VERSATILE

Versatile is a word that precisely describes our Group as well as our product portfolio.

Rocell
Eternal elegance

Royal Ceramics Lanka PLC
Annual Report 2013 - 2014

Eternal elegance

Now you can read the Royal Ceramics annual report
online at www.rocell.com

Versatile is a word that precisely describes our Group as well as our product portfolio. The floor, wall and bathroom solutions that we offer have long been recognized as world class in design, quality and strength, while the Group has gone from strength to strength over 20 years of success. 2014 was no exception and this report describes several landmark achievements of which we are justifiably proud.

The year under review saw us broaden our product portfolio with a new range of polished tiles, while we also invested in machinery and technology that helped increase production capacity overall.

But the biggest news for 2014 is undoubtedly our acquisition of a 77% stake in Lanka Ceramic PLC., the second largest tile manufacturer in the country. This bold step takes us to a leading position in the local surfacing industry, from where we can only grow bigger and better in the years ahead.

Royal Ceramics, Simply versatile.

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Our Brand Promise

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

GROUP FINANCIAL HIGHLIGHTS

For the year ended 31 March

	2014 Rs. '000	2013 Rs. '000	Change %
Turnover - Gross	**21,711,543**	8,458,558	156.68
- Net	**19,748,800**	7,611,404	159.46
Profit Before Tax	**2,293,814**	1,847,350	24.17
Profit After Tax	**1,975,283**	1,727,117	6.92
Gross dividends (2014 - proposed)	**110,789**	221,579	-50.00
Interest cover (No. of times)	**2.63**	4.29	-38.69
Dividend cover (No. of times)	**17.83**	7.79	128.87
Return on Equity (%)	**12.67%**	20.6%	-38.00
As at 31 March			
Shareholders' funds	**10,394,413**	8,401,470	23.72
Total Assets	**33,323,836**	13,617,249	144.77
Group employment (No. of persons)	**10,863**	1,535	607.69
Current Ratio (Current assets : Current liabilities)	**1.22:1**	1.25:1	-2.40
Per share*			
(Issued and fully paid shares 110,789,384)			
Earnings (Rs.)	**10.16**	15.08	-32.63
Dividend (Rs.) (2014 - proposed)	**1.00**	2.00	-100.00
Net assets (Rs.)	**93.82**	75.83	23.73
Market value (Rs.)	**79.30**	99.50	-20.30

Rs 20bn

Revenue

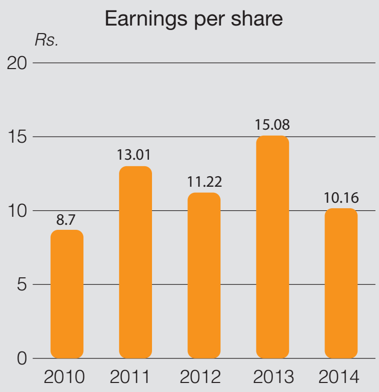
We think and operate in a versatile fashion, supporting clients and customers by collaborating and creating synergies across our islandwide network, businesses and functions.

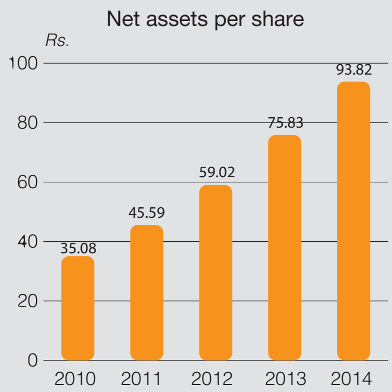
Rs 15.6bn

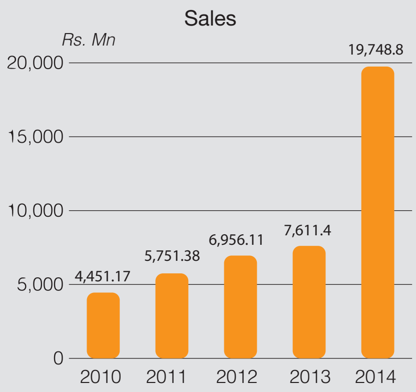
Total Equity

Rs 1.97bn

Profit after tax







THE STORY CONTINUES

Although we’re over 20 years old, our drive to expand has never been greater...

THE BIGGEST NEWS FOR 2014 IS UNDOUBTEDLY OUR ACQUISITION OF A 77% STAKE IN LANKA CERAMIC PLC., THE SECOND LARGEST TILE MANUFACTURER IN THE COUNTRY. THIS BOLD STEP TAKES US TO A LEADING POSITION IN THE LOCAL SURFACING INDUSTRY, FROM WHERE WE CAN ONLY GROW BIGGER AND BETTER IN THE YEARS AHEAD.

Simply versatile

+12% INCREASED PRODUCTION CAPACITY

2014 WAS A YEAR THAT WAS BOTH CHALLENGING AND INSPIRING IN DIFFERENT WAYS. YET OUR INDOMITABLE SPIRIT ONCE AGAIN DEFINED OUR STRATEGIES IN A COMPLEX BUSINESS ENVIRONMENT. WE TOOK THE BOLD APPROACH; BROADENING OUR PRODUCT PORTFOLIO WITH A NEW RANGE OF POLISHED TILES AND INVESTING IN MACHINERY AND TECHNOLOGY THAT HELPED INCREASE PRODUCTION CAPACITY BY OVER 12%.

CHAIRMAN'S
Statement

2013 proved to be a positive year for Sri Lanka, as the country recorded a GDP growth of 7.3% and enjoyed an improved average headline and core inflation of 6.9% and 4.4% respectively, compared to 7.6% and 5.8% in 2012. Increased foreign direct investment, a jump of 24.7% in Earnings from Export, and the strengthening of the Sri Lankan rupee as of the third quarter of 2013, all contributed to a confident outlook for the nation.

Rs 10.16

Earnings per share

Cross referencing
Management discussion and analysis *Pages 26 - 49*

Risk Management *Pages 62 - 65*

Report of the Audit Committee *Pages 79 - 80*

Financial Review *Pages 52 - 53*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Chairman's Statement

DOWNTURN IN THE CONSTRUCTION SECTOR

Despite facing tough challenges, the Industry sector demonstrated its resilience and continued to be the largest contributor to the positive growth of the Sri Lankan economy, with a contribution of 9.9%. However, after a phenomenal growth rate of 21.6% in 2012, the Construction sub sector suffered in 2013, registering a growth of 14.4%.

This decline has naturally impacted negatively upon the Tile and Ceramics industries, a palpable hit witnessed by the growth losses suffered by the Mining sector which grew just 11.5% in 2013 in comparison to 18.9% in 2012. This detrimental domino effect is primarily a result of the threat posed by the import of tiles from countries such as China, Italy and East Asia.

CHALLENGES FOR THE TILE AND CERAMICS INDUSTRIES

Following the company's acquisition of a controlling stake in Lanka Ceramic PLC in May 2013, Royal Ceramics is now the primary player in both the local floor and wall tile markets. However imports still pose a major threat, with much of the benefits of any improvements in the construction sector going to importers; and not, as they should be, back into the local businesses which form the mainstay of the economy. Without Government intervention to impose controls on the import of tiles and ceramic ware, the industry will continue to suffer, unable to enjoy the benefits of what should be an extremely conducive external environment.

Apart from the obvious threat of imports, the Ceramic industry is also dogged by the rising costs of fuel and energy. High energy consumption in the manufacture of tiles coupled with the high cost of transporting raw materials and finished products, have long tested the industry. In 2014 both these areas were affected adversely by hikes in electricity tariffs, and a rise in fuel and gas prices. The electricity tariff hike imposed mid 2013 has resulted in a 18% increase in costs. While the company has made every effort to absorb this increased expenditure without adverse impact on the end consumer; the prevailing situation will inevitably lead to the increase in price of finished products, creating a dual negative impact of reducing the competitiveness of Sri Lankan tiles and ceramics in the export sector, while also tempting the domestic market to purchase low cost imported tiles.

The credit ceiling introduced in 2012 by the Central Bank; effect of which was felt in the year under review and the continued rise in interest rates had a corresponding reaction of the decrease in housing loans which had a further negative impact on the demand for tiles and sanitary ware since sectors expected to boost growth - such as tourism, commercial and housing did not reach the anticipated demand.

The consolidation of our acquisition of the Lanka Ceramic Group has lead to a 160% increase in Turnover; this combined with the cluster of negative factors including rising electricity and fuel costs, interest rates and the impact of the imported tile market, and also the cessation of the tax exemption period of the main Horana plant have all contributed to the drop in the Net Profit attributable to the Group in 2014, going from Rs. 1.67 billion in 2012/13 to Rs. 1.1 billion in 2013/14.

On a positive note, Sri Lanka's tile and ceramic exports increased by 5% resulting in an increase to US$ 37.8 million in comparison to US$36 million in 2013. While the export market is by no means central to Royal Ceramics, we registered a growth rate of 7% via our exports to countries like the Australia, Maldives and India.

INVESTING IN INNOVATION

Expansion through innovation has been, and always will be at the core of our vision for the Group. In 2014 we invested in a high tech, robotic high pressure casting machine at the Rocell Bathware facility in Homagama, a new glazed polishing line and ball mill at the Royal ceramics factory in Eheliyagoda, a new extended warehouse facility in Meegoda and a new polishing plant at the Royal Porcelain factory in Horana. With a collective investment of over 500 million these additions will ensure increased productivity, improved quality and a wider product portfolio.

We also invested in bringing our superior products closer to our customers ensuring convenient access and wider coverage, with the addition of six new showrooms around the island covering Pelmadulla, Monaragala, Chilaw,Trincomalee, Jaffna and Dambulla. Our outlets in Seeduwa, Nittambuwa, and Malabe are being refurbished, to provide a more positive customer experience.

New showrooms underway to open in Kadawatha, Batticaloa further investment was also made in a 4 storey building adjacent to the Royal Ceramics head office which will serve as the new office building for the Group including all our recently acquired subsidiaries.

Work is well under way within Lanka Ceramic PLC and its subsidiaries, with the companies already benefitting from the changes that have been implemented in terms of a marked increase in productivity and reduced costs across the board, which have inturn improved group results

LOOKING TO THE FUTURE WITH CONFIDENCE

Despite the industrial setbacks experienced in 2013/14, the potential for tile and ceramic products in the local market is still exponential. Since tile consumption is directly linked to per capita income, which is clearly on the rise with USD 3280 achieved in 2013, the outlook is certainly optimistic. However the Government does need to take measures to ensure that the local tile and ceramic market benefits from this potential by safeguarding and promoting locally made products and imposing stricter restrictions on imports.

Declining interest rates to single digits in the latter part of the year shows a positive sign and could result in a boom in the construction industry.

It is heartening to note that the 2014 budget creates new provisions for products including cement, ceramic and porcelain wall and floor tiles, marble floor tiles, granite and quartz tiles, wash basins, bidets and sanitary fittings, to be placed on the negative list of BOI concessions, meaning that these items can be imported only on condition that their equivalent is not available on the local market. Increases in import cess on items such as aluminum bars and tubes, cement and ceramics are also clearly designed to aid the local construction sector and its sub sectors.

In the new financial year we are confident that our recent investments and the competitive edge we have gained will reap rich rewards. Our investment in new technologies and innovations, as well as a far reaching expansion and refurbishment plans for our outlets across the island, will continue to result in a combination of factors that will enrich our customers' shopping experience while offering them a wider range of options and the highest quality standards.

IN SINCERE APPRECIATION

I am, as always, deeply appreciative of the bold, visionary and committed individuals who make up our Board of Directors; and of our Managing Director and the Management Team, whose dedication to the Group's vision of expansion and excellence has remained unbowed in the face of numerous challenges.

To our shareholders too I convey my sincerest appreciation for their understanding of the goals we seek to achieve and for the trust they have placed in us.

A business cannot succeed without its partners and I wish to express my utmost thanks to our bankers and suppliers whose loyalty and high standards have been integral to our success.

The Rocell team is the cornerstone of our company their hard work, talent, creativity and unwavering service cannot be valued enough.

Finally to our customers, your faith in us is worth much more than just the value of your purchases, I thank you, and look forward to your continued patronage.

A.M Weerasinghe
Chairman

MANAGING DIRECTOR'S

Review of Operations

In May 2013, Royal Ceramics acquired a controlling stake in Lanka Ceramics PLC. This was undoubtedly the largest business acquisition in the local surfacing industry, as well as perhaps the most important milestone in the Group's history. Moreover it was an unequivocal demonstration of our intention to function as a catalyst, changing the mindsets and lifestyles of Sri Lankans, offering them a modern, design centric way to create architecture and interiors that are uniquely Sri Lankan while also being contemporary and internationally relevant.

Rs 2.3bn

Profit before tax

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Managing Director's Review of Operations

As planned, this acquisition has given us an incontestable market advantage and we now hold more than 60% of the local floor and wall tile markets. Naturally, investments of this magnitude have far reaching effects on revenue and profitability. Group revenues increased to Rs 19.7billion from Rs.7.62 billion in 2012/13, as the consolidation of the Lanka Ceramic Group caused a dramatic increase in Turnover. The Net Profit attributable to the Group dropped by 1,670 million to 1,125 million, again attributable to the decline in sales volume, increases in finance costs, as well as a drop in the profits of the associated companies.

OVERCOMING CHALLENGES

As in 2012/13, increased fuel prices and electricity tariffs had a detrimental effect on the ceramic tile and sanitary ware industries in Sri Lanka. Rising interest rates for housing loans resulted in lower housing loan disbursements and created another area of negative impact. These combined factors served to drive up production costs while also lessening demand for tiles and sanitary ware in the local market, thereby cutting into business at both ends of the spectrum.

However while these factors presented certain challenges, the biggest threat to the local tile sector continues to be the inadequately governed influx of imported tiles. These tiles account for around 30% market share in value, and threaten local businesses, while also being responsible for a drain of foreign exchange.

Local companies such as ours take great pains to conduct ourselves in a manner that has only the most positive national impact. We are responsible for providing direct employment to over 10,000 people, and employment in industries such as mining and quarrying, are dependent on the business we provide. In addition we prize good governance and transparency, paying all stipulated taxes as well as the custom duties on imported raw materials.

The same cannot be said for the poorly monitored imported tile sector, where real values of duties and cess are not paid and in many cases importers benefitting from BOI sanctioned concessions, import extraneous stock which is then sold within the retail market.

Countries such as India, China and those in Europe, have very stringent laws in place to protect their local tiling and sanitary ware industries. Our export business is governed by these laws, and it is vital that a similar model be adopted here if local businesses are to flourish and truly benefit from the developments in the construction sector.

With the development of new urban development strategies following a trend that suggests that over 60% of the local population will live in urban areas by 2020, as well as the current Urban Regeneration Program conducted by the Urban Development Authority, which is seeing to the reconstruction and renovation of buildings that are being converted into malls, hotels, and shopping and business hubs; the potential for the construction sector and by extension the tile and sanitary ware sectors is enormous.

Apart from the Garment sector, it is the construction sector and its sub sectors that are really making their mark and serving Sri Lanka in terms of economic growth and development. Therefore we sincerely hope that the Government will look to placing restrictions on the import of tiles especially in relation to large scale projects that import under BOI concessions. A simple restriction along the lines of a mandatory 60-70% sourcing from within the local market, not just of tiles and sanitary ware but steel, roofing sheets and so on, would make an invaluable contribution.

The 2014 budget did include some encouraging indications in this regard and it is my hope that these will be implemented, and the long overdue benefits felt within local businesses such as ours.

REACHING FURTHER AND HIGHER

As always our business is not merely about securing customers and selling products, but ensuring that the entire customer experience is one that is unparalleled. With that in mind we opened 6 new showrooms during the year under review, taking our showroom count up to 49, in addition to our network of over 350 direct and sub dealers across Sri Lanka. Two new showrooms, in Batticaloa and Kadawatha will open in 2014, and our refurbishment and relocation drive continues with 10 showrooms currently being turned into concept stores.

We are also proud to have been appointed as the dealers of the world famous Grohe range of taps and fittings. The range was officially launched in May 2014, it is available via our network and is perceived as a complementary addition.

2013/14 also saw us continuing to invest in the quality and range of our product portfolio, with new machinery being added to all our facilities. A new pressure casting system from Italy was installed at the Rocell Bathware facility in Homagama for an investment of Rs. 200 million. This machine will deliver multiple benefits including higher yield and productivity, less dependence on skilled labour, improved quality, reduced energy costs and automated de-moulding and handling.

A collective investment of Rs. 134 million at the Royal Ceramics tile plant in Eheliyagoda resulted in the acquisition of a New Glazed Polishing line, New Ball Mill and a Digital Printing Machine which includes high tech colour printing abilities. We also opened a new polishing plant at the Royal Porcelain factory in Horana.

Our extention to the warehouse complex in Meegoda has been completed and features a new building that includes a fully fledged racking and lighting system as well as reach trucks, and scissor lifts.

The Group also invested Rs 300 Million in a new office building adjoining our current head office. This purchase will allow us to house the Lanka Ceramics companies under the same roof, thus allowing for a streamlining and centralizing of all operations so as to ensure cost efficiency and improved productivity.

PLANNING AHEAD

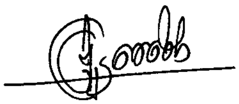
Our competitive edge allows us to bring several advantages to any business we acquire, and the Lanka Ceramics companies have all benefited from the changes we have made to ensure improved productivity and reduced costs. The business and consumer insights we have been able to bring into play have already proved positive and we anticipate that this growth and development will continue in 2015.

We will continue to invest in, and prioritize the introduction of the latest technologies and the expansion of our factory and warehousing facilities in order to ensure that we always deliver products that meet the highest international standards of quality, creativity and value.

