 years	Over 5years
	Rs.'000	Rs.'000	Rs.'000
2017-18	36,750	147,000	36,750
2016-17	36,750	147,000	73,500

6. SHARE REPURCHASE

During the year the Company made a share repurchase offer to all of its shareholders to repurchase 80% of its own shares in the proportion of four shares out of every five shares held by a share holder. The consideration for the repurchase is determined as either exchange of 1 : 1.4148 number of Lanka Walltiles PLC shares or payment of Rs. 190/- per share in cash. Upon Completion of the Share repurchase on 08 November 2017, the Company currently held 2.5% of ordinary shares of Lanka Walltiles PLC. As the share repurchase transaction resulted in the Company losing the control over Lanka Walltiles PLC, the share repurchase settled through shares of Lanka Walltiles PLC is recorded as a disposal of subsidiary. Consequentially the remaining investment in Lanka Walltiles PLC is classified as a Fair Value Through Profit or Loss (FVTPL) investment. (Refer Note 6.2.4)

NOTES TO THE FINANCIAL STATEMENTS

6.1 Disposal of Subsidiary

(a) Effect of disposal of subsidiary

	Group	Company
	Rs.'000	Rs.'000
Total consideration	4,376,720	4,376,720
Less: Carrying amount of the net assets disposed including Goodwill	(6,173,561)	(646,293)
Effect of disposal of Subsidiary	(1,796,841)	3,730,427
		-
(b) Effect of reclassification of residual investment in equity		
Fair value of the investment as at the date of classifying as FVTPL investment	140,642	140,642
Less: Carrying amount of the investment reclassified	(258,151)	(27,078)
Effect on reclassification of residual investment in equity	(117,509)	113,564
Total effect of disposal recognized in Equity	(1,914,350)	3,843,991

6.2 Discontinued Operations

Following the disposal of subsidiary as mentioned above, the operating results of Lanka Walltiles PLC and its subsidiaries are classified as discontinued operations. The segments related to Lanka Walltiles PLC and its subsidiaries are no longer presented in the segment note. The results of Lanka Walltiles PLC and its subsidiaries for the period in the consolidated financial statements are presented below;

6.2.1 Summary of statement of profit and loss

	Group	
	7 Months 2018	12 Months 2017
	Rs.'000	Rs.'000
Revenue	9,645,095	15,827,493
Cost of Sales	(6,726,827)	(10,589,672)
Gross Profit	2,918,268	5,237,821
Other Operating Income /(expenses)	74,310	114,351
Distribution Expenses	(904,237)	(1,466,590)
Administrative Expenses	(542,196)	(1,016,735)
Finance cost	(319,666)	(410,309)
Finance income	108,085	164,043
Profit before tax	1,334,564	2,622,581
Income tax expense	(353,089)	(645,370)
Profit for the period	981,475	1,973,211

	Group	
	2018	2017
	Rs.'000	Rs.'000
6.2.2 Earnings per share from discontinued operations (Rs.)	26.84	24.01

6.2.3 The net cash flows generated from / (used in) of Lanka Walltiles PLC and it's subsidiaries is as follows:

	Group	
	2018	2017
	Rs.'000	Rs.'000
Operating	(22,741)	681,800
Investing	(449,103)	(1,711,481)
Financing	(106,553)	146,591
Net cash (outflow)/inflow	(578,397)	(883,090)

6.2.4 Other Financial Assets

		Group/Company	
FVTPL Investments	Fair Value Hierarchy	2018	2017
Lanka Walltiles PLC		Rs.'000	Rs.'000
Fair value of the shares at reclassification	level 1	140,642	-
Fair Value Gain/(Loss)		(6,281)	-
Balance at the end of the year		134,361	-

7. DEFERRED TAX LIABILITIES

	Company	
	2018	2017
	Rs.'000	Rs.'000
At the beginning of the year	-	-
Charge / (reversal) arising during the year	61,094	-
Deferred tax release on components of other comprehensive income	84,889	-
Balance at the end of the year	145,983	-

7.1 Statement of financial position

Deferred tax liability	Applicable tax rate		
Capital allowances	28%	33,672	-
Revaluation surplus	28%	84,922	-
Investment property	28%	165,081	-
		283,675	-

NOTES TO THE FINANCIAL STATEMENTS

		Company	
		2018	2017
		Rs.'000	Rs.'000
Deferred tax assets			
Retirement benefit liability	28%	2,799	-
Carried forward tax losses	28%	127,412	-
Provision for obsolete and slow moving, consumables and spares	28%	145	-
Allowances for doubtful debts	28%	7,336	-
		137,692	-
Net Deferred tax liability		145,983	-