We are also committed to bringing our product range to as many parts of the island as possible, making us conveniently located and easily accessible to the majority of the population.

ACKNOWLEDGING EXCELLENCE

A company is only as good as its employees, and the success of our Group must be credited to the tireless efforts and utmost loyalty and focus of our staff. I thank them for their hard work, creativity and dedication, and I have no doubt that they will continue to set the standard in our industry.



Nimal Perera
Managing Director

BOARD

of Directors

Simply versatile

Mr. L.T. Samarawickrama		
Mr. T.G. Thoradeniya	-	Director, Marketing & Business Development
Mr. A.M. Weerasinghe	-	Chairman
Mr. K.D.D. Perera	-	Deputy Chairman
Mr. W.D.N.H. Perera	-	Managing Director
Mr. R.N. Asirwatham		
Mr. G.A.R.D. Prasanna		
Mr. R.B. Thambiayah		
Mr. M.D.S. Goonatilleke		

Board of Directors

Mr. A.M. Weerasinghe
Chairman

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

Mr. K.D.D. Perera
Deputy Chairman

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

He currently holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

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

Mr. W.D.N.H. Perera
Managing Director

Mr. Nimal Perera also serves on the Boards of Pan Asia Banking Corporation PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Horana Plantations PLC, Swisstek Ceylon PLC, as the Chairman,Vallibel One PLC as the Executive Deputy Chairman, LB Finance PLC as the Executive Director, Vallibel Power Erathna PLC and The Fortress Resorts PLC as Alternate Director.

Holds Directorships in Hayleys PLC, Kingsbury PLC, Haycarb PLC, Thalawakele Tea Estates PLC, Amaya Leisure PLC, and Vallibel Finance PLC.

He is a renowned business magnate, stock trader and shareholder of many companies in the country.

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

A marketer by profession, Tharana Thoradeniya was in the pioneering batch of Sri Lankans to be awarded the title of Chartered Marketer. He counts over 20 years of industry experience with a unique working background in Marketing, Technology Management & Manufacturing. He is the Director-Marketing & Business Development of Royal Ceramics Lanka PLC and the Chief Executive Officer of Rocell Bathware Ltd. He also serves on the Boards of Pan Asia Banking Corporation PLC, Hayleys Fibre PLC, and Delmege Limited.

Mr. M.D.S. Goonatilleke
Director

Mr. Goonatilleke is a Financial Professional with over 30 years post qualification experience. He has held senior managerial positions in leading Public, Multinational and Private Companies during his career. He is an Associate Member of the Institute of Chartered Management Accountants (UK), since 1987. He is a passed finalist of the Institute of Chartered Accountants (Sri Lanka). Mr. Goonatilleke has obtained a Post Graduate Diploma in Management from PIM of University of Sri

Jayawardenapura as well. He currently serves as the Group Executive Director of DSL Group of Companies. Mr. Goonatilleke also serves as an independent Director of Vallibel Finance PLC, Hayleys PLC, Colombo Land & Development Company PLC, and Director of Pan Asia Banking Corporation PLC.

Mr. L.T. Samarawickrama
Director

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

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

Mr. R.B. Thambiayah
Director

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

Mr. R.N. Asirwatham
Director

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

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

Mr. G.A.R.D. Prasanna
Director

Mr. Prasanna was appointed to the Royal Ceramics Board in May 2009. He is the Managing Director of Grandmark (Pvt) Ltd and also serves on the Boards of Tekro Holdings (Pvt) Ltd and Citytel (Pvt) Ltd

CORPORATE

Management

Mr. Nimal Perera - Managing Director

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

Mr. Haresh Somashantha
Head of Finance & Treasury

Mr. Nandajith Somarathne
General Manager - Manufacturing

Mr. Sunil Atapattu
Head of Technical & Procurement

Mr. Aravinda Sirinatha
Head of Sales Administration

Mr. Anura Jayatissa
Head of Bathware Complex

Mr. Dulanjana Silva
Head of IT

Mr. Neil Bogahalande
Head of Human Resources

Mr. Kumudu Keerthiratna
Head of Eheliyagoda Complex

Mr. Dhammika Ranaweera
Head of Horana Complex

SENIOR

Management

Ms. Wasantha Liyanage
Group Finance Manager

Mr. Samanjith Udumalgala
Head of Channel Sales

Mr. Rohan Mendis
Senior Export Manager

Mr. Upali Nanayakkara **Factory**
Manager
(Eheliyagoda Complex)

Mr. Sidath Rodrigo
Head of Retail

Mr. Prasad Udawattha
Factory Manager
(Horana Complex)

Mr. Shammika De Silva
Senior Stores Manager

Mr. Rohana Kumar
Assistant Factory Manager -
Production (Horana Complex)

Ms. Thilini Guneratne
Chief Internal Auditor

Mr. Dhammika Ponnamperuma
Assistant Factory Manager -
Technical (Bathware Complex)

Mr. Mahil Asanka
Senior HR Manager
(Horana Complex)

Mr. Athauda Sumanadasa
QA & RD Manager
(Eheliyagoda Complex)

Mr. Upul Dissanayake
Logistics Manager

Mr. Ubesiri Naveendra
Area Sales Manager

Ms. Kulanthi Silva
Manager -
Group Communication & PR

Mr. Bandula Rodrigo
Manager -
IT Infrastructure Support

Mr. Nimal Silva
Manager - Imports

Mr. Harinath Palihakkara
Manager - Purchasing

Mr. Thilanka Sampath
Group Accountant

Mr. Thusitha Perera
Senior HR Manager

MANAGEMENT
Discussion & Analysis

Royal Ceramics Lanka PLC is a public Limited liability company quoted on the Colombo Stock Exchange. The crux of the Group's business is the manufacture and retail of porcelain and ceramic tiles under the brand name "Rocell". The company operates three fully owned subsidiaries, Royal Porcelain (Private) limited, Rocell Bathware Limited and Ever Paint and Chemical Industries (Private) Limited. The Group's sanitaryware products are marketed under "Rocell Bathware" and represent the only range of such items manufactured in Sri Lanka. Conversely, its paint and allied products are marketed under the brand name "ColorBrite".

Our Showroom Network **50**
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WE TAKE NOTHING FOR GRANTED. WE'RE OPERATING IN A TOUGH ENVIRONMENT AND MUST REMAIN VERY FOCUSED ON A PLAN DESIGNED TO DELIVER LONG-TERM SUSTAINABLE GROWTH FOR OUR SHAREHOLDERS.

Management Discussion and Analysis

In May 2013, in the largest business acquisition ever seen within the industry, Royal Ceramics Lanka PLC gained a controlling stake in Lanka Ceramic PLC and its subsidiaries, including Lanka Wall tiles, Lanka Tiles, Horana Plantations, Swisstek and Uni-Dil Packaging. The acquisition resulted in Lanka Wall tiles and Lanka Floor tiles coming under the Rocell umbrella, giving Royal Ceramics over 60% market share in both the local wall and floor tile markets, and placing the brand in an undeniably dominant position.

INDUSTRY OVERVIEW

Sri Lanka's domestic ceramic industry dates back to the pre Christian era, a fact that is no surprise given how rich the island is in minerals such as kaolin, ball clay, feldspar, silica sand, quartz and dolomite. Today, the country is renowned for producing exquisite porcelain tableware, porcelain ornamental-ware and glazed wall and floor tiles for both the local and export markets.

Royal Ceramic's acquisition of Lanka Ceramics has changed the landscape of the local tile market. In the floor tile sector Royal Ceramics now holds 60% market share, while we also dominate the wall tile market with a 55% stake. Imported tiles from Asian and European markets compete for the second spot in the wall tile segment, while the balance of the floor tile segment is supplied by tiles imported from India, Indonesia, China and Italy.

The ceramic industry is constantly battling rising fuel prices and electricity tariffs that contribute towards pushing up the industry cost structure, due to a knock on effect of increasing not only the production cost of the products themselves, but also the cost of transport of raw materials and finished items. Add to this the high interest rates that prevail for housing loans, leading to a lower disbursement of such loans, and the detrimental effect on the industry is undeniable. Topping off this series of negatives is the inadequately governed import of tiles from India, China, Indonesia and Europe. If measures are not taken to better manage these factors the competitiveness of Sri Lankan tiles and ceramics, both at home and internationally, will eventually be eroded.

FINANCIAL PERFORMANCE

During the financial year 2013/14 the company revenue increased to Rs. 2.4 billion from Rs. 2.3 billion 2012/13. Group revenues increased to Rs. 20 billion from Rs. 7.6 billion in 2012/13.

Company profit after tax was Rs. 855 million compared to Rs. 1,017 million in the previous year. The group profit after tax stood at Rs.1.98 billion against Rs.1.7 billion in 2012/13. This was largely due to the consolidation of Lanka Ceramics and its subsidiaries.

Finance costs increased from Rs. 643 million in 2012/13 to Rs.1.4 billion during the year under review. The share price ended this year at Rs. 79.30 compared to a price of Rs. 99.50 per share as at March 31, 2013.

OPERATIONAL HIGHLIGHTS

Our investment in our ceramic tile plant in Eheliyagoda continued in 2013 with Rs 134 million spent on a new glazed polishing line, catering to the demand for polished and rectified tiles, as well as a new ball mill and a Durst Digital Printing Machine with colour printing capabilities. All these elements have served to increase the scope of creativity and choice that can be offered, giving our customers an even wider range of products to choose from.

The Group also invested Rs. 300 Million in a new office building adjoining our current head office in Colombo, allowing for the centralization of vital functions and ensuring improved productivity and cost efficiency.

During the current financial year Royal Ceramics generated a revenue of Rs. 2.4 billion compared to the revenue of Rs. 2.3 billion in the previous financial year, which is a contribution of 12% to overall group revenue.

Royal Ceramics Factory- Eheliyagoda

Management Discussion and Analysis

INTERNAL CONTROL SYSTEMS

The new Oracle based Enterprise Resource Planning system we introduced across the Group's main companies in the year under review has proved itself on every promised level, simplifying and automating functions including procurement, manufacturing, inventory management and sales. This has resulted in a more secure and efficient internal control system. Our internal audit department prioritizes the continuous updating and strengthening of our system of internal controls ensuring the highest standards of procedural compliance and conformity.

HUMAN RESOURCE DEVELOPMENT

Keeping our staff content and motivated is of the utmost importance, as is ensuring that they are constantly growing and developing both personally and professionally through the regular training and development programs that are conducted throughout the year.

The Annual Sales conference was a great success. The focus of the conference was on paying tribute to members of staff who had made the most significant contribution to the sales force.

Annual Sales Conference - 2013

Medical Campaign, Rocell Bathware Factory, Homagama

The annual medical campaign for Rocell Bathware staff turned the spotlight on the Health and Well being of factory employees and was very well received by all.

The annual family day organized for the Group gave our staff and their families the opportunity to spend quality time together, building relationships and cementing their bonds of trust and camaraderie. In 2013 the family day out was to Chaaya Tranz in Hikkaduwa, where members of staff and their families, a total of 193 participants, spent an enjoyable day, full of fun and relaxation.

Annual family days were also organized for the staff of every factory within the Group. These much anticipated events present staff members and their families with a great opportunity to participate in games and activities and strengthen their bonds as co-workers and friends.

The Volley ball tournament at Eheliyagoda was another great opportunity for staff to get together and enjoy themselves in the spirit of friendly competition.

We also congratulate the Royal Bathware Stallions, who emerged champions at the Laugfs Gas cricket tournament held in March 2014.

CORPORATE SOCIAL RESPONSIBILITY

The mitigation of negative impacts on the environment is one of our primary sustainability goals. We have established an "Environment Management system" which allows us to monitor and control pollution levels and maintain them at an absolute minimum. The program is run according to the ISO 14000 international environment management standards specified by BVQ1 (London) in 2000.

2013/14 was a year spent in furthering those goals at the Royal Ceramics factory and the Rocell Bathware factory. To this end we installed a sewerage treatment plant at the Rocell Bathware factory in Homagama. This involved an investment of Rs. 8.3 Million and will ensure that the disposal of waste is managed in an environmentally friendly way.

A three fold approach was adopted at the Royal Ceramics factory. To reduce the noise pollution aspect - all factory boundary walls were made higher and a newly built squaring building was constructed with sound proof technology. Secondly, part of the land on which the factory is built was demarcated for cultivation. Only organic fertilizer will be used and jobs have been provided to several local inhabitants who have been engaged to maintain the cultivated area. Finally, the factory water recycling system was strengthened to ensure that all recycled water is put to use.

Royal Ceramics also reached out to the community in Kirigala Village, donating close to Rs. 350,000 so that 20 families in the area received domestic water lines. School books were also distributed among children of low income families in the areas surrounding the factory.

Employees at the Royal Ceramics Factory also donated a selection of novels, fiction, translations and more to the Library of Branch Trade Union. The books create a resource which can be tapped for both personal and professional insights and development.

Our special discount scheme for members of the Sri Lankan armed forces as well as all religious institutions continued in 2014. In the same way we also extended our program of providing financial aid to our suppliers who wish to expand and add value to their businesses.

School Book Distribution- Royal Porcelain Factory, Horana

FUTURE OUTLOOK

Sri Lanka recorded a 7.3% growth in GDP and a per capita income of USD$ 3280 in 2013; positive signs indeed that the country is well on the road to achieving the economic development goals set by the Government. The Garment and Construction sectors continue to be the strongest contributors to this growth, and the highly conducive environment that exists for the latter, ensures an excellent potential for growth in the tile and sanitary ware sectors as well.

At Royal Ceramics we are ready to make the most of this positive environment. Our long term belief in investing in the best, has equipped us with the newest machines and technologies, guaranteeing the best possible quality and choice for consumers, along with increased productivity, efficiency and cost effectiveness for us.

Our high quality, reasonably priced products and our singular approach to our consumers shopping experience has meant that we have succeeded in capturing the market in a short period of time even under challenging circumstances. Therefore given the opportunities that lie ahead we are certain that Royal Ceramics will achieve continued success.

We look to the future with pride in our nation, in the product we offer and in the people who make our pioneering group the inspiring and exceptional place it is today.

Royal Porcelain (Pvt) Ltd

For over a dozen years Royal Porcelain (Pvt) Ltd has been engaged in the design and manufacture of superior quality wall, floor and exterior tiles under the Rocell brand name. Technology and innovation are the watchwords of the business which embodies a philosophy that demands new infrastructure, machinery and continuous modernization. Rocell's commitment to advancement is a signature of its brand equity.

HISTORY AND ACHIEVEMENTS

Royal Porcelain Lanka Ltd has a high capacity modern plant situated in Horana. The plant has a production capability of 11,000 m^2 of tiles a day. The manufacturing arm operates 3 production lines, of which two are dedicated to digital printing. State of the art sorting and redline measuring technologies guarantee that the Glazed Ceramic and Vitrified Glazed Porcelain tiles produced at the facility are defect minimized and design optimized.

The perfection process begins right from the selection of the raw materials used to form the body of Rocell tiles. These materials are generally homogenized to ensure consistency in composition. Research and Development are also key elements, design novelty and creativity are maintained via collaboration with the best designers in the industry in Italy, and quality standards are assured through constant testing and experimentation in a laboratory setting.

A series of demanding tests and certifications are applied at every turn - for dimension and surface : EN ISO Standard 10545.2; for physical properties : Water absorption - ISO 10545.3, module of rapture- ISO 10545.4 , resistance to abrasion- ISO 10545.6 (unglazed) and 10545.7 (glazed), crazing resistance - ISO 10545.11, frost resistance - ISO 10545.12,and for thermal expansion - ISO 10545.8. For chemical properties: Chemical resistance - ISO 10545.13 and Stain resistance - ISO 10545.14.

Situated in Meegoda and Nawala are Rocell's state of the art warehouses, two of the finest such facilities in the country. Accuracy and efficiency is maintained at these warehouses using a Schaefer racking system from Germany. A selective palletizing methodology can retain up to 3000 pallets at any given time, while German engineered Still reach trucks handle the transportation of the tiles thus insuring against bruising and damages. These steps ensure that every customer receives their purchases in the same perfect condition in which they were made.

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

GROWTH AND DEVELOPMENT IN 2014

We invested Rs.134 million in a new polishing plant which, apart from a new building includes a Keda Industrial Polishing Machine, Fired Tile Unloading Machine, Dryer, Nano Wax Machine and an Easy Line. This investment will streamline the tile polishing process and improve efficiency.

Following an investment of Rs. 200 million, our state of the art warehouse complex in Meegoda was extended during the year under review and is a welcome addition to the existing complex. The warehouse includes a racking and lighting system as well as reach trucks, scissor lifts and ample parking space. The new complex offers many advantages including added storage space in a centralized location.

Royal Porcelain revenues stood at Rs. 3.5 billion during the current financial year, compared to the revenue of Rs. 4.2 billion in the previous financial year. Overall contribution to group revenue by Royal Porcelain was 18%.

FUTURE OUTLOOK

Backed by the highest standards at every level of the production process, Royal Porcelain has already achieved a Rs. 1 billion profit mark and competes in the international arena exporting to countries such as Australia, Maldives and India. The company will continue to evolve, and it is expected that 2015 will prove to be a year of further growth and achievement.

Royal Porcelain Factory - Horana

Rocell Bathware Limited

A subsidiary of Royal Ceramics Lanka PLC, Rocell Bathware is the premier sanitary ware manufacturer in Sri Lanka, and in the five years since its inception has proved itself a top performer, achieving more than 50% market share and gaining a reputation for elegance and excellence.

HISTORY AND ACHIEVEMENTS

Rocell Bathware specialises in bathware and accessories, adhering to the highest international standards and manufacturing products that can stand alongside the world's finest brands.

The Rocell Bathware Facility in Homagama, is on par with the world's most sophisticated sanitary-ware production endeavors, and is among the best in Asia. Supporting a capacity of approximately 260,000 units, of cultured Vitereous China Sanitary-ware and Fire Clay Sanitary-ware, the brand conforms to British Standard-BS 3402:1969 and European CE certification, a key guarantee of consumer safety, health and environmental ideals. The production process is endorsed under the ISO 9001 quality management system and adheres to ISO 14001 environmental standards for its continuous Green Initiatives.

The technology and expertise used to create our bathware masterpieces come all the way from Italy, from leading sanitary ware experts Sacmi; and our state-of-the-art production plant includes robots for glazing, high and semi-pressure casting lines, automated dryers and high performance kilns.

The creative inspiration behind Rocell Bathware's modern, functional and aesthetically pleasing designs is the beauty of our natural surroundings. The wonders of nature provide an infinite palette to inspire our designers, and our range of ergonomic accessories and elegant bathware is a credit to their creativity and vision.

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

GROWTH AND DEVELOPMENT IN 2014

A new robotized high pressure casting system worth Rs.200 million was imported from Italy and installed at the Rocell Bathware facility in Homagama. This system has enhanced production capacity from 225,000 units to 260,000 units per annum. The system also offers other benefits, among them - less dependence on skilled operators, improved quality with less distortion and surface defects, reduced energy costs especially for drying moulds, and automated de-moulding and handling. It is also space saving and offers higher productivity and yield.

During the current financial year Rocell bathware generated a revenue of Rs.1.12 billion, compared to the revenue of Rs. 1.08 billion in the previous financial year, contributing 5.7% to the group's revenue while it posted a profit after tax for the period of Rs. 292 million.

FUTURE OUTLOOK

Rocell bathware is a company with boundless potential. Having gained phenomenal success since its inception in 2009, this ambitious and progressive company has the quality standards, creativity, technical expertise and vision to reach the very pinnacle of the local market, as well as make its mark in the international arena.

Simply versatile

Newest addition: Robotic High Pressure Casting Machine- Rocell Bathware Factory, Homagama

The story continues

We're growing and expanding at every level, increasing capacity, driving productivity and guaranteeing quality through every member of our team...

IN MAY 2013, ROYAL CERAMICS ACQUIRED A CONTROLLING 77% STAKE IN LANKA CERAMIC PLC, FROM CT HOLDINGS PLC OF THE CEYLON THEATRES GROUP. LANKA CERAMIC HOLDS A 62% STAKE IN LANKA WALLTILES PLC.

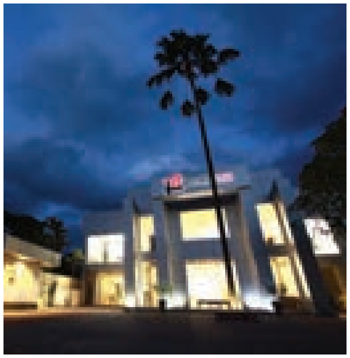
ROYAL CERAMICS LANKA PLC

TILES, BATHWARE, ALUMINIUM,
PLANTATIONS AND PACKAGING

OTHER INDIRECT SUBSIDIARIES:

LANKA TILES PLC
CEYTEA PLANTATION MANAGEMENT LTD
HORANA PLANTATION PLC
UNIDIL PACKAGING LTD
UNIDIL PAPERSACKS (PVT) LTD
SWISSTEK CEYLON PLC
SWISSTEK ALUMINIUM LTD

Challenging
Inspiring
Successful



Cross referencing
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Management Discussion and Analysis

Lanka Ceramic PLC

Lanka Ceramic PLC engages in the mining and processing of raw materials in Sri Lanka. Formerly a subsidiary of Ceylon Theatres PLC, Lanka Ceramic PLC and its subsidiaries were acquired by Royal Ceramics PLC in May 2013. The Lanka Ceramic PLC group includes Lanka Tiles PLC, Lanka Walltiles PLC, Horana Plantations PLC, Uni Dil Packaging Ltd and Swisstek Aluminium Ltd., Ceytea Plantation Management Ltd., Unidil Papersacks (Pvt) Ltd. & Swisstek Ceylon PLC.

HISTORY AND ACHIEVEMENTS

Sri Lanka's ceramics industry dates back to antiquity (500 250BC), however the need for developing this local cottage industry was not felt until a severe scarcity of consumer items was experienced during World War II. Thus the government Ceramic Factory at Negombo, was set up in 1942.

In September 1955, "Ceylon Ceramics" was established to spearhead development of the local industry, and in August 1958 was renamed the "Ceylon Ceramics Corporation" and British technology was introduced to modernize the Negombo Plant, and upgrade product quality.

The Ceylon Ceramics Corporation was commercialized in January 1990 under the name Lanka Ceramics Limited. Incorporated in 1991, Lanka Ceramic Ltd was, and is, based in Colombo, and is responsible for the production of ceramic tiles, wall tiles, floor tiles, refractory products, and corrugated cartons.

Over half a century later Lanka Ceramic Limited comprised eight production facilities, 12 retail outlets, five subsidiary companies and one associate company, catering to numerous sectors and segments of the domestic market. During the year 2012/2013 the company has completely moved out of the retailing business to mining and processing of material, while other business were carried out through its' subsidiaries.

GROWTH AND DEVELOPMENT IN 2014

The company holds mines in Meetiyagoda, Ovala and Dediyawala from which Kaolin, feldspar and ball clay are mined respectively.

The 5 acres in Meetiyagoda and 4 acres in Ovala are expected to have sufficient capacity to operate for the next 8 years, while future plans include the purchase of a 1.25 acre piece of land adjacent to the 4.5 acre Dediyawala property which will match the 3000MT capacity of the current mine and will operate for a further 5 years. Productivity levels at both Ovala and Dediyawala have seen an increase since the company's acquisition by Royal Ceramics PLC in May 2013.

During the current financial year Lanka Ceramic generated a Revenue of Rs. 185 Million compared to the Revenue of Rs. 158 million in the previous financial year, recording a Profit After Tax on Rs. 58 million. The Group Revenue rose to Rs. 13 billion with a PAT of Rs 915 Million.

FUTURE OUTLOOK

Royal Ceramics PLC has an ambitious long term plan for Lanka Ceramic Limited and its subsidiaries. During the year since its acquisition Lanka Ceramic has seen improved mining capacity for both ball clay and feldspar; and a bold and decisive new leadership has helped steer the company in a more productive and economically sound direction.

Feldspar Mine, Ovala- Lanka Ceramic PLC

Lanka Tiles PLC

The pioneering floor tile manufacturer in Sri Lanka, Lanka Tiles PLC was incorporated in 1984, with Ceramic Glazed floor tiles as its core business. Today the company has a production capacity of 3 million square meters per year, and caters to both local and international markets.

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

HISTORY AND ACHIEVEMENTS

The Lanka Tiles brand is a household name locally and has also made a significant impact in the competitive international market. The company takes pride in its use of primarily indigenous raw materials and its 100% Sri Lankan work force, while also having the vision to include the best international offerings with the application of the latest in Italian technology.

The company operates in both the domestic and the international markets. The former is mainly comprised of Household customers and Project customers, while in the international arena Lanka Tiles exports to Australia, New Zealand, USA, Japan, India, Maldives, Pakistan, Fiji, Singapore, Canada and the UAE.

With showrooms in Nawala and Jawatte, as well as 37 Franchise showrooms islandwide, the company is completely focused on convenient customer access.

The Company operates an ultra-modern factory at Ranala. The complex is spread over 30 acres and is equipped with the latest technology and staffed with highly skilled engineers and technicians. The Company invests significantly every year to upgrade both plant and machinery. Lanka Tiles has warehouses in Nawala, Rajagiriya and Biyagama, a factory outlet in Balummahara and six Consignment agents.

The factory produces tiles in a range of sizes and textures including matt, rough, gloss, stone, marble and terra-cotta, in a range of self-colours or shades. All Lanka Tile products conform to ISO 13006.

Considerable resources were invested to improve the design and development arm during the year, key among them being the introduction of the state-of-the-art DURST digital printing equipment. Further, the company also now boasts of a fully-fledged design unit consisting of a specialist designer and a graphic designer, both of Italian origin, in addition to a professionally qualified team of product designers. The new design team is deemed to be an invaluable asset that would complement the company's efforts to augment existing offerings and diversify into new market and territories, in the future.

GROWTH AND DEVELOPMENT IN 2014

Lanka Tiles PLC revenue exceeded the Rs. 5 Bn mark to reach Rs. 5.1 Bn in 2014, a 10% YoY growth comparative to 2013. Meanwhile PAT for the period was Rs. 652 Mn.

Following the acquisition of its parent company by Royal Ceramics PLC, Lanka Tiles has consolidated its activities and reworked its strategic goals based on a wider business focus, investing Rs. 281 Million on enhancing cost efficiencies and improving quality of output.

FUTURE OUTLOOK

Having designed a new and dynamic business model that will focus on growing the company's brand presence across Sri Lanka and exploring new and varied business concepts, while simultaneously leveraging group synergies; Lanka Tiles is set to not just transform its commercial direction but also ensure the company's future growth prospects.

Lanka Tiles Factory, Ranala

Lanka Walltiles PLC

Incorporated in 1975 as an export oriented joint venture with Japanese partners; Lanka Walltiles PLC commenced commercial production in its Balangoda factory in May 1977, exporting its first order in July of the same year. The company quickly established itself as a leading contender in the highly competitive international wall tile arena.

In 1994 it became a public quoted company. The unprecedented growth of the business both in the domestic and export markets led to the commissioning of a second factory, using state of the art Italian technology and internationally renowned machinery, in Meepe, Padukka. Lanka Walltiles PLC is the pioneer of glazed ceramic wall tiles in Sri Lanka and has held a dominant market position locally as well as internationally, for close to four decades.

HISTORY AND ACHIEVEMENTS

With the ability to produce approximately 3 million square meters of tile annually, Lanka Walltiles is second to none in terms of productivity, efficiency, quality and creativity of design. With the advantage of operating in a country that has an abundant supply of the raw materials required for the production of white bodied tiles; the company has always placed a desire for quality at the very heart of its business, investing in Research & Development in order that its tiles continue to meet the exacting manufacturing standards of the international marketplace.

Lanka Walltiles produces an unmatched range of tiles in a variety of colors, textures and sizes including special trim tiles, decorated tiles, as well as handmade and hand painted tiles. Lanka Walltiles conform to British, European, Singapore, Hong Kong and Japanese Standards. In 1997 Lanka Walltile PLC was awarded the ISO 9001 quality system certification for design development and manufacture of ceramic glazed wall tiles.

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

Lanka Walltiles is unequivocally committed to the protection of the environment and have an Environmental Management System that is consistently documented, implemented, effectively maintained and communicated to all relevant personnel. The company is on the cutting edge of green tile production and is dedicated to continual improvements that ensure the prevention of pollution and conservation of natural resources.

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

GROWTH AND DEVELOPMENT IN 2014

As part of the Royal Ceramics Group, Lanka Walltiles evolved into a larger more versatile operation in 2013. The company also benefitted from Royal Ceramics influence in terms of bringing down the cost of raw materials as well as gas, which had a very positive impact on expenditure. Productivity was also boosted during the year.

Lanka Walltiles recorded a YoY revenue growth of 13% which translated as Rs. 2.6 billion as at 31st March 2014. However, due in large part to a consequential increase in finance costs, the company's PAT showed a 23% decline from Rs. 251 million to Rs. 194 million as at the end of the current financial year.

FUTURE OUTLOOK

Having formulated a clear strategy that takes advantage of the group synergies that have resulted from Lanka Walltiles' acquisition by Royal Ceramics PLC, the company is most certainly on the road to securing better results in the year ahead. This new collaboration is a positive step towards a progressive future, and with Sri Lanka's economy seemingly on the path of steady growth, Lanka Walltiles cannot fail to grow too, creating a win-win situation for all its stakeholders.

Lanka Walltile Factory, Meepe

Swisstek Aluminium Ltd

Swisstek Aluminium Limited is an ISO 9001 certified company engaged in the manufacture of high quality Aluminium extrusions for both local and international markets. Formerly known as Ceykor Aluminium Industries Ltd; the company commenced commercial operations in September 2009. Following its acquisition by the Lanka Walltiles Group in October 2010, the company was renamed, Swisstek Aluminium Limited. Over a short period of time the SWISSTEK brand name became well recognised and respected.

HISTORY AND ACHIEVEMENTS

The Swisstek plant located in Dompe in the Gampaha District is equipped with ultramodern technology and is reputed for developing fabricator friendly special architectural profiles as well as customised profiles for particular applications.

Swisstek Aluminium produces the best powder-coated products in the country using the very latest German technology, and guaranteeing a perfect finish that cannot be matched by its competitors. Swisstek was formally awarded the ISO 9001 certificate by the Sri Lanka Standards Institute (SLSI) in 2012.

Swisstek's ultramodern technology ensures a production rate of 300MT of high quality extrusions per month, and its anodizing and powder coating plants are equipped to match this output. The company continually invests in research as well as technological developments that will improve the quality of its products and equip it to better cater to the requirements of its customers.

The range of products manufactured by the company includes profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading.

The company operates at 60% capacity with a well trained effiecient work force of over 200 persons. Swisstek is committed to the highest levels of health and safety regulations and is also focused on green measures designed to mitigate detrimental environmental impacts, with particular focus on the close monitoring and treatment of the waste water generated by its plant.

Swisstek also invests in building strong relationships with its dealers, distributors fabricators, hosting the Annual Swisstek Aluminium dealer convention, where good performances are recognised and rewarded.

GROWTH AND DEVELOPMENT IN 2014

Following its acquisition by Royal Ceramics PLC early last year, Swisstek Aluminium Limited's turnover increased by 22% to 1.18 Bn in 2014. This remarkable turnaround saw the company end the year with a total comprehensive income of Rs. 69.0 Million; a significant improvement on the comprehensive income of just Rs.7 Million in 2012/13.

Overall, the industry grew in 2014 due to the introduction of new technologies that added value to traditional extruded aluminium offerings. Swisstek Aluminium Limited's investment in the latest Powder Coated Aluminium profiles paid rich dividends with both powder coated and wood finish sales increasing considerably during the year. Investment was also made in value addition processes such as finishing, and measures to improve the overall productivity of processes.

The company also channelled funding into measures to improve environmental compliance including smoke emission reduction, water treatment and effluent control.

Swisstek also engaged in community service activities, primarily the provision of pipe borne water to the factory as well as nearby villages. Needs assessments were carried out and donations of vital items made to temples, schools and societies within the surrounding area.

FUTURE OUTLOOK

Under the direction of Royal Ceramics PLC, the implementation of a twofold plan designed to ensure the continued growth of Swisstek Aluminium Ltd has begun. A strategic advertising and promotional campaign to enhance company visibility, together with the introduction of new profiles and system windows for increased productivity and capability, will contribute to continued healthy results for the company in 2014/15.

Swisstek Aluminium, Dompe

UniDil Packaging Ltd

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

HISTORY AND ACHIEVEMENTS

In just under two decades UniDil Packaging captured a significant portion of the packaging market for both the local and export sectors, supplying retail and end user manufacturers in various industries including Tea, Garments, Ceramics, Agriculture, Rubber, and Food and Catering suppliers. The company specializes in, Standard Cartons, Die-Cut Cartons, Trays and Hanger Packs. However, in terms of scope, UniDil has limitless possibilities and can custom design and manufacture corrugated packaging boxes of any description for any industry.

Continually dedicated to improving the quality of their product, ensuring timely delivery and complete customer satisfaction, UniDil has made the most of management concepts and techniques such as 5S, Quality Circles, Kaizen, TQM and Six Sigma to maximize productivity and excellence, deservedly winning the 5S Award and Kaizen Award in 2003 and 2005 and national productivity award in manufacturing sector in 2004.

Over the years, UniDil Packaging has shown an incremental growth in turnover and profitability and has achieved a high level of respect in the industry via its strict adherence to a Quality Management system that complies with ISO 9001, ISO 140000. sand ISO 22000, the exclusive use of food grade materials and investment in state of the art technology. Apart from the company's investments in hard ware, UniDil has also prioritized the establishment of a group of suppliers who share the company's business philosophy and vision, as well as a dedicated staff whose professional development is of primary importance. Finally, the company is also continually and successfully engaged in reducing waste, rework and customer complaints.