7.2 Statement of Comprehensive Income

Deferred Tax Charge / (Reversal)	84,922	-
Revaluation surplus	(33)	-
Retirement Benefit Liability	84,889	-

8. INVENTORIES

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials	60	1,555,820	60	6,257
Work in progress	-	161,942	-	-
Finished goods	174	2,093,053	174	340
Goods in transit	-	19,502	-	-
Consumables and spares	5,994	426,839	5,994	-
Harvested crops	-	189,715	-	-
Growing nurseries	-	197	-	-
Allowances for obsolete and slow moving inventory	(519)	(134,465)	(519)	(519)
Total	5,709	4,312,603	5,709	6,078

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade debtors - Related parties (9.1)	34,058	52,991	34,058	35,454
Other	2,873	2,121,912	2,873	3,076
	36,931	2,174,903	36,931	38,530
Other debtors	56,674	382,554	56,674	54,342
Advance and prepayments	11,032	392,721	11,032	12,130
Loans to company officers	142	47,606	142	467
Less: Allowances for doubtful debts	(26,200)	(60,302)	(26,200)	(26,200)
Total	78,579	2,937,482	78,579	79,269

Lanka Ceramics PLC when formed in 1990 took over the business and assets and liabilities, except for one division of Ceylon Ceramic Corporation. The division not taken over, continues to operate under the Corporation and a sum of approximately Rs. 26.2 Mn reflected as due from the Corporation at the time of the take over of business is still outstanding in the books of the Company and fully impaired as at 31 March 2018.

9.1 Amounts due from related parties

		Group		Company	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company					
Lanka Tiles PLC	Affiliated company	18,272	-	18,272	26,492
Lanka Walltiles PLC	Affiliated company	8,703	-	8,703	5,475
Rocell Bathware Ltd	Affiliated company	586	9,874	586	696
Royal Ceramics Lanka PLC	Affiliated company	6,375	11,374	6,375	1,865
Royal Porcelain (Pvt) Ltd	Affiliated company	122	22,664	122	926
Mabroc Teas (Pvt) Ltd	Affiliated company	-	11	-	-
Dipped Products PLC	Affiliated company	-	1,003	-	-
Delmage Forstyth & Co.Ltd	Affiliated company	-	7,065	-	-
MN Properties (Pvt) Ltd	Affiliated company	-	1,000	-	-
Total		34,058	52,991	34,058	35,454

9.2 As at 31 March, the ageing analysis of trade receivables are as follows:

Company	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		< 3 Months	3- 12 Months	> 1 Year		
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
2018	23,514	5,543	805	7,069	-	36,931
2017	25,693	12,801	-	36	-	38,530

Group	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		< 3 Months	3- 12 Months	> 1 Year		
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
2018	23,514	5,543	805	7,069	-	36,931
2017	1,814,304	234,303	92,290	18,849	15,157	2,174,903

10. STATED CAPITAL

10.1 Issued & fully paid

	Group/Company	
	2018	2017
	Rs.'000	Rs.'000
Balance at the beginning of the year	300,000	300,000
Balance at the end of the year	300,000	300,000

NOTES TO THE FINANCIAL STATEMENTS

10.2 Issued & fully paid

	Group/Company	
	2018	2017
	No.'000	No.'000
Balance at the beginning of the year	30,000	30,000
Share buy back during the year (10.3)	(24,000)	-
Balance at the end of the year	6,000	30,000

10.3 On 31st August 2017, the Company made a share repurchase offer to all of its shareholders to repurchase 80% of its own shares in the proportion of four shares out of every five shares held by a share holder (Note 6.1).

10.4 The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

11 RESERVES

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation reserve (11.1)	218,370	1,935,621	218,370	303,292
Capital reserve	-	139,659	-	-
General reserves	-	32,166	-	-
Total	218,370	2,107,446	218,370	303,292
11.1 Revaluation reserve				
On: Property plant & equipment				
Balance at the beginning of the year			303,292	303,292
Revaluation of freehold land and building net of tax as at 31 March			(84,922)	-
Balance at the end of the year			218,370	303,292

11.2 The above revaluation surplus consists of net surplus resulting from the revaluation of freehold land and building described in Note 3. Current year movement represents the deferred taxation provided on accumulated revaluation surplus arising on implementation of capital gain tax by the new Inland Revenue Act No. 24 of 2017.