GROWTH AND DEVELOPMENT IN 2014

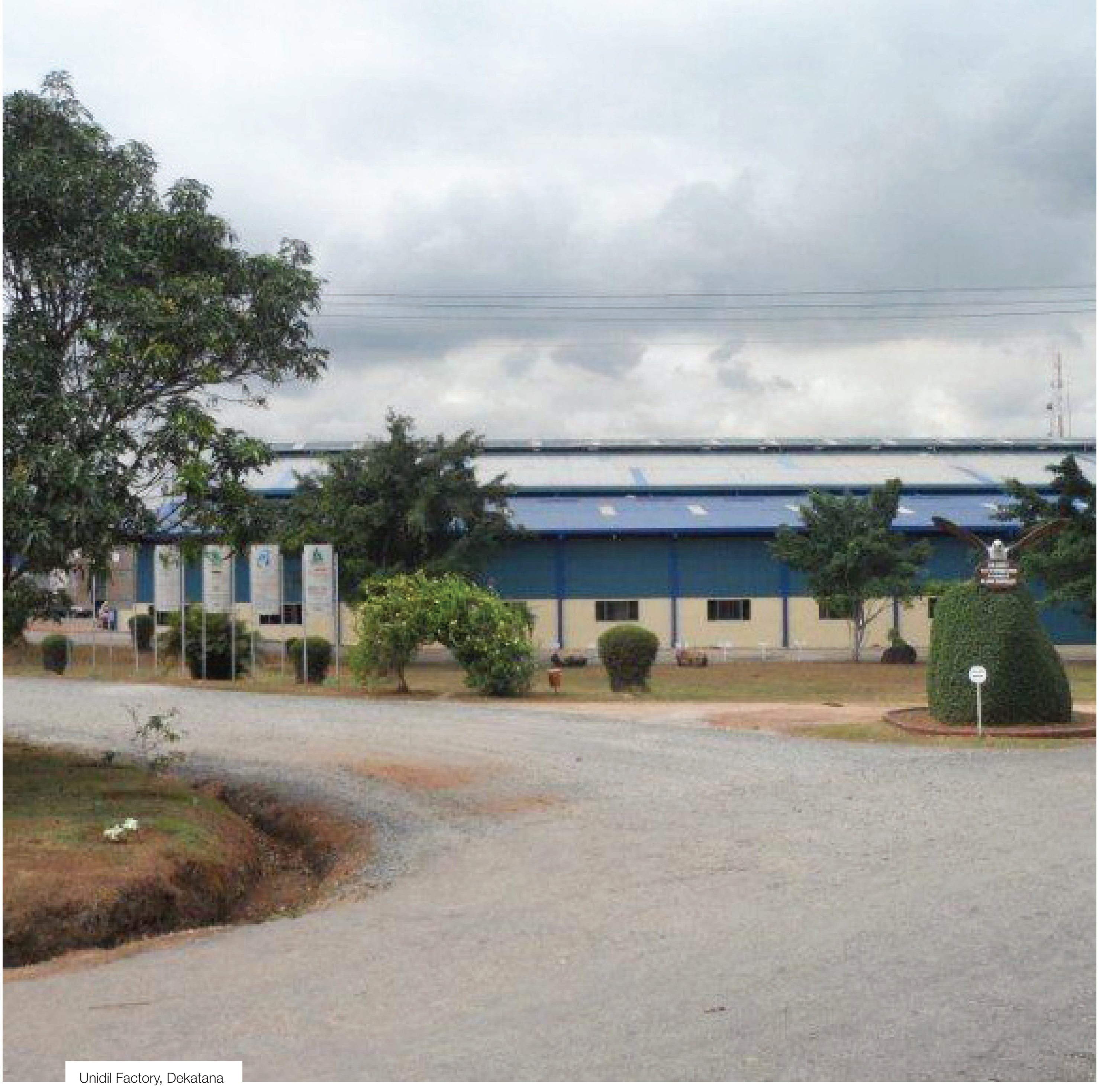
Following the May 2013 acquisition of its parent company Lanka Ceramic PLC, UniDil Packaging has made great strides under the dynamic management of Royal Ceramics Lanka PLC. The company revenue grew by 12% in 2014; however due to the lack of growth in demand in the corrugated carton industry during the year, mainly caused by a fall in tea orders due to the unrest in the Middle East, the company's Gross Profit margin deteriorated by 2% and net profit was down by 9%. This was a general phenomenon among local packaging companies as industry volumes came to a standstill at around 9000 9500 tons per month.

Turnover of the company grew by 12% despite the stagnated market conditions which prevailed during the year. The company was able to secure and capitalize the business of top end multinational companies such as, Nestle, Dilmah and Ansell during the year. The company is now on the cusp of being recognized as the number one packaging company in Sri Lanka.

Over Rs. 20 million investment in the upgrade of Corrugator machine and the addition of an E-Flute operation, have both served to increase productivity and enhance efficiency. Adding to these positive developments was an increase of around 15% in Building capacity.

FUTURE OUTLOOK

The future looks bright for UniDil Packaging with the company planning further capacity expansion in 2014 as well as investment in a state of the art printing machine that will increase print quality and performance, opening the door for a better service offering for customers. The management aims for a further 25% increase in building capacity by 2016.



Unidil Factory, Dekatana

Horana Plantations PLC

Horana Plantations PLC is one of Sri Lanka's premier plantation companies, with sixteen estates spread over more than 7,534 hectares, primarily in the Central and Western provinces of the island. Since being incorporated in1992, Horana Plantations has grown into a leading producer of the finest tea, rubber and other agricultural produce, with 42 % of the cultivated area dedicated to tea, 47 % to rubber, 5 % to timber, and 6 % to other diversified agricultural crops.

Horana Plantations' product range is renowned for its exceptional quality and standards, witnessed by the significant proportion of the Company's estates that have been internationally certified with quality standards including HACCP, ISO:22000:2005, SGS Product certification , Rain Forest Alliance certificate, Ethical Tea Partnership certification and the Forest Stewardship Council's(FSC) SGC Certificate.

HISTORY AND ACHIEVEMENTS

Horana Plantations is one of the largest producers of Ceylon tea, with an annual capacity of approximately 4.6 Million Kg of made tea. It's fine western high grown grades include BOP, BOP Fannings, Pekoe, Dust and Dust 1; while close on 14 varieties of low grown teas are produced, of which BOP1, FBOP, Pekoe, OP1 and OPA are but a few. Stringent quality processes are applied at every stage of production, from leaf to finished product, ensuring that the highest standards are maintained at all times.

The company is also one of Sri Lanka's largest producers of natural rubber of various types and qualities including Latex crape, RSS and Sole Crepe. Horana Plantations is the go to choice for rubber product manufacturers, both locally and internationally, who require high quality raw materials.

Horana Plantations' rubber factories have a total production capacity of 1.8 Million Kg of Made Rubber per year. All rubber estates under the HP banner have been awarded the Non - Timber Forest Products (NTFP) Certification by the Forestry Stewardship Council.

GROWTH AND DEVELOPMENT IN 2014

Following the acquisition of its parent company by Royal Ceramics PLC, Horana Plantations has seen many positive changes including increased capacity and decreased expenditure. The company revenue grew from Rs. 2.2 billion in 2012/13 to Rs 2.3 billion in 2013/14; however due to sharp decrease in Rubber prices and the increase in cost of production due to wage increase, adverse weather conditions and increase in energy costs, the company's Gross Profit reduced from Rs. 369 million in the previous year to Rs. 271 million in the year under review.

The company has been recognized for its high quality products and received many awards at the 2013 Forbes & Walkers Tea Awards as well as the John Keells Holdings Award Ceremony.

Horana Plantations provides housing to approximately 32000 persons living in family units across the estates under the company's purview. A special focus on the upliftment and protection of the plantation worker community is an integral part of the company's social responsibility initiatives. Thus Health and Nutrition programs are of primary importance and programs on maternal and children's health as well as communicable diseases and eye and dental care were carried out during the year.

Gourawila Estate -
Horana Plantations PLC

Several social development programmes were also conducted with the support of the Ministry of Infrastructure Development, Plantation Human Development Trust and National Housing Development Authority and various NGO's, resulting in the construction of a new Child Development Center, a preschool, 19 worker houses, 30 latrines and several e-kiosk centres.

Occupational Health and Safety (OHS) is a top priority and several training sessions on Health and Safety for Chemical Sprayers and Factory workers were conducted. Training to enhance skills and development was also prioritized.

The company is also committed to restoring environmental health and its' agricultural practices conform to stringent local parameters as well as to international standards. Under this banner the Forest Stewardship Council (FSC) certification for all the company's Rubber Plantations were revalidated in the year under review certifying that the agricultural management of the rubber plantations is consistent with parameters of environmentally sound management.

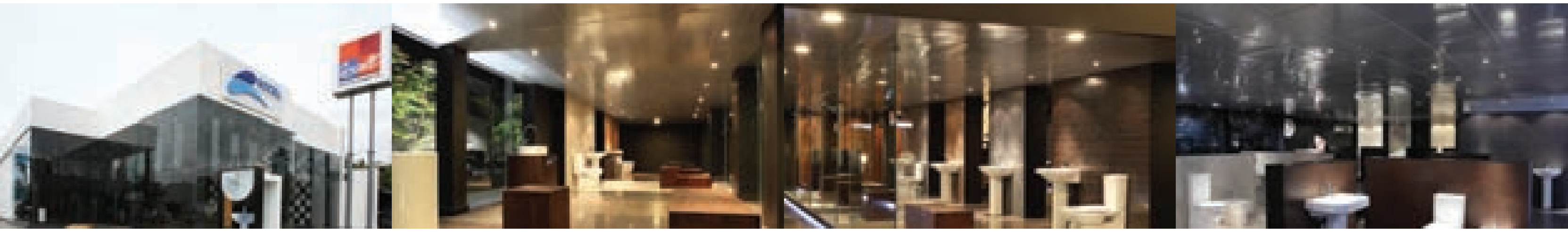
Ethical Tea Partnership (ETP) certification will prove to be of immense benefit going forward especially in terms of international markets which demand increasingly high social and environmental standards. Adding further value is the Rainforest Alliance Certification from the Sustainability Agriculture Network (SAN) which promotes efficient agriculture, biodiversity conservation and sustainable community development. In the same vein the Fair Trade Certification proved to be of immense benefit to the company's Stockholm Estate, and following further advocacy Alton Estate was certified as a Fair trade certified Estate and included in the Multi Estate Certification as well.

FUTURE OUTLOOK

With its dedication to the highest quality and operational standards, steady growth and development have been the hallmarks of Horana Plantations PLC since its inception over two decades ago. A company with such an admirable history can only anticipate further progress under the dynamic and visionary leadership of Royal Ceramics PLC.

OUR SHOWROOM

Network



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

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

3. 106, Galle Road,
Dehiwala North, Dehiwala.
Tel: 0114202815/4

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

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

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

7. 472/1, High Level Road,
Makumbura, Kottawa.
Tel: 011-4308413

8. 116, Colombo Road, Piliyandala.
Tel: 011-4210675

9. 477/1, Galle Road,
Rawathawatte, Moratuwa.
Tel: 011-4210726

10. 587, Negombo Road,
Liyanagemulla, Seeduwa.
Tel: 011-4831987

11. 562, Peradeniya Road,
Mulgampola, Kandy.
Tel: 081-4471581

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

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

14. 176 & 176/A, Colombo Road,
Kurunegala.
Tel: 037-4690467

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

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

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

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

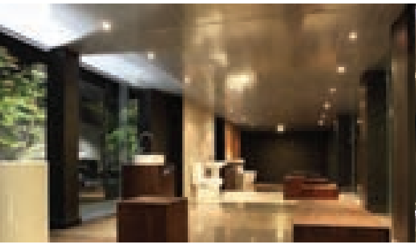
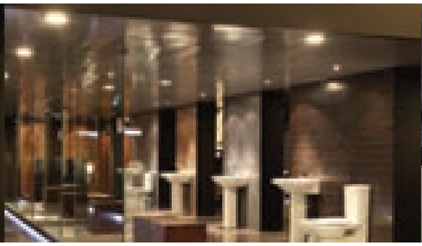
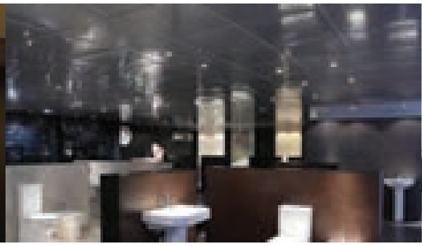
19. 443, Galle Road,
Kalutara North, Kalutara.
Tel: 034-4280469

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

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

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

23. 143, High Level Road, Maharagama.
Tel: 011-4319514


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

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

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

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

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

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

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

31. 279, Katugastota Road, Kandy.
Tel: 081-4481759/60

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL

Review

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

GROUP RESULTS

The Group has reported a Net Turnover of Rs. 19.7 billion during the financial year in spite of the challenges faced by the ceramic industry in the country. This is a 160% growth further consolidating the position of 'Rocell' as the clear market leader in this industry. A growth of 214% is seen in the group export turnover with Rs. 844 million. This phenomenal growth in both local and export revenue is mainly due to the consolidation of Lanka Ceramic results. Export sales have contributed only 4% towards total sales. The lower export revenue contribution to the group has been mainly due to low priced products from countries like China and India dominating the world market with their economies of scale in the face of global price competition. The Company, as before, is taking necessary steps to counter these threats and will continue to focus on this segment.

PROFITABILITY

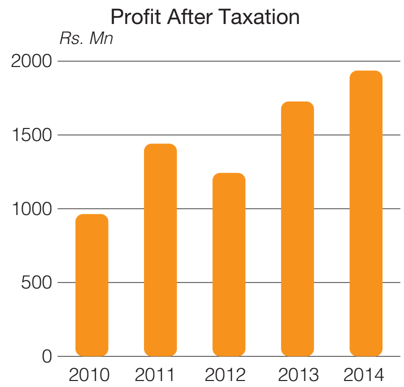
The Gross Profit of the Group recorded a growth of only 91% despite the revenue increasing by 160%. This is mainly due to the low margins maintained by most of the subsidiary companies. Group Profit after Tax increased to Rs. 1.97 billion as against Rs. 1.63 billion in the previous year. Share of profit from Associate companies Delmege Limited and LB Finance PLC was Rs. 388.6 million as opposed to Rs. 559.4 million during the financial year 2012/13. Pre tax profit has increased by 32% to Rs. 2.3 billion during the financial year from Rs. 1.7 billion in the previous year. Net profit attributable to the owners of the parent company has dropped by 33% Consequently, the Group has a 48% drop in Earnings per Share of Rs. 10.16 mainly due to the lower net profit attributable to the parent Company by its subsidiaries.

OTHER INCOME

Other Income of the Group has increased by Rs. 189 million mainly due to the consolidation of the Lanka Ceramic Group.

TAXATION

The Group made an income tax provision of Rs. 318 million for the year under review in comparison to Rs. 103 million in its previous financial year. This includes Rs. 139 million as the share of Income Tax from associate companies and Rs. 48 million as a reversal of deferred tax provision. In addition, Rs. 2.2 billion was paid to the Government by way of direct sales taxes during the year.



DIVIDEND

The Company has proposed a 1st and final dividend of Rs. 1 per share on 29th May 2014 subject to approval of shareholders at the AGM.

CAPITAL EXPENDITURE

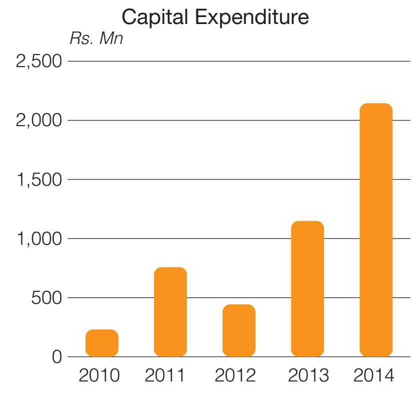
Capital expenditure of the Group was Rs. 2.1 billion for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands and showroom development, etc.

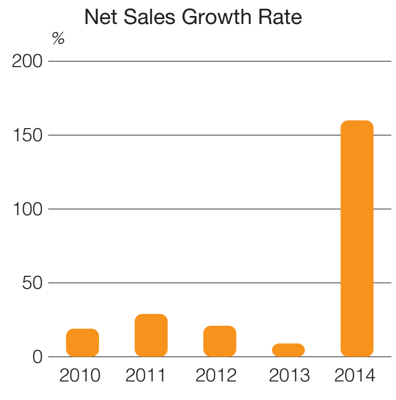
FINANCIAL INDICATORS

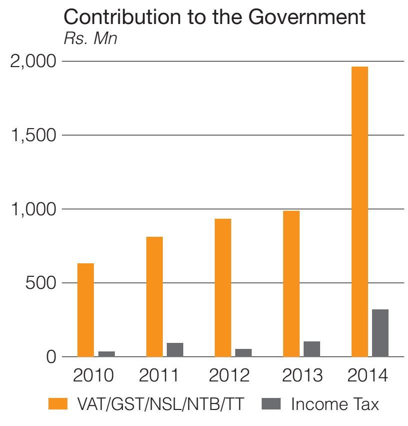
The Group's net cash outflow was Rs. 668 million. The Group's long term borrowings have increased to Rs. 8,332 million from Rs. 2,365 million, mainly due to the consolidation with the Lanka Ceramic Group. The Group's short term borrowings, including overdrafts, have increased to 5,148 million from Rs. 1,756 million. Shareholders' funds consist of 13% stated capital, 7% capital reserves and 80% revenue reserves.

ACCOUNTING POLICIES AND DISCLOSURES

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







CORPORATE GOVERNANCE

The Group manages its affairs in accordance with appropriate standards for good corporate governance. The Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place by complying with generally accepted corporate governance practices as well as specific requirements under the rules set out in Section 7.10 of the Colombo Stock Exchange's Listing Rules and the Code of Best Practices issued by the Institute of Chartered Accountants of Sri Lanka on matters relating to the financial aspect of corporate governance as a useful guideline.

WE ARE PROUD TO BE RECOGNISED BY CONSUMERS AS THE BEST PROVIDER OF SURFACING AND BATHROOM SOLUTIONS IN THE COUNTRY.

Corporate Governance

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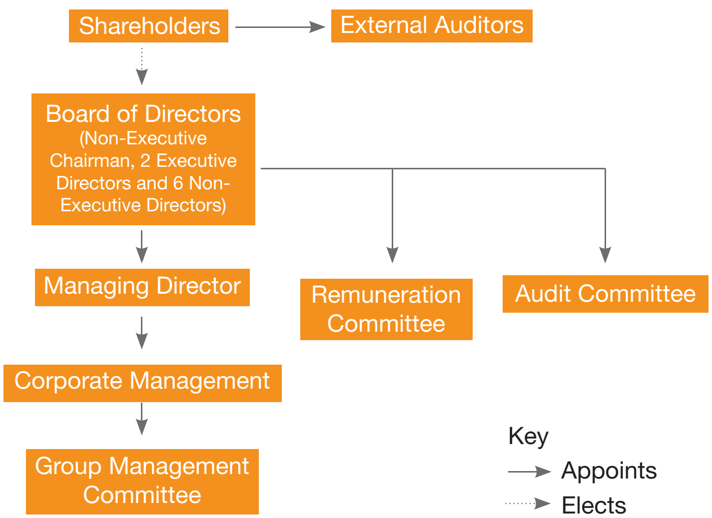
Rocell's Governance Guidelines provide Directors and management with a road map of their respective responsibilities. These guidelines, which will be updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review. The Group's Governance Framework is depicted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



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

STRATEGIC DIRECTION AND IMPLEMENTATION

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

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

BOARD OF DIRECTORS

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

CORE DUTIES OF THE BOARD

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

Committees of the Board or the independent Directors as appropriate:

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

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

COMPOSITION OF THE BOARD

The Board consists of nine Directors, seven Non-Executive Directors and two Executive Directors being the Managing Director Mr. Nimal Perera and the Director Marketing & Business Development Mr. Tharana Thoradeniya.

There is a balance of Executive and Non-Executive Directors to ensure that the decisions taken by the Board are collective. The Non-Executive Directors do not have any business interest that could materially interfere with the exercise of their independent judgment.

Each Non-Executive Director has submitted a Declaration of his independence or non- independence as required under the Listing Rules of the Colombo Stock Exchange.

The Board has resolved that Mr. R. B. Thambiayah, Mr. L. T. Samarawickrama, Mr. M. D. S. Goonatilleke, Mr. R. N. Asirwatham and Mr. G. A. R. D. Prasanna can be classified as Independent Non-Executive Directors although they serve on the Boards of other subsidiary companies of RCL in which a majority of the other members of the Board are also Directors.

BOARD SUB-COMMITTEES

Audit Committee

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

The Board has appointed an Audit Committee consisting entirely of Non-Executive Independent Directors which is chaired by Mr. M. D. S. Goonatilleke. A comprehensive Report of the Audit Committee appears on Page 79.

Remuneration Committee

The Remuneration Committee decides on the remuneration of Executive Directors and sets guidelines for the remuneration of the management staff within the Group. The Committee, consisting of Non-Executive Directors, all of whom are Independent, is chaired by Mr. R. B. Thambiayah. The Report of the Remuneration Committee appears on Page 81. The total of Directors' Remuneration is reported in Note 34.2.1 to the Financial Statements, on page 169.

Board Meetings and Attendance

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

Name	Directorship Status	Main Board	Audit Committee	Remuneration Committee
Total Number of Meetings Held		12	6	2
A M Weerasinghe	Non-executive Chairman	11/12*	N/A	N/A
K D D Perera	Non-executive Deputy Chairman	12/12	N/A	N/A
W D N H Perera	Managing Director	12/12	3/6**	2/2**
T G Thoradeniya	Executive Director	12/12	N/A	N/A
R B Thambiayah	Independent Non-executive Director	10/12	N/A	2/2*
L T Samarawickrama	Independent Non-executive Director	8/12	4/6	2/2
M D S Goonetilleke	Independent Non-executive Director	12/12	6/6*	2/2
G A R D Prasanna	Independent Non-executive Director	11/12	N/A	N/A
R N Asirwatham	Independent Non-executive Director	7/12	3/6	N/A
A A Page	Independent Non-executive Director	2/5	N/A	N/A

*Chairman **By invitation

During the year under review, Mr. A A Page ceased to be a Director with effect from 3rd October 2013.

RELATIONSHIP WITH SHAREHOLDERS

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. The Shareholders have the opportunity of meeting the Board and forwarding their questions at the Annual General Meeting. The Board believes the AGM as a means of continuing effective dialogue with Shareholders. The Board offers clarifications and responds to concerns Shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the Financial Statements for the year. However, this does not limit the Shareholders' communication with the Board, and they are free to communicate anytime with the Managing Director, Company Secretary or any of the senior managers depending on the matter to be addressed.

INTERNAL CONTROL

The Board places a high priority on internal controls to manage the day-to-day affairs of the company.

The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable, and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

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

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

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

DISCLOSURE

The Board's policy is to disclose all relevant information to stakeholders, within the bounds of prudent commercial judgment, in addition to preparing the financial statements in accordance with Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, and in conformity with Stock Exchange disclosure requirements.

GOING CONCERN

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

Corporate Governance

COMPLIANCE

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

Corporate Governance Principles	CSE Rule Reference	Compliance Status	Rocell's level of Compliance
Non-executive Directors	7.10.1	Compliant	Seven out of Nine Directors are Non-executive.
Independent Directors	7.10.2 (a)	Compliant	Five out of seven Non-executive Directors are "Independent".
	7.10.2 (b)	Compliant	
Disclosures relating to Directors	7.10.3	Compliant	Given under the heading of Composition of the Board of this Report brief resumes of each Director appear on Page 18.
Remuneration Committee	7.10.5 (a)	Compliant	The Committee comprises of three Non-executive Independent Directors.
	7.10.5 (b)	Compliant	Please refer Remuneration Committee Report on page 81.
	7.10.5 (c)	Compliant	The aggregate remuneration paid to Executive and Non-executive Directors is given under Note 34.2.1 to the Financial Statements on page 169.
Audit Committee	7.10.6 (a)	Compliant	The Committee comprises of three Non-executive Directors, all of whom are Independent. The Chairman of the Committee is a Member of a recognised professional accounting Body. The Managing Director and the Head of Finance & Treasury attend Committee meetings by invitation.
	7.10.6 (b)	Compliant	Please refer Audit Committee Report on page 79.
	7.10.6 (c)	Compliant	The names of the Audit Committee members and the basis of determination of the independence of the auditor is also given in the Audit Committee report.

OTHER INFORMATION

The Annual Report contains statements from the Board, including the responsibilities of the Directors for the preparation of the Financial Statements, and the Directors are of the view that they have discharged their responsibilities as set out in this statement. The performance of the company and its subsidiaries during the year under review and the future prospects of the Group are covered in the Managing Director's Review of Operations and the Management Discussion and Analysis.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RISK

Management

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

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

THE FUNCTIONING OF THE SYSTEM IN 2014

The important events in risk management in 2014 are reported below. This section is structured according to the elements of the Company's risk management framework.

Internal environment for risk management

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

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

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

- To fulfill its strategic intent, Rocell is prepared to accept considerable risks in its drive to develop its people and organizational base into a competitive advantage, in its innovation programs, in its expansion to high growth economies and in developing sustainability as a business driver. Of course these risks will always be limited by defined hurdle criteria and rigorous implementation programs.

- In risk areas such as intellectual property protection, acquisitions and joint ventures, production-process reliability, business continuity, and product liability the company is cautious to conservative.

- With regard to reputation, safety, health and environment and internal and external non-compliance the company is risk averse.

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

Objectives and risk identification, assessment and response

In line with the mandatory risk management process, business groups that updated their strategy in 2014 performed a business risk assessment to identify and assess the implementation risks of the chosen strategy and agree on responses. At mid-year and at year-end, all units review and report their risks and incidents as part of the semi-annual risk reporting process. In 2014, the Board identified any necessary responses to be made in addition to the mitigating actions already in place in order to bring the risks within the defined risk appetite.

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

The company's top risks

Rocell identifies the likelihood and impacts of events that could jeopardize the achievement of the targets for 2014/15. In setting these targets, assumptions were made about the macro-economic and global financial developments (basic scenario).

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

The top risks and related mitigating actions

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

Other important risks

- **Acquisitions & Partnerships**

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

- **Innovation**

  The current outlook is that Rocell is on track to realize the innovation ambitions as set in its strategy and it's Brand Promise.

  In addition to the top risks, the most recent risk assessment and reports show the following risks as being most important:

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

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

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

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

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

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

Overview of risk categories

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

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

Control activities

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

Generic/strategic risks

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

Operational risks

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

Financial and reporting risks

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

Legal and compliance risks

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

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

Information and communication

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

Conclusion

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

ANNUAL REPORT

of the Board of Directors on the Affairs of the Company

The Directors of Royal Ceramics Lanka PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2014.

GENERAL

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

Royal Ceramics Lanka PLC is a company involved in the manufacture and sale of porcelain and ceramic tiles.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The Group's principal activities during the year were the manufacture and sale of porcelain and ceramic tiles along with sanitaryware and paint and allied products plantations, packaging & aluminium. The products of the Company and its wholly owned subsidiaries Royal Porcelain (Private) Limited and Rocell Bathware Limited, are mainly distributed through its own showroom network, supported by a network of dealers and distributors, under the brand names "Rocell" and "Rocell Bathware". The products of its other wholly owned subsidiary in operation, Ever Paint and Chemical Industries (Private) Limited, are distributed through its dealer network under the brand name 'Colorbrite'.

A review of the business and performance of the Group during the year, with comments on financial results, future strategies and prospects are contained in the Managing Director's Review of Operations, Chairman's Statement and Management Discussion and Analysis on pages 12, 8 and 24 which form an integral part of this Report.

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

FINANCIAL STATEMENTS`

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 84 to176.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements of the Company is given on page 83.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 92 to 111 and are consistent with those of the previous year.

DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 16 to 19.

Executive Directors

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

Non - Executive Directors

Mr. A M Weerasinghe	-	Chairman
Mr. K D D Perera	-	Deputy Chairman

Independent Non - Executive Directors

Mr. L T Samarawickrama	-	Director
Mr. R B Thambiayah	-	Director
Mr. G A R D Prasanna	-	Director
Mr. M D S Goonatilleke	-	Director
Mr. R N Asirwatham	-	Director
Ms. A L Thambiayah	-	Alternate Director to Mr. R B Thambiayah

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

The Directors have recommended the appointment of Mr. R N Asirwatham who is 71 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the appointment of Mr. R N Asirwatham.

During the year under review, Mr. A A Page ceased to be a Director with effect from 03rd October 2013.

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

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 2014 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 34.2.1 to the Financial Statements on page 169.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts with the Company are stated below. 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 34.2.1, 34.2.2 and 34.2.3 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.

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

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2014
Royal Porcelain (Pvt) Ltd	Mr.A.M. Weerasinghe Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr.M.D.S. Goonatillake Mr.R.N.Asirwatham	Chairman Managing Director Director Marketing & Business Development Director Director Director Director Director	A sum of Rs. 1,142,780 /- was Received as Service charges A sum of Rs. 4,500,000/- was received as Rent Materials worth of Rs. 12,050,830/- were Purchased A sum of Rs. 1,275,000,000 /- was received as dividends. A sum of Rs. 12,119,147/- worth of Damaged tiles were purchased. Materials worth of Rs. 12,999,113 /- were sold A sum of Rs. 1,622,665,866/= as received as short term funds A sum of Rs. 354,982,314/= were receivable for reimbursement expenses.	(**450,121,797**)
Rocell Bathware Ltd	Mr.A.M. Weerasinghe Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya Mr. R.B.Thambiayah Mr. L.T. Samarawickrema Mr.G.A.R.D Prasanna Mr.M.D.S. Goonatillake Mr.R.N.Asirwatham	Chairman Director Director/CEO Director Director Director Director Director	Materials worth of Rs. 15,097,631/- were Purchased Materials worth of Rs. 3,272,708/- were Sold A sum of Rs. 298,475,202/- was received as short term funds A sum of Rs. 108,221,086/- were receivable for reimbursement expenses. A sum of Rs. 2,511,000/- was received as dividends.	(**345,659,832**)

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2014
Royal Ceramics Distributors (Pvt) Ltd	Mr.A.M. Weerasinghe Mr. K.D.H. Perera Mr. W.D.N.H.Perera Mr. T.G.Thoradeniya	Chairman Deputy Chairman Managing Director Director Marketing & Business Development	A sum of Rs 579,209/- were Receivable for reimbusment of expenses.	**579,210**
	Mr. R.B.Thambiayah	Director		
	Mr. L.T. Samarawickrema	Director		
	Mr.G.A.R.D Prasanna	Director		
Ever Paint & Chemical Industries (Pvt) Ltd.	Mr.A.M. Weerasinghe	Chairman	Materials worth of Rs.465,312/- were purchased A sum of Rs. 12,798,777/-was received as short term funds A sum of Rs. 6,085,323/- were receivable for Reimbursement of expenses. A sum of Rs. 200,000,000/- worth investments made.	(**5,156,468**)
L B Finance Ltd	Mr. K.D.D. Perera	Executive Deputy Chairman	A sum of Rs 7,712,921/- worth shares were purchased.	(**16,810,048**)
	Mr. W.D.N.H.Perera	Executive Director	A sum of Rs.105,275,974 /- was received as dividends.	
Pan Asia Bank Ltd	Mr. W.D.N.H.Perera Mr.M.D.S. Goonatillake	Chairman Director	Current account balance Tiles worth of Rs. 789,296/ - were sold	**4,179,331**
			A sum of Rs 144,034,499/- worth shares were sold.	

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

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2014
Sampath Bank Ltd.	Mr. K.D.D. Perera	Chairman	Tiles worth of Rs. 2,571/- were sold	**7,345,224**
Hayleys PLC	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr. M.D.S.Goonathilake Mr.L.T.Samarawickrama	Deputy Chairman Director Director Director	Tiles worth of Rs. 499,499/- were sold	
Vallibel One Plc.	Mr. K.D.D. Perera Mr. W.D.N.H.Perera Mr.R.N.Asiriwatham	Chairman Deputy Chairman Director	No transaction	**0**
Hotel Services Ceylon PLC	Mr. K.D.D. Perera Mr.W.D.N.H.Perera Mr. L.T.Samarawickrama	Director Director Director	Tiles worth of Rs. 912,154/- were sold	**6,751,512**
Douglas & Sons Ltd	Mr.M.D.S. Goonatillake	Director	Materials worth of Rs 208,051/-were purchased.	
Rocell Ceramics Ltd	Mr. A.M.Weerasinghe Mr.W.D.N.H.Perera	Chairman Director	A sum of Rs.740,276/- worth investments made.	**197,136,773**
Horana Plantation PLC	Mr.W.D.N.H.Perera Mr. K.D.D. Perera	Chairman Deputy Chairman	A sum of Rs 1,005,714 /- was receivable as rent. A sum of Rs 75,000 /- was paid as vehicle rent. A sum of RS. 68,121/- were receivable for reimbursement expenses.	**1,073,836**

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2014
Lanka Ceramics PLC	Mr.W.D.N.H.Perera Mr. K.D.D. Perera Mr.T.G.Thoradeniya	Chairman Deputy Chairman Director	A sum of Rs 571,428/- was receivable as rent. A sum of Rs 3,009,735,837/- worth shares were purchased. A sum of Rs 229,529,474/- worth shares were sold. Materials worth of Rs 38,690,516/- were purchased. A sum of RS. 2,577,642/- were receivable for reimbursement of expenses.	**2,537,297**
Lanka Tiles PLC	Mr.W.D.N.H.Perera Mr. K.D.D. Perera Mr. T.G. Thoradeniya	Chairman Director Director	Materials worth of Rs 425,365/- were purchased. Tiles worth of Rs 8,617/- were sold. Materials worth of Rs. 885,138.89 /- were Sold A sum of Rs 4,082/- was received as dividends. A sum of Rs 66,663,064/- worth shares were purchased. A sum of RS. 2,054,748/- were receivable for reimbursement of expenses.	**2,690,839**
Lanka Walltiles PLC	Mr.W.D.N.H.Perera Mr.T.G.Thoradeniya	Chairman Director	Tile worth of Rs 2,082.61/- were sold. A sum of Rs 33,891,554/- worth shares were purchased. A Sum of RS.6,217,693/- were received as sales commisions. A sum of Rs 854,860/- was received as dividends. A sum of Rs.55,969/- as received as short term funds A sum of RS. 2,024,323/- were receivable for reimbursement of expenses.	**2,925,012**

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2014
Uni-Dil Packging Limited	W.D.N.H. Perera	Sub-Subsidiary	Goods worth of Rs 17,272,291/- were purchased.	**(2,196,655)**
Swisstek (Ceylon) PLC	W.D.N.H. Perera	Sub-Subsidiary	Goods worth of Rs 3,694,157/- were purchased.	**(3,694,158)**
Culture Club Resorts (Pvt) Ltd	Mr. L.T.Samarawickrama	Director	Tiles worth of Rs 144,712/- were sold. A sum of Rs.5,755,070/- were Paid towards hotel bills	**37,462**
DFCC Bank	Mr. R.B.Thambiayah	Director	Tiles worth of Rs 569,740/- were sold.	
Haycarb PLC	Mr. K.D.D. Perera	Director	Tiles worth of Rs 355,206/- were sold.	
	Mr.W.D.N.H.Perera	Director		
Hunas Falls Hotels PLC	Mr. L.T.Samarawickrama	Managing Director	Tiles worth of Rs 12,200/- were sold.	
Delmege Ltd	Mr. K.D.D. Perera	Chairman	A sum of Rs 508,369.56 was received as dividends.	
	Mr. T.G.Thoradeniya	Director		
	Mr.G.A.R.D. Prasanna	Director		
Kandyan Resorts (Pvt) Ltd	Mr. L.T.Samarawickrama	Director	No transacitons	**2,410,352**

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 78.

Auditors

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

A total amount of Rs. 918,750 is payable by the Company to the Auditors for the year under review audit fees.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 29/05/2014 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.1,368,673,373/-.

The number of shares issued by the Company stood at 110,789,384 fully paid ordinary shares as at 31st March 2014 (which was the same as at 31st March 2013).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2014 and 31st March 2013 are as follows.