12 INTEREST BEARING LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non current				
Long term loans (12.1)	122,858	1,837,313	122,858	183,572
Finance leases (12.2)	4,068	95,761	4,068	7,196
	126,926	1,933,074	126,926	190,768
Current				
Long term loans (12.1)	122,856	824,221	122,856	62,142
Finance leases (12.2)	3,129	10,637	3,129	2,765
Short term loans	-	1,139,478	-	-
Bank overdrafts (23)	44,956	1,179,412	44,956	135
	170,941	3,153,748	170,941	65,042
Total	297,867	5,086,822	297,867	255,810

12.1 Long term loans

	Company	
	2018	2017
	Rs.'000	Rs.'000
Balance at the beginning of the year	245,714	307,858
Repayments	-	(62,144)
Balance at the end of the year	245,714	245,714
Amount payable within one year	122,856	62,142
Amount payable after one year	122,858	183,572
	245,714	245,714

12.1.1 Short term loans

	Company	
	2018	2017
	Rs.'000	Rs.'000
Balance at the beginning of the year	-	-
Loans obtained	61,200	-
Repayments	(61,200)	-
Balance at the end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

12.2 Finance leases

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
JEDB/SLSPC estates (12.2.2)	-	146,384	-	-
Other finance lease creditors	8,237	23,108	8,237	12,078
Gross liability	8,237	169,492	8,237	12,078
Finance charges allocated to future period	(1,040)	(63,094)	(1,040)	(2,117)
Net liability	7,197	106,398	7,197	9,961
Amount payable within one year	3,129	10,637	3,129	2,765
Amount payable after one year	4,068	95,761	4,068	7,196
Total	7,197	106,398	7,197	9,961

12.2.1 Other finance lease creditors

Balance at the beginning of the year			12,078	9,190
New leases obtained			-	5,982
Repayments			(3,841)	(3,094)
Balance at the end of the year			8,237	12,078

12.2.2 JEDB/SLSPC estates have been derecognised on disposal of subsidiary

12.3 Details of long term loans of the Group/Company

Financial institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 31/03/2018 Rs '000	Balance as at 31/03/2017 Rs '000
Hatton National Bank PLC	08 installments	500,000	AWPLR based	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, Kolupitiya Road, Colombo 03 (1R - 1.12 P).	245,714	245,714
					245,714	245,714

12.4 Fair value of financial assets and liabilities not carried at fair value

"Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non–financial assets and non–financial liabilities.

	Carrying amount		Fair value	
	2018	2017	2018	2017
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets			-	-
Trade and other receivables	21,905	2,714,122	21,905	2,714,122
Total	21,905	2,714,122	21,905	2,714,122
Financial liabilities				
Trade and other payables	21,658	1,568,992	21,658	1,568,992
Loans and borrowings	297,867	5,086,821	297,867	5,086,821
Other non current liabilities	15,000	15,000	15,000	15,000
Total	334,525	6,670,813	334,525	6,670,813

	Carrying amount		Fair value	
	2018	2017	2018	2017
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Trade and other receivables	21,905	24,927	21,905	24,927
Total	21,905	24,927	21,905	24,927
Financial liabilities				
Trade and other payables	21,658	8,316	21,658	8,316
Loans and borrowings	297,867	255,810	297,867	255,810
Other non current liabilities	15,000	15,000	15,000	15,000
Total	334,525	279,126	315,260	279,126

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

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.

Financial assets and financial liabilities with variable interest rates are also considered to be carried at fair value in the books.

Fixed rate financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

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.

Financial assets and financial liabilities with variable interest rates are also considered to be carried at fair value in the books.

Fixed rate financial instruments

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

13. RETIREMENT BENEFIT LIABILITY

13.1 Company

	2018 Rs.'000	2017 Rs.'000
Balance at the beginning of the year	9,399	8,850
Current service cost	682	685
Net interest on the net defined benefit liability (asset)	1,222	929
	1,904	1,614
Net actuarial (Gain) / loss for the year	118	80
Payments made during the Year	(1,425)	(1,145)
	(1,307)	(1,065)
Balance at the end of the year	9,996	9,399

13.1.a The retirement benefit liability arising through subsidiaries were derecognised upon disposal of subsidiary

13.2 Company

In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis for all employees in Lanka Ceramics PLC is as follows;