	Shareholding as at 31/03/2014	Shareholding as at 31/03/2013
Mr. A M Weerasinghe	**7,142,614**	7,970,089
Mr. K D D Perera	**200,772**	200,772
Mr. W D N H Perera	**-**	87,900
Mr. T G Thoradeniya	**176,390**	140,500
Mr. L T Samarawickrama	**2,000**	2,000
Mr. R B Thambiayah	**1,584**	1,584
Mr. G A R D Prasanna	**-**	-
Mr. M D S Goonatilleke	**2,500**	2,500
Mr. R N Asirwatham	**-**	-
Ms. A L Thambiayah (Alternate Director to Mr. R B Thambiayah)	**-**	-

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

Shareholders

There were 11,427 shareholders registered as at 31st March 2014 (11,610 shareholders as at 31st March 2013). The details of distribution are given on page 181 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 181 to 182 under Share Information.

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 2014, 1,001 persons were in employment (913 persons as at 31st March 2013).

Reserves

The reserves of the Company with the movements during the year are given in Note 14 to the Financial Statements on page 137.

Land holdings

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

Location	No Of Buildings	Extent (Perches)	Land Valuation As At 31 -03 -2014 (Rs.)
Kottawa	3	230.74	**105,485,000.00**
Eheliyagoda	28	7,909.44	**247,150,000.00**
Meegoda WH	1	424.00	**48,740,000.00**
Nawala New	1	24.96	**87,150,000.00**
Nuwara Eliya	1	28.69	**25,048,150.00**
Naththandiya	-	1,600.00	**20,000,000.00**
Kalutara	-	768.16	**11,525,000.00**
Seeduwa	-	52.52	**65,545,500.00**
Narahenpita	-	17.02	**59,313,500.00**
Colpetty	1	19.97	**272,115,512.00**
	34	11,075.48	**942,072,662.00**

A land of an extent of 19.97 perches with a building situated in Duplication Road, which was acquired during the current financial year and carried at its book value is the same as the current market value being Rs. 272,115,512.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Notes 3 to the Financial Statements on page 112.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2014 are given in Notes 4, 5 and 6 to the Financial Statements on page 128.

Dividends

The Directors have recommended a first and final dividend of Rs. 1/- per share for the year under review subject to obtaining a certificate of solvency from the auditors and to be approved by the shareholders at the forthcoming Annual General Meeting. As required by Section 56 of the Companies Act, the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Companies Act. No. 07 of 2007

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

Donations

The Company made donations amounting to Rs. 400,000 in total, 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 page 62 and 171.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 30 to the Financial Statements on page 167, there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 32 to the Financial Statements on page 168 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

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

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

Audit Committee

Mr. M D S Goonatilleke - Chairman

Mr. L T Samarawickrama

Mr. R N Asirwatham

Remuneration Committee

Mr. R B Thambiayah - Chairman

Mr. L T Samarawickrama

Mr. M D S Goonatilleke

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

The Corporate Governance Statement on pages 54 to 60 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out in the Management Discussion and Analysis on pages 24 to 49 of this Report.

Annual General Meeting

The Notice of the Twenty Fourth (24th) Annual General Meeting appears on page 185.

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

A M Weerasinghe
Chairman

W D N H Perera
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

30th May 2014

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

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

DIRECTORS OF SUBSIDIARY COMPANIES

Royal Porcelain (Pvt) Limited

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

Rocell Bathware Limited

Mr. A M Weerasinghe
Mr. W D N H Perera
Mr. T G Thoradeniya
Mr. L T Samarawickrama
Mr. R B Thambiayah
Mr. G A R D Prasanna
Mr. M D S Goonatilleke
Mr. R N Asirwatham
Mr. S A D M Ratnayake (Resigned w.e.f 30.04.2014)
Mr. D J Silva

Royal Ceramics Distributors (Pvt) Limited

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

Ever Paint and Chemical Industries (Private) Limited

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

Lanka Ceramic PLC

Mr. K D D Perera
Mr. W D N H Perera
Mr. J A P M Jayasekara
Mr. T G Thoradeniya
Dr. S Selliah
Mr. K D G Gunaratne
Ms. A M L Page
Mr. N A Abeyesekera
Mr. D J Silva

Lanka Walltiles PLC

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

Lanka Tiles PLC

Mr. K D D Perera
Mr. W D N H Perera
Mr. J A P M Jayasekara
Mr. P L Amarasinghe
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page

Swisstek (Ceylon) PLC

Mr. W D N H Perera
Mr. J A P M Jayasekara
Mr. K Y Choi
Mr. K I S Udumalagala
Mr. S A D M Ratnayake
Mr. J K A Sirinatha

Swisstek Aluminum Limited

Mr. W D N H Perera
Mr. J A P M Jayasekara
Mr. A A Page
Mr. D De Silva
Mr. A S Mahendra
Mr. B T T Roche
Mr. K Y Choi
Mr. K I S Udumalagala
Mr. S A D M Ratnayake

Valllibel Plantation Management Limited

(formerly known as Ceytea Plantation Management Limited)

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

Horana Plantations PLC

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

UniDil Packaging Limited

W D N H Perera
D B Gamalath
N A Abeyesekera
H Somashantha
N T Bogahalande

UniDil Paper Sacks (Private) Limited

D B Gamalath
W D N H Perera
N A Abeyesekera

STATEMENT

of Directors' Responsibilities

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 83.

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 Statement of Income 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 Financial Reporting Standards. (SLFRS/LKAS) 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 2014/2015 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
Royal Ceramics Lanka PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
30th May 2014

REPORT

of the Audit Committee

Composition of the Audit Committee

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

The members of the Board appointed Audit Committee are;

Mr. M D S Goonatilleke - Chairman

Mr. L T Samarawickrama

Mr. R N Asirwatham

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

Role of the Audit Committee

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

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

Meetings

The Audit Committee met six times during the year. The Managing Director, Director Marketing and Business Development, Head of Finance & Treasury and Chief Internal Auditor also attended these meetings by invitation. The other executives and external auditors do so as and when required. The minutes of the Audit Committee were tabled at the Board meetings. Attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on page 54.

The Committee carried out the following activities.

Financial Reporting

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

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

Report of the Audit Committee

Risks and Controls

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

External Audit

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

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

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

Internal Audit

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

Regulatory Compliance

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

(Sgd.)
M D S Goonatilleke
Chairman - Audit Committee

30th May 2014

REPORT

of the Remuneration Committee

Report of the Remuneration Committee

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

Mr. R.B. Thambiayah - Chairman

Mr. L.T. Samarawickrama

Mr. M.D.S. Goonatilleke

Policy

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

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

Scope

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

Fees

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

Meetings

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

Professional Advice

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

Committee Evaluation

Self-assessment by Committee members was compiled with at the commencement of 2013.

(Sgd.)
R.B. Thambiayah
Chairman- Remuneration Committee

30th May 2014

Financial Calender

Interim Report- 1st Quarter 2013/2014	August 15, 2013
Interim Report- 2nd Quarter 2013/2014	November 9, 2013
Interim Report- 3rd Quarter 2013/2014	February 12, 2014
Interim Report- 4th Quarter 2013/2014	May 28, 2014
Annual Report 2013/2014	May 30, 2014
24th Annual General Meeting	June 30, 2014

WE ARE PROUD TO BE RECOGNISED BY CONSUMERS AS THE BEST PROVIDER OF SURFACING & BATHROOM SOLUTIONS IN THE COUNTRY.

Independent Auditors' 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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ROYAL CERAMICS LANKA PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Royal Ceramics Lanka PLC ("Company"), the Consolidated Financial Statements of the Company and its Subsidiaries which comprise the Statements of Financial Position as at 31 March 2014, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2014 and its performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its Subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153 (2) to 153(7) of the Companies Act No. 07 of 2007.

30th May 2014
Colombo

Statement of Financial Position

As At 31st March 2014	Note	Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	03	2,762,442,517	2,237,933,541	16,267,160,207	5,502,352,878
Leasehold Rights Over Mining Lands		-	-	1,226,500	-
Investment Property	04	-	-	240,094,000	-
Investments in Subsidiaries	05	4,667,755,836	1,500,399,930	-	-
Investments in Associate	06	3,162,937,490	3,116,399,569	3,804,672,527	3,426,480,149
Intangible Assets	07	156,921,128	111,053,384	1,220,910,670	182,920,085
Long Term Receivables	08	-	-	27,285,000	-
Deferred Tax Assets	25	165,336,310	-	195,831,689	19,057,694
Other Financial Assets	12	197,210,279	196,470,003	197,210,279	196,470,003
		11,112,603,560	7,162,256,426	21,954,390,872	9,327,280,809
Current Assets					
Inventories	09	992,775,692	620,791,205	6,842,340,259	2,179,679,477
Trade and Other Receivables	10	362,953,061	774,014,021	3,307,252,089	1,175,225,974
Other Non Financial Assets	11	272,210,225	177,671,646	700,037,569	393,158,262
Other Financial Assets	12	128,962,267	291,786,283	128,962,267	291,786,283
Income Tax Recoverable		11,300,549	7,496,627	20,946,854	9,580,342
Cash and Cash Equivalents	20	160,880,808	178,036,925	377,674,243	240,537,592
		1,929,082,602	2,049,796,708	11,377,213,280	4,289,967,930
Total Assets		13,041,686,162	9,212,053,134	33,331,604,152	13,617,248,739
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	13	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	14	213,634,264	213,634,264	679,076,545	514,565,847
Retained Earnings		5,205,381,338	4,354,879,250	8,346,663,275	6,518,230,548
		6,787,688,974	5,937,186,887	10,394,413,192	8,401,469,768
Non Controlling Interest		-	-	5,197,606,269	-
Total Equity		6,787,688,974	5,937,186,887	15,592,019,460	8,401,469,768

As At 31st March 2014		Company		Group	
	Note	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Non-Current Liabilities					
Interest Bearing Loans & Borrowings	15	3,708,063,034	1,079,736,840	6,832,074,111	1,586,228,597
Deferred Tax Liabilities	25		22,269,422	604,138,639	40,827,588
Retirement Benefit Liability	16	151,061,886	124,132,009	852,103,850	157,272,531
Deferred income & Capital grants	17			118,411,000	
		3,859,124,920	1,226,138,271	8,406,727,600	1,784,328,716
Current Liabilities					
Trade and Other Payables	18	1,145,866,646	877,986,364	2,064,248,125	546,099,272
Other Current Liabilities	19	262,539,495	90,113,100	369,237,435	259,448,510
Dividend Payable		25,847,797	31,182,219	46,462,247	31,182,219
Income Tax Liabilities		-	-	27,260,629	16,498,752
Interest Bearing Loans & Borrowings	15	960,618,331	1,049,446,293	6,825,648,655	2,578,221,502
		2,394,872,268	2,048,727,976	9,332,857,092	3,431,450,255
Total Equity and Liabilities		13,041,686,162	9,212,053,134	33,331,604,152	13,617,248,739

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

H. Somashantha
Head of Finance & Treasury

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

A M Weerasinghe
Chairman

W D N H Perera
Managing Director

The Accounting Policies and Notes on pages 92 through 176 form an integral part of these financial statements.

30th May 2014
Colombo

Statement of Income

For the Year ended 31st March 2014		Company		Group	
	Note	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	21	2,413,817,238	2,296,294,536	19,748,800,104	7,611,403,961
Cost of Sales		(1,315,499,617)	(1,308,766,635)	(13,410,454,135)	(4,269,803,604)
Gross Profit		1,098,317,620	987,527,901	6,338,345,969	3,341,600,357
Other Income and Gains	22	1,400,763,000	1,395,581,262	197,596,665	8,677,148
Distribution Expenses		(930,226,862)	(817,435,607)	(2,041,952,095)	(1,114,759,486)
Administrative Expenses		(391,395,360)	(312,121,968)	(1,220,991,716)	(442,484,785)
Finance Cost	23.1	(543,275,556)	(364,554,072)	(1,429,370,883)	(643,402,315)
Finance Income	23.2	34,678,319	29,764,903	61,587,569	30,248,163
Share of Associate Companys' Profit		-	-	388,598,646	559,373,190
Profit Before Tax	24	668,861,161	918,762,420	2,293,814,155	1,739,252,273
Tax Expense	25	185,780,191	67,724,288	(318,531,312)	(103,253,076)
Net Profit After Tax from Continuing Operation		854,641,352	986,486,708	1,975,282,842	1,635,999,197
Profit after tax from discontinued operations		-	31,385,910	-	91,118,169
Net Profit for the Year		854,641,352	1,017,872,618	1,975,282,842	1,727,117,365
Attributable to					
Owners of the Parent		854,641,352	1,017,872,618	1,125,669,579	1,670,385,108
Non-Controlling Interest		-	-	849,613,263	56,732,257
		854,641,352	1,017,872,618	1,975,282,842	1,727,117,365
Basic Earnings Per Share	26	7.71	9.19	10.16	15.08
Earning per share from continuing operation		7.71	8.90	10.16	14.77
Dividend per share	27	-	2.00	-	2.00

The Accounting Policies and Notes on pages 92 through 176 form an integral part of these financial statements.

Statement of Comprehensive Income

For the Year ended 31st March 2014		Company		Group	
	Note	2014	2013	2014	2013
		Rs.	Rs.	Rs.	Rs.
Net Profit for the Year		854,641,352	1,017,872,618	1,975,282,842	1,727,117,365
Other Comprehensive Income					
Revaluation of Land and Buildings	14.1	-	239,627,012	15,167,176	497,589,762
Income tax effect	14.1	-	(25,992,748)		(84,830,056)
Share of other comprehensive income of Associate company	14.2	-	-	154,795,172	1,488,260
Tax effect	14.2	-	-	(1,101,287)	(416,713)
Acturial (Loss)/Gain on Employee Benefits		(5,685,811)		(101,635,437)	-
Deferred Tax effect on Employee Benefits		1,546,541		15,190,923	-
Other Comprehensive Income for the Year, Net of Tax		(4,139,270)	213,634,264	82,416,547	413,831,253
Total Comprehensive Income for the Year, Net of Tax		850,502,081	1,231,506,881	2,057,699,390	2,140,948,619
Attributable to					
Owners of the Parent		850,502,081	1,231,506,881	1,261,055,914	2,084,216,361
Non-Contralling Interest		-	-	7,796,443,475	56,732,257
		850,502,081	1,231,506,881	2,057,699,390	2,140,948,619

The Accounting Policies and Notes on pages 92 through 176 form an integral part of these financial statements.

Statement of Changes in Equity - Company

For the Year ended 31st March 2014	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2012	1,368,673,373	-	3,558,585,400	4,927,258,773
Net Profit for the Year	-	-	1,017,872,618	1,017,872,618
Other comprehensive income	-	213,634,264	-	213,634,264
Total Comprehensive income	-	213,634,264	1,017,872,618	1,231,506,881
Interim Dividends - 2012/13	-	-	(221,578,768)	(221,578,768)
Balance as at 31st March 2013	1,368,673,373	213,634,264	4,354,879,250	5,937,186,887
Net Profit for the Year	-	-	854,641,352	854,641,352
Other comprehensive income	-	-	(4,139,270)	(4,139,270)
Total Comprehensive income	-	-	850,502,081	850,502,081
Balance as at 31st March 2014	1,368,673,373	213,634,264	5,205,381,337	6,787,688,974

The Accounting Policies and Notes on pages 92 through 176 form an integral part of these financial statements.