Discount rate as at 31 March	2018 Rs.'000	2017 Rs.'000
Effect on DBO due to decrease in the discount rate by 1%	340	302
Effect on DBO due to increase in the discount rate by 1%	(316)	(279)
Salary escalation rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(361)	(328)
Effect on DBO due to increase in the salary escalation rate by 1%	381	349

13.3 Distribution of present value of define benefit obligation

Company

Defined benefit obligation	Less than a year Rs. 000's	Between 1-2 years Rs. 000's	Between 2- 5 years Rs. 000's	Over year 5 Rs. 000's	Total Rs. 000's
As at 31 March 2018	2,248	2,856	3,475	1,417	9,996
As at 31 March 2017	3,199	2,192	2,633	1,375	9,399

13.4 Company

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31 March 2018.

The principal assumptions used are as follows:

		2018	2017
Discount rate (per annum)		10%	13%
Salary scale (per annum)	- Executives	10%	10%
	- Non executives	10%	10%
Staff turnover rate		13%	9%
Retirement age		55Years	55Years

NOTES TO THE FINANCIAL STATEMENTS

14. OTHER NON CURRENT LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital grants	-	138,189	-	-
Refundable deposit	15,000	15,000	15,000	15,000
Total	15,000	153,189	15,000	15,000

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade creditors - other	2,019	767,806	2,019	5,278
- related parties [15.1]	375	138,245	375	3,036
	2,394	906,051	2,394	8,314
Sundry creditors including accrued expenses	19,264	823,462	19,264	19,805
Provision for terminal benefits	-	29,088	-	-
Donations in respect of Tsunami fund	-	3,296	-	-
Unclaimed dividends	-	60,055	-	-
Total	21,658	1,821,952	21,658	28,119

15.1 TRADE CREDITORS-RELATED PARTY

		Group		Company	
		2018	2017	2018	2017
Company	Relationship	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Royal Porcelain (Pvt) Ltd	Affiliated Company	-	3	-	-
Royal Ceramics Lanka PLC	Affiliated Company	52	100,121	52	3,036
Rocell Bathware Ltd	Affiliated Company		90		
Everpaint Industries (Pvt) Ltd	Affiliated Company	-	2	-	-
Hayleys Agriculture Holding Ltd	Affiliated Company	-	19,464	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	-	18,477	-	-
Hayleys Agro Products (Pvt) Ltd	Affiliated Company	-	88	-	-
Delmege Forsyth & Co.Ltd	Affiliated Company	323		323	
		375	138,245	375	3,036

16. REVENUE

	Company	
	2018	2017
	Rs.'000	Rs.'000
Local sales	178,932	282,830
	178,932	282,830

17. OTHER INCOME

	Group		Company	
	2018	2017 (Restated)	2018	2017 (Restated)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income from investments in related Parties - Quoted	-	-	122,245	244,643
Rental income	36,750	36,750	36,750	36,750
Disposal gain on property, plant and equipment	246	8	246	8
Sundry income	1,216	733	1,216	733
	38,212	37,491	160,457	282,134

18. FINANCE COST

	Group/Company	
	2018	2017
	Rs.'000	Rs.'000
Interest expense on overdrafts	723	-
Interest expense on bank loans	32,417	36,518
Finance charges on lease liabilities	1,077	1,066
Fair value loss on investment at FVTPL	6,281	-
	40,498	37,584

19. FINANCE INCOME

	Group/Company	
	2018	2017
	Rs.'000	Rs.'000
Interest income	1,021	5,724
	1,021	5,724

NOTES TO THE FINANCIAL STATEMENTS

20. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Is stated after Charging /(Crediting)

	Company	
	2018	2017
Included in cost of sales	Rs.'000	Rs.'000
Depreciation and amortisation	16,904	10,561
Defined benefit plan costs - gratuity	1,109	1,431
Defined contribution plan costs - EPF & ETF	2,214	2,020
Other staff cost	25,985	21,119
Included in administration expenses		
Depreciation and amortisation	1,512	2,290
Defined benefit plan costs - gratuity	418	183
Defined contribution plan costs - EPF & ETF	2,018	1,117
Other staff cost	21,281	17,039
Auditors remunaration		
- Audit fees	675	590
- Non Audit fees	1,213	-

21. INCOME TAX EXPENSES

21.1 The major components of income tax expense are as follows ;

	Group		Company	
	2018	2017	2018	2017
Year ended 31 March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Current income tax				
Current income tax charge	5,056	14,985	5,056	14,985
Under provision of current taxes in respect of prior years	28	(652)	28	(652)
Tax effect on inter company dividends	13,583	27,182	-	-
	18,667	41,515	5,084	14,333
(b) Deferred income tax				
Deferred taxation charge	61,094	-	61,094	-
Income tax revised reported in the income statement	79,761	41,515	66,178	14,333
Deferred tax expense reported in the OCI	84,889	-	84,889	-
	164,650	41,515	151,067	14,333

(c) Reconciliation between current tax expense and the product of accounting profit.