Statement of Changes in Equity - Consolidated

For the Year ended 31st March 2014

	Attributable to owners of the parent					
	Stated Capital Rs.	Revaluation Reserve Rs.	Available for sale Reserve Rs.	Retained Earnings Rs.	Non-Controlling Interest Rs.	Total Rs.
Balance as at 1st April 2012	1,368,673,373	100,734,594	-	5,069,424,208	-	6,538,832,175
Net profit for the year	-	-	-	1,670,385,108	56,732,257	1,727,117,365
Other comprehensive Income	-	412,759,706	1,071,547	-	-	413,831,253
Total Comprehensive income	-	412,759,706	1,071,547	1,670,385,108	56,732,257	2,140,948,618
Acquistion of Subsidiary	-	-	-	-	231,641,125	231,641,125
Disposal of Subsidiary	-	-	-	-	(288,373,382)	(288,373,382)
Interim Dividends - 2012/13	-	-	-	(221,578,768)	-	(221,578,768)
Balance as at 31st March 2013	1,368,673,373	513,494,300	1,071,547	6,518,230,548	-	8,401,469,768
Acquisition of Subsidiary	-	-	-	-	5,342,651,991	5,342,651,991
Net profit for the year	-	-	-	1,125,669,579	849,613,263	1,975,282,842
Other comprehensive Income	-	156,010,858	8,499,840	(29,124,362)	(52,969,788)	82,416,548
Total Comprehensive income	-	156,010,858	8,499,840	1,096,545,217	796,643,475	2,057,699,390
Write back of Unclaimed Dividends	-	-	-	1,043,887	1,145,113	2,189,000
Subsidiary Dividends to Minority Shareholders	-	-	-	67,309,619	(240,403,619)	(173,094,000)
Change in Holding without Change in Control	-	-	-	663,534,004	(702,430,692)	(38,896,689)
Balance as at 31st March 2014	1,368,673,373	669,505,157	9,571,387	8,346,663,275	5,197,606,269	15,592,019,460

The Accounting Policies and Notes on pages 92 through 176 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31st March	Notes	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
Cash Flows From / (Used in) Operating Activities					
Profit from Operating Activities before tax		668,861,161	950,148,329	2,293,814,155	1,847,349,856
Adjustments for					
Dividend Income		(1,386,268,814)	(1,393,963,234)	(1,835,527)	(13,398,487)
Interest Income		(1,540,308)	(955,031)	(28,449,557)	(1,438,291)
Depreciation of Property, Plant & Equipment		172,638,134	118,369,255	1,000,228,245	461,084,994
Amortisation of leasehold right over land		-	-	1,252,500	-
(Profit)/Loss on Sale of Property, Plant & Equipment		10,391,681	(850,552)	(35,783,344)	215,311
Finance Costs	23	518,988,940	282,632,121	1,405,084,267	561,480,364
(Gain)/Loss from sale of Fair Value through Profit or Loss Investments	23	24,286,617	(15,411,385)	24,286,617	(15,411,385)
(Profit)/loss on Disposal of Subsidiary		-	(31,385,910)	-	27,661,950
Provision/(Reversal) of stock provision		(3,108,694)	-	(751,366)	655,849
Amortization of Intangible Assets		7,508,826	-	7,508,826	-
Exchange Rate Effect		11,173,522	-	11,173,522	-
Impairment of Property, Plant and Equipment		-	-		3,086,819
Provision for bad debts		-	-	-	9,965,453
Deferred income / capital grants amortisation		-	-	(4,255,000)	-
Changing in Fair Value of Biological Assets		-	-	(26,052,000)	-
Disposal Gain in investment property		-	-	(50,000,000)	-
Provision /(Reversal) for change in market value of the investments	23	(31,302,483)	81,921,951	(31,302,483)	83,099,341
Profit Share of Investment in associate		-	-	388,598,646	(559,373,190)
Provision for Defined Benefit Plans - Gratuity	16	24,617,615	22,150,473	144,114,518	37,094,292
Operating Profit/(Loss) before Working Capital Changes		16,246,196	12,656,018	5,097,632,018	2,442,072,876
(Increase)/Decrease in Inventories		(368,875,793)	(82,710,333)	(842,530,805)	(262,651,391)
(Increase)/Decrease in Trade and Other Receivables		172,235,959	(34,746,241)	(440,538,115)	(744,198,432)
(Increase)/Decrease in Other Non Financial Assets		(94,538,579)	(13,192,152)	(306,879,307)	(65,474,651)
Increase/(Decrease) in Trade and Other Payables		252,197,121	(95,145,778)	(208,551,409)	251,520,827
Increase/(Decrease) in Other Current Liabilities		172,426,401	11,574,884	109,788,925	62,474,245
Increase/(Decrease) in Short Term Financing		-	-	-	114,640,919
Cash Generated from Operations		149,691,305	(201,563,603)	3,408,921,307	1,798,384,392
Finance Costs Paid		(503,375,949)	(282,632,121)	(1,405,084,267)	(561,480,364)
Defined Benefit Plan Costs Paid		(3,303,378)	(2,935,073)	(86,088,691)	(12,125,061)
Income Tax Paid		(3,803,922)	(5,128,095)	(258,394,303)	(27,180,676)
Net Cash Flows From/(Used in) Operating Activities		(360,791,944)	(492,258,892)	1,659,354,047	1,197,598,291

For the year ended 31st March	Notes	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(710,304,145)	(843,873,674)	(2,145,364,151)	(1,149,342,955)
Acquisition of Plantation Assets		-	-	(268,513,467)	-
Proceeds from Sale of Property, Plant & Equipment		2,166,063	877,589	38,638,615	1,003,852
Disposal of investment property		-	-	130,000,000	-
Acquisition of Intangible Assets		(52,777,280)	(34,230,895)	(52,777,280)	(35,244,626)
Proceeds from Sale of Short Term investments		183,498,439	539,460,049	183,498,439	539,460,049
(Acquisition)/Disposals of Short-Term Investment		(13,041,633)	(97,159,114)	(13,041,633)	(97,159,114)
Increase in Other Non Financial Assets		(740,275)	-	(740,275)	-
(Acquisition)/Disposals of Investment in Associate		(7,712,921)	(14,247,047)	(7,712,921)	(14,247,047)
Acquisition of Investment in subsidiary	29	(2,860,567,663)	(337,620,000)	(3,533,223,864)	(326,360,579)
Acquisition of Non Controlling Interest		(107,405,166)	-	(988,652,656)	-
Proceeds from Disposal of subsidiary		-	92,251,478	-	85,544,862
Interest Received		1,540,308	955,031	28,449,557	1,438,291
Dividends Received		1,385,989,814	1,393,963,234	108,478,814	93,963,234
Net Cash Flows from/(Used in) Investing Activities		(2,179,354,460)	700,376,652	(6,520,960,821)	(900,944,031)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		5,078,188,222	1,363,070,693	8,402,274,562	3,212,944,642
Repayment of Interest Bearing Loans & Borrowings		(2,479,160,424)	(1,033,671,970)	(3,991,069,387)	(2,811,622,974)
Capital Repayments under Finance Lease Liabilities		(5,780,348)	(3,403,760)	(49,927,107)	(11,095,401)
Dividends Paid on Ordinary Shares		(5,334,422)	(217,071,254)	(5,334,422)	(217,071,254)
Dividend paid to non controlling interest		-	-	(173,094,013)	-
Capital grants received		-	-	10,121,000	-
Net Cash Flows from/(Used in) Financing Activities		2,587,913,028	108,923,709	4,192,970,633	173,155,013
Net Increase/(Decrease) in Cash and Cash Equivalents		47,766,624	317,041,469	(668,636,142)	469,809,273
Cash and Cash Equivalents at the beginning of the year	20	(70,502,658)	(387,544,128)	(750,315,439)	(1,220,124,712)
Cash and Cash Equivalents at the end of the year	20	(22,736,034)	(70,502,658)	(1,418,951,581)	(750,315,439)

The Accounting Policies and Notes on pages 92 through 176 form an integral part of these financial statements.

Notes to the Financial Statements

1 CORPORATE INFORMATION

1.1 General

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

The Consolidated Financial Statements of the Group for the year ended 31 March 2014 comprise the Royal Ceramics Lanka PLC (Parent Company) and its subsidiaries (together referred as the "Group"), namely Royal Ceramics Distributors (Private) Limited, Royal Porcelain (Private) Limited, Rocell Bathware Limited, Ever Paint and Chemical Industries (Private) Limited and Lanka Ceramic PLC.

1.2 Parent Enterprise and Ultimate Parent Enterprise

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

1.3 Principal Activities and Nature of Operations

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

Royal Ceramics Lanka PLC

- Manufacture and marketing of floor tiles and wall tiles

Royal Ceramics Distributors (Private) Limited

- Non Operational

Royal Porcelain (Private) Limited

- Manufacture and marketing of floor and wall tiles

Rocell Bathware Limited

- Manufacture and marketing of sanitary ware

Ever Paint and Chemical Industries (Private) Limited

- Manufacture and marketing of paints and allied products

Lanka Ceramic PLC

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

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2014 were authorised for issue in accordance with the resolution of the Board of Directors on 30 May 2014.

2. 2. ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

2.1.1 Statement of Compliance

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

2.2 Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March each year. The financial statements of the Subsidiaries are prepared in compliance with the Group's accounting policies unless stated otherwise.

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The details of Subsidiaries are as follows:

Company Name	Year of Incorporation	Ownership Percentage
Royal Ceramics Distributors (Private) Limited	1993/1994	100%
Royal Porcelain (Private) Limited	2000/2001	100%
Rocell Bathware Limited	2005/2006	100%
Ever Paint and Chemical Industries (Private) Limited	2002/2003	100%
Lanka Ceramic PLC	1991/1992	76.7%

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income, expenses, profits and losses resulting from intra-group transactions are eliminated in full.

2.3 Significant Accounting Judgments, Estimates And Assumptions

The Financial Statements are sensitive to assumptions and estimates made in measuring certain carrying amounts represented in the statement of financial position and amounts charged to the statement of income. These could result in a significant risk of causing material adjustments to the carrying amounts of assets and liabilities which are disclosed in the relevant Notes to the Financial Statements.

(i) Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Company will continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainty.

Swisstek Aluminium Limited is a indirect subsidiary of the Company which has recorded an accumulated loss of Rs. 249 Mn (2013 – Rs. 319 Mn) and the net current liability as at that date amounted to Rs. 23 Mn (2013 – Rs. 34 Mn). However, the financial statements have been prepared on the basis of the Company being a going concern due to the plans implemented to improve business and profitability.

Management believe that the plans implemented to improve business and profitability will materialize as evident by improved Earnings before interest tax depreciation and amortisation (EBITDA) of Rs. 207 Mn (2013 - Rs.125 Mn) and profit after tax of Rs. 71 Mn (2013- Loss Rs. 28 Mn). The Directors are therefore of the opinion that Swisstek Aluminium Limited would be a profitable venture commencing the ensuing year together with the commitment received for continued financial support from Lanka Walltiles PLC.

(ii) Impairment of financial assets

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

(iii) Defined Benefit Plans

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

(iv) Provision for Slow moving inventories

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

(v) Impairment of debtors

The Group reviews at each reporting date all receivables to assess impairment of debtors. (Note 10).

(vi) Revaluation of Property, Plant and Equipment

Land and Buildings are measured at revalued amounts using the services of an independent qualified valuer. Such valuer uses assumptions and valuation techniques to determine the fair value. The basis of valuation is disclosed in Note 3.

(vii) Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the comprehensive income. The Group considered both an independent valuation specialist's assessment of fair values and a sales offer price to determine the carrying value as at 31 March 2014.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted by the Group are consistent with those used in the previous financial year except for the policy on retirement benefits obligations – gratuity.

The Group applied revised Sri Lanka Accounting Standards (LKAS) 19 on Employee Benefits retrospectively in accordance with the transitional provisions set out in the said standard. As per previous policy actuarial gain/

loss was recognized in full in the Statement of Income. As per revised LKAS 19, actuarial gain/loss is recognized in full in Other Comprehensive Income (OCI).However the prior year figures have not been restated since the effects to the equity are immaterial.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 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 statement of income. 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.

2.5.2 Taxation

(a) Income Tax

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

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

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

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

The statutory tax rates of above companies are as follows;

	2014	2013
Local sales and other profits	28%	28%
Qualified export profit	12%	12%
Agricultural profit	10%	10%
Specified profits	12%	15%

Swisstek Aluminium Ltd.

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

Lanka Floortiles PLC

The Lanka Floortiles PLC commenced the operations of its expansion unit with effect from 1st October 2003. Under the Inland Revenue (amendment) Act No. 19 of 2003 (Section 21A), Lanka Floortiles PLC is entitled to concessionary rates,in respect of profits generated from its expansion unit . These concessionary rates were revised under the inland Revenue (Amendment) Act No.9 of 2008 (section 25). Accordingly, the revised concessionary rates on the profits generated from the expansion unit are given below;

	Previous Tax Rate (%)	Revised Tax Rate (%)
First five years	-	-
Sixth year	10	5
Seventh year	10	10
Eighth year	N/A	15
Eighth year onwards		
- Exports	15	NA
- Other	20	NA

Horana Plantations PLC

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

Royal Porcelain (Pvt) Ltd

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

Rocell Bathware Limited

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

(b) Deferred Tax

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

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

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

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

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

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

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

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

(c) Economic Service Charge (ESC)

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

(d) Turnover Based Taxes

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

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

2.5.3 Borrowing Cost

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

2.5.4 Inventories

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

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

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

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

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

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

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

2.5.5 Property, Plant and Equipment

(a) Initial recognition

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

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

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

(b) Subsequent Expenditure

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

(c) Depreciation

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

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

(d) Revaluation

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

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

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

(e) De-recognition

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

(f) Capital Work in Progress

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

2.5.6 Intangible assets

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

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

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

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

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

2.5.7 Leases

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

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

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

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

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

Rentals paid under operating leases are recognized as an expense in the 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.

2.5.8 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

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

2.5.9 Investments In subsidiaries

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

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

Disposal of investments

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

2.5.10 Business Combination

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

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

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group’s share in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

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

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

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

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

2.5.11 Financial instruments – initial recognition and subsequent measurement

Financial assets

a) Initial recognition and measurement

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

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

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

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

b) Subsequent measurement

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

Loans and receivables

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

Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading. Financial assets are classified as held for trading if 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 changes in fair value recognised in finance income or finance costs in the income statement. The Group has not designated any financial assets upon initial recognition as financial asset at fair value through profit or loss.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

Available-for-sale financial investments

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

c) Derecognition

A financial asset is derecognised when:

The rights to receive cash flows from the asset have expired

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

d) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost

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

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

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

Available-for-sale financial investments

For available-for-sale financial investments, the Company/ Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

Financial liabilities

e) Initial recognition and measurement

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

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

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

f) Subsequent measurement

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

Loans and borrowings

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

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

g) Derecognition

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

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

h) Offsetting of financial instruments

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

- There is a currently enforceable legal right to offset the recognised amounts and

- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

i) Fair value of financial instruments

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

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

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

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

2.5.12 Trade and Other Receivables

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

2.5.13 Cash and Cash Equivalents

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

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

2.5.14 Investments in Associates

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

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

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

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

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

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

2.5.15 Provisions

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

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

2.5.16 Retirement Benefit Obligations

(a) Defined Benefit Plan – Gratuity

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

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

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

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

Funding Arrangements

The Gratuity liability is not externally funded.

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

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

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

2.5.17 Impairment of Non-financial Assets

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

2.6 Statement of income

2.6.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

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

(b) Interest Income

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

(c) Dividends

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

(d) Rendering of Services

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

(e) Rental Income

Rental income is recognised on an accrual basis.

(f) Other

Other income is recognised on an accrual basis.

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

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

2.7 Cash Flow Statement

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

2.8 Segment Reporting

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

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

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

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

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

2.9.1 L B Finance PLC

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Interest Income and Interest expense

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

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

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

(b) Fee and commission income

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

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

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

ii) Fee income from providing transaction services

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

(c) Net trading income

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

(d) Others

Other income is recognised on an accrual basis.

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

2.10.1 Basis of Preparation

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

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

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

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

2.10.2 Property, Plant and Equipment

a) Permanent Land Development Cost

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

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

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

b) Biological Assets

(i) Bearer Biological Assets & Consumer Biological Assets

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

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

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

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

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

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

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

The main variables in DCF model concerns,

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

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

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

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

(ii) Infilling Cost on Biological Assets

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

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

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

2.10.3 Inventories

a) Agricultural produce harvested from Biological Assets

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

b) Agricultural produce after further processing

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

2.10.4 Retirement Benefit Obligation

a) Defined Benefit Plan

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

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

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

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

2.10.5 Deferred Income

a) Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 18 to the Financial Statements.

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

2.10.6 Revenue and Income Recognition

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

2.11 Standards issued but not yet effective

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

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

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was orginally effective for annual periods commencing on or after 01 January 2015. However effective date has been deferred subsequently.

(i) SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This standard will be effective for the financial period beginning on or after 01 January 2014.However use of fair value measurement principles contained in this standards are currently recommended.

In addition to the above, following standards will also be effective for the annual periods commencing on after 01 January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three standards will impact the recognition, measurement and disclosure aspects currently contained in LKAS 27-Consolidated and separate Financial Statements, LKAS 28- Investments in associates, LKAS

31-Interest in joint ventures and SIC-12 and SIC -13 which are on consolidation of special purpose entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of Jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12, establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the

financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

For the Year ended 31st March 2014

3. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

	Balance As at 01.04.2013 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
At Cost or Valuation					
Land	669,957,150	567,120	-	-	670,524,270
Building	396,927,125	478,743,175	295,687	(13,208,647)	862,757,339
Water Supply Scheme	295,687	-	(295,687)	-	-
Lab Equipment	5,595,509	-	(26,368)	-	5,569,141
Motor Vehicles	97,195,985	10,361,850	-	(760,915)	106,796,920
Electricity Distribution	13,156,125	12,419,220	-	-	25,575,345
Office Equipment	174,816,876	17,361,879	13,472,722	-	205,651,477
Communication Equipment	7,802,598	94,972	1,793,632	-	9,691,202
Furniture & Fittings	129,752,749	119,481,825	1,897,731	-	251,132,305
Tools & Implements	65,591,209	7,916,887	6,771,848	-	80,279,944
Other Equipment	36,635,330	8,517,145	(25,659,762)	-	19,492,713
Factory Equipment	23,257,991	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	823,491,810	362,580,995	57,935,842	-	1,244,008,648
Plant and Machinery Polishing Plant	62,295,725	-	(62,295,725)	-	-
Household Item Heavy	33,690	-	(33,690)	-	-
Household Item Light	4,423,541	-	(4,344,711)	-	78,830
Showroom Fixtures & Fittings	303,280,481	135,317,423	-	-	438,597,904
Stores Buildings on Lease hold Land	3,965,135	-	-	-	3,965,135
	2,820,710,763	1,153,362,490	(10,488,481)	(13,969,562)	3,949,615,210
Assets on Finance Leases					
Plant & Machinery	11,500,000	-	-	-	11,500,000
Motor vehicles	16,322,652	-	-	-	16,322,652
	27,822,652	-	-	-	27,822,652
	2,848,533,415	1,153,362,490	(10,488,481)	(13,969,562)	3,977,437,862

	Balance As at 01.04.2013 Rs.	Additions Rs.	Transfers Rs.	Disposals	Balance As at 31.03.2014 Rs.
In the Course of Construction					
Capital Work in Progress	573,177,394	486,413,018	(929,421,281)	-	130,169,131
Total Gross Carrying Amount	3,421,710,809	1,639,775,508	(939,909,762)	(13,969,562)	4,107,606,994