Year ended 31st March		Group/Company 2018 Rs.'000	2017 Rs.'000
Accounting profit before income tax from continuing operation		248,377	320,214
Income considered as separate source of income			
Income exempt from tax		(243,845)	(244,643)
Non deductible expenses		42,802	27,618
Deductible expenses		(19,550)	(20,852)
Total statutory income		27,784	82,337
Tax losses utilised		(9,724)	(28,818)
Qualifying payment relief		-	-
Taxable profit/loss		18,060	53,519
Current income tax expense			
Taxation -12%		-	-
Taxation - 20%			
Taxation -28%		5,057	14,985
		5,057	14,985
Deferred income tax	Applicable tax rate		
Capital allowances	28%	33,672	-
Retirement benefit liability	28%	(2,766)	-
Carried forward tax losses	28%	(127,412)	-
Provision for obsolete and slow moving, consumables and spares	28%	(145)	-
Allowances for doubtful debts	28%	(7,336)	-
Investment Property - Revaluation surplus	28%	165,081	
		61,094	-
Effective income tax rate		2.04%	4.68%

NOTES TO THE FINANCIAL STATEMENTS

22. EARNINGS PER SHARE

22.1 Earnings per share - basic from continuing operations

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of Lanka Ceramic PLC by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2018	2017	2018	2017
Amounts used as the numerator:	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit attributable to equity holders for basic earnings per share	46,371	213,496	182,199	485,321
	2018	2017	2018	2017
Number of ordinary shares used as the denominator:	Number '000	Number '000	Number '000	Number '000
Weighted average number of ordinary shares in issue applicable to basic earnings per share (refer note 10)	16,060	30,000	16,060	30,000

22.2 Dividend paid

	Group		Company	
Declared and paid during the year	2018	2017	2018	2017
Equity dividends on ordinary shares :	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interim dividend 2016/17 (Rs.8 per share)	-	240,000	-	240,000
Total dividend Paid	-	240,000	-	240,000
Dividend per share (Rs.)		8.00		8.00

23. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Favourable cash and cash equivalents balance				
Cash and bank balances	6,188	259,112	6,188	20,556
Short term bank deposits	-	1,188,376	-	-
	6,188	1,447,488	6,188	20,556
Unfavourable cash & cash equivalent balances				
Bank overdrafts (12)	(44,956)	(1,179,412)	(44,956)	(135)
Total	(38,768)	268,076	(38,768)	20,421
Restricted cash	(3,500)	(3,500)	(3,500)	(3,500)
Total cash and cash equivalents for the purpose of cash flow statement	(42,268)	264,576	(42,268)	16,921

24. ASSETS PLEDGED

Other than the assets acquired on finance lease (note 3) and the details of assets pledged stated in note 12.3 no other assets have been pledged as a security as at the reporting date.

25. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

25.1 Transactions with the Related Entities

	Parent		Group Companies	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Nature of transaction				
Statement of profit or loss				
Sale of goods	43,863	56,178	148,162	248,867
Commission income			931	
Purchase of goods / services	-	-	(1,842)	(125)
Dividend income	-		122,245	244,643
Dividend paid	-	308,116		-
Reimbursement of expense net of fund transfer	(36,368)	(60,399)	(153,547)	(443,126)
Statement of financial position				
Due from related parties	6,375	1,865	27,683	31,967
Due to related parties	52	3,036	323	-

Parent Company is Royal Ceramics Lanka PLC

Transactions with group companies includes Lanka Walltiles PLC, Lanka Tiles PLC,Horana Plantation PLC,Delmage Limited & Swiistek Aluminium Ltd.
The company carried out above transactions under ordinary course of business at commercial rates. Fund transfer represents sales proceeds received by the company from group companies & the parent.

25.2 Details of share repurchase transaction is disclosed in note 6.

25.3 Transactions with key management personnel of the company

The key management personnel of the Company / Group are the members of its Board of Directors and that of its parent.

	Group/Company	
	2018	2017
Key management personnel compensation	Rs.'000	Rs.'000
Short term employment benefits	4,140	9,350
Post employment benefits	-	149
	4,140	9,499

NOTES TO THE FINANCIAL STATEMENTS

26. COMMITMENTS AND CONTINGENCIES

26.1 Capital commitments

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

Lease commitments

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

	Amount Rs. '000
Less than 1 year	3,842
Between 1 to 5 years	4,394

26.2 Contingencies

Company has no contingencies as at the reporting date.

27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

28. FINANCIAL RISK MANAGEMENT

The company's activities are exposed to variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the company's financial risk management policies. The board of directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of the changes in market prices.
(i) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Cash flow and fair value interest rate risk

The company's interest rate risk arises from long-term borrowings issued at variable rates. The company manages its interest rate risk by actively monitoring the yield curve trend and interest rate movement for the various financial instruments.

The companie's borrowings comprise borrowings from financial institutions. The company's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the company targets floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The company analyses its interest rate exposure on a dynamic basis.

Company Interest rate sensitivity	Change in basis points	Change in profit before tax Rs. 000's
2017-2018	0.1	3,145
2016-2017	0.1	3,758

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables. Trade receivables are mainly secured with bank guarantees given by customers in favour of the company. Individual credit limits are set based on the amount of bank guarantee. The utilisation of credit limits is regularly monitored.

The company places its cash and cash equivalents with a number of creditworthy financial institutions. The company's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the company is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. (Please refer Note 9.2 for ageing analysis of trade receivables)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the company's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the company aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the company's non-derivative financial liabilities into relevant maturity companyings based on the remaining period at the statement of financial position date to the contractual maturity date.

Company

At 31 March 2018 Rs ('000)	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Bank borrowings	107,131	63,810	126,199	727	-
Trade and other payables	21,668	-	-	-	-

At 31 March 2017 Rs ('000)	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Bank borrowings	9,200	86,604	86,086	150,278	-
Trade and other payables	28,119	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Capital management risk

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The gearing ratio as at 31 March is as follows:

	Company	
	2018	2017 (Restated)
Borrowings	297,867	255,810
Total equity	681,526	1,301,745
Gearing ratio ; Debt to Equity	44%	20%

COMPANY TEN YEAR SUMMARY

	2017/18	2016/17 Restated	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000
Operating Results										
Revenue	178,932	282,830	236,534	163,271	184,878	158,324	242,472	222,351	199,188	261,019
Gross Profit	76,116	152,954	89,017	70,246	68,594	51,418	94,692	67,447	52,970	64,169
Fair value gain on investment property	121,600	178,750								
Other Income	160,457	282,134	285,990	261,095	103,323	174,387	83,796	86,402	241,159	48,651
Administration Expenses	56,166	52,302	36,991	46,376	47,752	55,049	67,539	54,953	58,260	54,835
Selling & Distribution Expenses	14,153	30,022	7,766	1,430	1,659	1,979	11,521	13,972	14,473	18,378
Finance cost	40,498	37,584	30,659	35,258	64,582	94,520	40,200	4,010	8,471	10,541
Profit before Tax	248,377	499,654	301,212	249,711	58,576	76,736	50,980	77,268	210,746	19,826
Profit after Tax	182,199	485,321	290,764	244,362	58,576	76,285	50,445	73,744	210,746	25,056
Total Comprehensive Income	97,192	485,241	309,532	243,897	57,676	80,980	93,807	73,744	210,746	25,056
Assets & Liabilities										
Non Current Assets	952,249	1,517,176	1,027,224	994,693	1,009,607	1,028,783	1,062,064	388,950	340,481	335,953
Current Assets	224,837	105,903	252,698	141,653	98,209	89,415	87,262	109,939	192,010	163,123
Total Assets	1,177,086	1,623,079	1,279,922	1,136,346	1,107,816	1,118,198	1,149,326	498,889	532,491	499,076
Current Liabilities	197,655	106,167	236,594	92,727	100,734	100,974	646,776	61,027	116,540	133,971
Non Current Liabilities	297,905	215,167	275,360	315,183	380,042	447,861	12,964	17,692	23,104	36,209
Retirement Benefit Obligation	9,996	9,399	8,850	7,521	6,942	8,771	8,818	10,780	10,313	10,063
Share Capital & Reserves										
Stated Capital	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Reserves	218,370	303,292	303,292	283,320	283,320	283,320	315,656	271,852	270,640	267,434
Accumulated Profit	163,156	698,453	164,676	145,116	43,719	(13,957)	(126,070)	(151,682)	(177,793)	(238,538)
Key Indicators										
Earnings per Share (Rs.)	11.34	16.18	9.69	8.15	1.95	2.54	1.68	2.46	7.02	0.84
Dividend per Share (Rs.)	-	8.00	9.00	4.75	-	1.10	1.50	2.60	5.00	1.25
Net Assets value per Share (Rs.)	113.59	43.39	25.60	24.28	20.90	18.98	16.32	14.01	13.09	10.96
Dividend Yield (%)	-	6.96	6.92	4.07	-	1.69	2.11	1.78	7.49	4.20
Dividend payout Ratio (%)	-	49.45	92.86	58.32	-	43.26	89.21	105.77	71.18	149.66
Interest cover (times)	7.13	14.29	10.82	8.08	1.91	1.81	2.27	20.27	25.88	2.88
Current Ratio	1.14:1	1.00:1	1.07:1	1.53:1	0.97:1	0.89:1	0.13:1	1.80:1	1.65:1	1.22:1
Quick asset Ratio	0.89:1	0.55:1	1.05:1	1.47 :1	0.92:1	0.83:1	0.12:1	1.08:1	1.30:1	0.77:1
Profit Before Tax to Revenue (%)	138.81	176.66	127.34	152.94	31.68	48.47	21.03	34.75	105.80	7.60

SHAREHOLDER AND INVESTOR INFORMATION

Share Distribution as at 31st March 2018

From	To	No: of Holders	No: of Shares	%
1	1,000	1,342	244,272	4.07
1,001	10,000	124	238,235	3.97
10,001	100,000	16	354,103	5.91
100,001	1,000,000	1	750,000	12.50
Over 1,000,000		1	4,413,390	73.55
		1,484	6,000,000	100.00

Categories of Shareholders			
Local Individuals	1,428	1,299,893	21.67
Local Institutions	52	4,699,920	78.33
Foreign Individuals	4	187	-
Foreign Institutions	-	-	-
	1,484	6,000,000	100.00

20 Major Shareholders of the Company

	Name	3/31/18		3/31/17	
		No : of Shares	%	No : of Shares	%
1	Royal Ceramics Lanka PLC	4,413,390	73.557	24,090,086	80.300
2	Mr. A.A.Page	750,000	12.500	3,750,000	12.500
3	National Savings Bank	89,191	1.487	445,955	1.487
4	CodeGen International (Pvt) Limited	39,473	0.658	-	-
	Waldock Mackenzie Limited/Mr.P.S.R.Casie Chitty	-	-	161,287	0.538
5	Bimputh Finance PLC	28,838	0.481	-	-
	DEE Investments (Pvt) Limited	-	-	121,100	0.404
6	TRL Holdings (Pvt) Limited	20,302	0.338	-	-
7	Vyjayanthi & Company Limited	20,000	0.333	100,000	0.333
8	Mrs.A.Kailasapillai	19,693	0.328	60,000	0.200
9	Mr.R. Maheswaran	18,735	0.312	93,667	0.312
10	Miss.M.P Radhakrishnan	15,135	0.252	75,667	0.252
11	Miss.A. Radhakrishnan	15,134	0.252	75,666	0.252
12	Dee Sanda Holdings (Pvt) Limited	14,811	0.247	14,811	0.049
13	Arunodhaya Industries (Pvt) Limited	13,741	0.229	75,000	0.250
14	Arunodhaya (Pvt) Limited	13,741	0.229	75,000	0.250
15	Arunodhaya Investments(Pvt) Limited	13,741	0.229	75,000	0.250
16	Mr.P.K Sambasivam	11,000	0.183	-	-
	Mr.V.Kailasapillai	-	-	60,000	0.200
17	People's Leasing & Finance PLC/Mr.L.A.C.K Kodytuakku	10,301	0.172	-	-
	Ms.S. Subramaniam	-	-	34,996	0.117
18	Mr.Z.G Carimjee	10,267	0.171	-	-
	Mr.H. Beruwalage	-	-	14,500	0.048
19	Mr.U.C Bandaranayake	10,000	0.167	-	-
	Dr.D.L.N. Wickramaratne	-	-	14,000	0.047
20	Mrs. A. Selliah	9,161	0.153	50,000	0.167
	Mr. M. Nandakumar & Mr. M. Pathmanaban	-	-	12,700	0.042
Sub Total		5,536,654	92.278	29,399,435	97.998
Others		463,346	7.722	600,565	2.002
Issued Capital		6,000,000	100.000	30,000,000	100.000

Directors' Shareholdings as at 31st March 2018

	No : of Shares	%
Mr. Dhammika Perera	-	-
Mr. A.M. Weerasinghe	-	-
Mr. J.A.P.M.Jayasekera	20	-
Mr.T.G.Thoradeniya	-	-
Dr.S.Selliah	-	-
Mr. K.D.G.Gunaratne	-	-
Ms.A.M.L.Page	-	-
Mr. D.J. Silva	-	-
Mr. R.D.P. Godawatta Arachchige (Alternate Director to Mr. Dhammika Perera)	-	-

SHARE PRICES

	As at 3/31/18	As at 3/31/17
Market Price Per Share		
Highest during the year	Rs. 179.90	Rs. 145.00
Lowest during the year	Rs. 115.00	Rs. 108.90
As at end of the year	Rs. 158.00	Rs. 115.00

Public holding as at 31st March 2018

The Percentage of shares held by the public - 13.103%.
No of shareholders representing the above percentage - 1,477.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Seventh (27th) Annual General Meeting of Lanka Ceramic PLC will be held at The Kingsbury Hotel, Winchester Hall on the 28th day of June 2018 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2018 and the Report of the Auditors thereon.

2. To re-elect Ms. A M L Page, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company

3. To re-elect Mr. D J Silva, who retires in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company

4. To elect Mr. J D N Kekulawala who retires in terms of Articles 109 of the Articles of Association, as a Director of the Company.

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

5. To authorize the Directors to determine payments for the year 2018/2019 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board

LANKA CERAMIC PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
25th May 2018

Notes:

1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend or attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 23, Narahenpita Road, Nawala, by 11.00. am on 26th June 2018.

NOTES

NOTES

FORM OF PROXY

*I/We.....of..... .....being a *Shareholder /Shareholders of Lanka Ceramic PLC, do hereby appoint ....of ....or failing him/her

Mr. K D D Perera	of Colombo or failing him
Mr. A M Weerasinghe	of Colombo or failing him
Mr. J A P M Jayasekera	of Colombo or failing him
Dr. S Seliiah	of Colombo or failing him
Mr. T. G. Thoradeniya	of Colombo or failing him
Mr. K D G Gunaratne	of Colombo or failing him
Ms. A M L Page	of Colombo or failing her
Mr. D J Silva	of Colombo or failing him
Mr. J D N Kekulawala	

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 28th June 2018 at11.00 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		AGAINST	FOR
1)	To re-elect Ms. A M L Page, who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.	☐	☐
2)	To re-elect Mr. D J Silva who retires by rotation in terms of Article 102 and 103 of the Articles of Association as a Director of the Company.	☐	☐
3)	To elect Mr. J D N Kekulawala who retires in terms of Article 109 of the Articles of Association as a Director of the Company.	☐	☐
4)	To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	☐	☐
5)	To authorize the Directors to determine payments for the year 2018/2019 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).	☐	☐

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

.....

Signature

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

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 23, Narahenpita Road, Nawala, not less than forty-eight (48) hours before the time fixed for the Meeting.

2. In perfecting the Form of Proxy please ensure that all details are legible.

3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.

4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.

5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8) for registration.

7. In the case of joint holders, the Form of Proxy must be signed by the first holder.

CORPORATE INFORMATION

Name of the Company
Lanka Ceramic PLC

Legal Form
A Public Quoted Company listed on the Colombo Stock Exchange with Limited Liability, Incorporated under the Companies Act No 17 of 1982 and re-registered under the Companies Act No. 07 of 2007

Company Registration Number
PQ - 157

Board of Directors
Mr. Dhammika Perera
Chairman

Mr. A M Weerasinghe
Deputy Chairman

Mr. J A P M Jayasekera
Managing Director (Appointed w.e.f 1st November 2017)

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 (Appointed w.e.f 17th May 2018)

Company Secretaries
P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo 8
Tel: 011-4640360

Registered Office
No. 23, Narahenpita Road, Nawala
Telephone: 011-4889955, 011-4885621
Facsimile: 011-4412518

Auditors
Ernst & Young
Chartered Accountants
201, De Seram Place
Colombo 10.

Bankers
Hatton National Bank PLC
People's Bank

Designed & produced by
emagewise
Printing by Gunaratna Offset (Pvt) Ltd

LANKA CERAMIC PLC