3.2 Depreciation

	Balance As at 01.04.2013 Rs.	Charge for the Year Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
At Cost or valuation					
Building	15,198,235	22,320,954	190,312	(600,821)	37,108,680
Water Supply Scheme	189,325	-	(189,325)	-	-
Lab Equipment	3,754,546	508,785	-	-	4,263,331
Motor Vehicles	53,865,782	14,175,052	-	(760,915)	67,279,920
Electricity Distribution	4,915,911	629,219	-	-	5,545,130
Office Equipment	119,296,178	14,643,495	7,328,173	-	141,267,846
Communication Equipment	7,775,857	126,442	1,385,226	-	9,287,526
Furniture & Fittings	48,951,336	26,224,221	16,004	-	75,191,561
Tools & Implements	59,942,224	7,592,655	4,426,716	-	71,961,595
Other Equipment	24,601,520	1,490,009	(16,895,624)	-	9,195,905
Factory Equipment	23,254,313	1,226	-	-	23,255,539
Construction Equipment	2,236,047	-	-	-	2,236,047
Plant and Machinery	645,328,185	56,942,506	58,109,707	-	760,380,399
Plant and Machinery Polishing Plant	60,691,753	-	(60,691,753)	-	-
Household Item Heavy	33,690	-	(33,690)	-	-
Household Item Light	3,594,029	-	(3,534,937)	-	59,092
Showroom Fixtures & Fittings	98,534,564	23,569,039	-	-	122,103,603
Stores Buildings on Lease hold Land	3,568,628	-	-	-	3,568,628
	1,175,732,125	168,223,604	(9,889,190)	(1,361,736)	1,332,704,802
Assets on Finance Leases					
Plant & Machinery	-	1,150,000	-	-	1,150,000
Motor vehicles	8,045,144	3,264,530	-	-	11,309,674
	8,045,144	4,414,530	-	-	12,459,674
Total Value of Depreciation	1,183,777,268	172,638,134	(9,889,190)	(1,361,736)	1,345,164,476

3.3 Net Book Values of Property Plant and Equipments

	2014 Rs.	2013 Rs.
At Cost or Valuation		
Land	670,524,270	669,957,150
Building	825,648,659	381,728,890
Water Supply Scheme	-	106,362
Lab Equipment	1,305,810	1,840,963
Motor Vehicles	39,517,000	43,330,202
Electricity Distribution	20,030,215	8,240,214
Office Equipment	64,383,631	55,520,698
Communication Equipment	403,676	26,741
Furniture & Fittings	175,940,744	80,801,414
Tools & Implements	8,318,349	5,648,985
Other Equipment	10,296,808	12,033,819
Factory Equipment	2,452	3,678
Plant and Machinery	483,628,248	178,163,625
Plant and Machinery Polishing Plant	-	1,603,973
Household Item Light	19,738	829,512
Showroom Fixtures & Fittings	316,494,301	204,745,916
Stores Buildings on Lease hold Land	396,507	396,507
	2,616,910,408	1,644,978,639
Assets on Finance Leases		
Plant & Machinery	10,350,000	11,500,000
Motor Vehicles	5,012,978	8,277,508
	2,632,273,386	1,664,756,147
In the Course of Construction	130,169,131	573,177,394
	2,762,442,517	2,237,933,541

3.4 The fair value of land and buildings was determined by means of a revaluation by Mr. A.A.M. Fathihu, an independent valuer. in reference to market based evidence. The results of such valuation was incorporated in the financial statements effective from 1st April 2012. The surplus arising from the revaluation net of deferred tax was transferred to a Revaluation Reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows.

	Cost Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2014 Rs.	Net Carrying Amount 2013 Rs.
Class of Assets				
Land	254,830,730	-	254,830,730	254,830,730
Building	199,986,603	92,683,170	107,303,433	115,302,897
	454,817,333	92,683,170	362,134,163	370,133,627

3.5 During the Period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs.710,304,145/- (2013-Rs.843,873,674/-)

3.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 971,121,787/- (2013 Rs. 836,048,964/-)

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

3.7 Gross Carrying Amounts

	Balance As at 01.04.2013 Rs.	Additions through acquisition of subsidiary Rs.	Additions / Transfers Rs.	Increase / / (Decrease) in Revaluation Rs.	Reclassified / Disposals/ Transfers Rs.	Balance As at 31.03.2014 Rs.
At Cost or Valuation						
Freehold and Clay Mining Land	815,339,486	2,123,269,126	268,116,880	15,167,600	(244,361,000)	2,977,532,091
Buildings	1,491,030,938	1,862,935,500	567,595,627	-	66,583,040	3,988,145,104
Water Supply Scheme	295,687	323,452,000	-	-	5,925,881	329,673,568
Lab Equipment	19,877,543	-	1,013,181	-	443,879	21,334,604
Motor Vehicles	156,498,205	-	63,935,047	-	40,979,166	261,412,418
Electricity Distribution	13,156,125	-	12,419,220	-	4,511,500	30,086,845
Office Equipment	200,093,402	-	24,810,806	-	33,920,260	258,824,468
Communication Equipment	9,752,449	426,622,000	28,207,607	-	(31,219,048)	433,363,007
Furniture and Fittings	286,687,264	-	123,778,417	-	(23,839,186)	386,626,495
Tools & Implements	86,082,016	551,462,714	60,887,363	-	(65,070,450)	633,361,643
Sundry Equipment	-	-	-	-	1,205,058	1,205,058
Other Equipment	45,679,385	-	12,906,126	-	(23,099,836)	35,485,675
Factory Equipment	25,857,250	-	-	-	(2,599,259)	23,257,991
Moulds	128,092,276	-	497,434	-	-	128,589,710
Construction Equipment	55,245,329	-	77,896	-	(33,209,837)	22,113,388
Plant and Machinery	3,616,553,633	5,337,319,518	981,802,573	-	223,677,161	10,159,352,884
Plant and Machinery Polishing Plant	62,295,726	-	-	-	(62,295,726)	-
Household Item - Heavy	9,391,414	-	-	-	(9,391,414)	-
Household Item - Light	8,084,926	-	-	-	(7,875,436)	209,490
Showroom Fixtures & Fittings	317,379,039	-	135,317,423	-	34,481,334	487,177,796
Stores Buildings on Lease hold Land	110,170,135	-	203,101,992	-	-	313,272,127
	7,457,562,228	10,625,060,858	2,484,467,590	15,167,600	(91,233,912)	20,491,024,363
Assets on Finance Leases						
Plant & Machinery	11,500,000	246,928,680	-	-	(191,456,000)	66,972,680
Leasehold land	-	14,600,000	-	-	-	14,600,000
Furniture and Fittings	12,653,596	-	-	-	-	12,653,596
Construction and Other Equipment	5,329,148	-	-	-	(5,329,148)	-
Motor vehicles	39,038,432	-	11,500,000	-	640,755	51,179,187
Transport & Communication Equipment	-	44,712,000	-	-	-	44,712,000
	68,521,176	306,240,680	11,500,000	-	(196,144,393)	190,117,463
	7,526,083,403	10,931,301,538	2,495,967,590	15,167,600	(287,378,305)	20,681,141,826

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

3.7 Gross Carrying Amounts (Contd.)

	Balance As at 01.04.2013 Rs.	Additions through acquisition of subsidiary Rs.	Additions / Transfer Rs.	Increase / / (Decrease) in Revaluation Rs.	Reclassified / Disposals/ Transfer Rs.	Balance As at 31.03.2014 Rs.
In the Course of Construction						
Capital Work in Progress	650,212,175	106,588,412	966,901,985	-	(1,389,695,714)	334,006,859
Total Gross Carrying Amount	8,176,295,579	11,037,889,950	3,462,869,576	15,167,600	(1,677,074,019)	21,015,148,685

3.8 Depreciation

	Balance As at 01.04.2013 Rs.	Additions through acquisition of subsidiary Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2014 Rs.
At Cost or Valuation						
Freehold and Clay Mining Land	-	19,697,000	9,124,000	-	-	28,821,000
Building	48,880,044	310,399,767	98,189,101	-	(515,758)	456,953,153
Water Supply Scheme	189,325	183,028,292	19,069,198	-	(2,258,745)	200,028,071
Lab Equipment	13,453,885	-	2,206,487	-	213,749	15,874,121
Motor Vehicles	98,074,962	-	27,671,664	-	19,004,526	144,751,152
Electricity Distribution	4,915,911	-	854,794	-	1,278,258	7,048,963
Office Equipment	133,010,300	-	22,530,152	-	15,684,023	171,224,474
Communication Equipment	8,480,834	257,486,396	32,601,023	-	(22,486,799)	276,081,454
Furniture & Fittings	151,885,696	-	40,240,871	-	2,153,038	194,279,605
Sundry Equipment	-	-	203,424	-	787,828	991,252
Tools & Implements	79,645,995	389,961,711	65,950,714	-	(70,845,838)	464,712,582
Other Equipment	29,588,402	-	2,795,084	-	(16,219,053)	16,164,434
Factory Equipment	24,744,988	-	1,226	-	(1,490,674)	23,255,540
Moulds	60,776,818	-	14,853,023	-	-	75,629,841
Construction Equipment	30,339,561	-	1,102,066	-	(12,317,535)	19,124,093
Plant and Machinery	1,785,578,743	2,122,484,596	562,985,957	-	102,905,506	4,573,954,802
Plant and Machinery Polishing Plant	60,691,753	-		-	(60,691,753)	-
Household Item - Heavy	7,348,088	-	26,132	-	(7,374,220)	-

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

3.8 Depreciation (Contd.)

	Balance As at 01.04.2013 Rs.	Additions through acquisition of subsidiary Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2014 Rs.
Household Item - Light	7,111,164	-		-	(7,008,573)	102,591
Showroom Fixtures & Fittings	101,157,880	-	27,909,581	-	6,543,146	135,610,606
Stores Buildings on Lease hold Land	6,356,862	-	2,788,115	-	-	9,144,977
	2,652,231,210	3,283,057,761	931,102,613	-	(52,638,874)	6,813,752,710
Assets on Finance Leases						
Plant & Machinery	-	61,618,801	8,605,369	-	(55,749,000)	14,475,170
Leasehold land		121,500	446,500	-	-	568,000
Furniture and Fittings	3,479,740	-	1,265,360	-	-	4,745,100
Construction and Other Equipment	2,753,394	-		-	(2,753,394)	-
Motor vehicles	15,478,347	-	8,044,100	-	(760,948)	22,761,500
Transport & Communication Equipment		17,068,946	10,385,054	-	-	27,454,000
	21,711,481	78,809,247	28,746,382	-	(59,263,342)	70,003,768
Total Value of Depreciation	2,673,942,691	3,361,867,007	959,848,995	-	(111,902,216)	6,883,756,478

3.9 Net Book Values of Property Plant and Equipments

	2014 Rs.	2013 Rs.
Freehold and Clay Mining Land	2,948,711,091	815,339,486
Building	3,531,191,952	1,442,150,894
Water Supply Scheme	129,645,497	106,362
Lab Equipment	5,460,483	6,423,658
Motor Vehicles	116,661,266	58,423,243
Electricity Distribution	23,037,882	8,240,214
Office Equipment	87,599,994	67,083,103
Communication Equipment	157,281,554	1,271,615
Furniture and Fittings	192,346,890	134,801,568

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

	2014 Rs.	2013 Rs.
Tools and Implements	168,649,061	6,436,021
Sundry Equipment	213,806	-
Other Equipment	19,321,242	16,090,983
Factory Equipment	2,451	1,112,262
Mould	52,959,869	67,315,458
Construction Equipment	2,989,295	24,905,768
Plant and Machinery	5,585,398,083	1,830,974,890
Plant and Machinery -Polishing Plant	-	1,603,973
Household Item - Heavy	-	2,043,326
Household Item - Light	106,899	973,762
Showroom Fixtures and Fittings	351,567,190	216,221,159
Stores Buildings on Leasehold Land	304,127,149	103,813,273
	13,677,271,653	4,805,331,017
Assets on Finance Leases		
Plant & Machinery	52,497,510	11,500,000
Leasehold land	14,032,000	-
Furniture and Fittings	7,908,496	9,173,856
Construction and Other Equipment	-	2,575,754
Motor vehicles	28,417,687	23,560,074
Transport & Communication Equipment	17,258,000	-
	120,113,695	46,809,685
In the Course of Construction	334,006,859	650,212,175
	14,131,392,207	5,502,352,878

3.10 Net book value of assets

	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
Group		
Property, plant and equipment (Note 3.9)	14,131,392,207	5,502,352,878
Leasehold right to bare land of JEDB/SLSPC Estates (Note 3.13)	120,719,000	-
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) (Note 3.14)	82,342,000	-
Bearer Biological Assets (Note 3.15)	1,648,779,000	-
Consumable Biological Assets (Note 3.16)	283,928,000	-
Total	16,267,160,207	5,502,352,878

3.11 During the year, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs.2,145,364,151/- (2013 - Rs.1,149,342,955/-)

3.12 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.2,405,201,545 /- (2013 - Rs.1,274,233,064 /-)

3.13 Leasehold right to bare land of JEDB/SLSPC estates - Acquisition through Subsidiary

	2014 Rs.
Capitalised value	
As at 22.06.1992	204,931,000
Amortisation	
Opening Balance	80,345,000
Charge for the year	3,867,000
At the end of the year	84,212,000
Carrying Amount	
At the end of the year	120,719,000

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

3.14 Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) - Acquisition through Subsidiary

	Immature Plantations Rs.	Mature Plantations Rs.	Permenant Land Development Cost Rs.	Buildings Rs.	Plant & Machinery Rs.	2014 Rs.
Revaluation As at 22.06.1992	145,993,000	68,817,000	4,014,000	47,173,000	6,818,000	272,815,000
Transfers to mature	(145,993,000)	145,993,000	-	-	-	-
At the end of the year	-	214,810,000	4,014,000	47,173,000	6,818,000	272,815,000
Amortisation						
Opening Balance	-	132,484,000	2,781,000	39,209,000	6,818,000	181,292,000
During the period	-	7,160,000	134,000	1,887,000	-	9,181,000
At the end of the year	-	139,644,000	2,915,000	41,096,000	6,818,000	190,473,000
Written Down Value						
At the end of the year	-	75,166,000	1,099,000	6,077,000	-	82,342,000

All immovable estate property, plant and equipment under finance leases have been taken into the books of HPPLC retrospective to 22nd June 1992. For this purpose all estate immovables All immovable estate property, plant and equipment under finance leases have been taken into the books of HPPLC retrospective to 22nd June 1992. For this purpose all estate immovables

Investments in Bearer Biological assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological assets - immature (Revalue as at 22.06.1992). Further investments in such a bearer biological assets (Immature to bring them to maturity are shown under " Note 3.12 Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.12 - Bearer Biological assets (Mature plantations) to Bearer Biological assets (Mature Plantations) shown under Note 3.12 and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

3.15 Bearer Biological Assets - Acquisition through Subsidiary

	Tea	Rubber	Oil Palm	Diversification	Total 2014
	Rs.	Rs.	Rs.	Rs.	Rs.
Immature Plantations					
Cost or Valuation :					
Opening Balance	156,396,000	458,081,000	9,120,000	3,515,000	627,112,000
Additions	86,731,000	156,563,000	32,377,000	1,865,000	277,536,000
Transfers from Mature	(60,802,000)	(108,995,000)	-	-	(169,797,000)
At the end of the year	182,325,000	505,649,000	41,497,000	5,380,000	734,851,000
Mature Plantations					
Cost or Valuation :					
Opening Balance	433,909,000	577,701,000	-	19,695,000	1,031,305,000
Transfers from Immature	60,802,000	108,995,000	-	-	169,797,000
At the end of the year	494,711,000	686,696,000	-	19,695,000	1,201,102,000
Accumulated Amortization					
Opening Balance	78,384,000	161,695,000	-	4,344,000	244,423,000
Charge for the year	13,017,000	28,885,000	-	849,000	42,751,000
At the end of the year	91,401,000	190,580,000	-	5,193,000	287,174,000
Written Down Value	403,310,000	496,116,000	-	14,502,000	913,928,000
Total Bearer Biological Assets	585,635,000	1,001,765,000	41,497,000	19,882,000	1,648,779,000

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

3.16 Consumable Biological Assets - Acquisition through Subsidiary

	2014 Rs
Immature Plantations	
Cost :	
At the beginning of the year	14,790,000
Additions	11,200,000
Transfers to Mature Plantations	(5,074,000)
At the end of the year	20,916,000
Mature Plantations	
Cost :	
At the beginning of the year	231,886,000
Additions	-
Increase due to new plantations	5,074,000
Change in Fair Value less costs to sell	26,052,000
At the end of the year	263,012,000
Total Bearer Biological Assets	283,928,000

3.17 Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31st March 2014 comprised approximately 350 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 20.92 Mn as at 31st March 2014. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.S.M.Wijepala for 2013/14 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure

Discounted rates used by the Valuer are within the range of 10% - 12%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

The Company is exposed to the following risks relating to its timber plantation:-

Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Sensitivity Analysis

Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

3.17 Basis of Valuation (Contd.)

	-10%		10%
Managed Timber	Rs. 237.39 Mn	Rs. 263.01 Mn	Rs. 290.63 Mn

Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

	-1%		1%
Managed Timber	Rs. 274.49 Mn	Rs. 263.01 Mn	Rs. 254.67 Mn

3.18 The following properties are revalued and recorded under freehold land & clay mining land.

No	Company	Valuation	Valuer	Location	Valuation Details
1	Royal Ceramic Lanka PLC	896 Mn	Mr. A. A. M. Fathihu	Factory, Land & Building Eheliyagoda, Kottawa, Meegoda and land at Kalutara	Market based evidence
2	Royal Porcelain (Pvt) Ltd	570 Mn	Mr. A. A. M. Fathihu	Factory Land & Building at Horana	Market based evidence
		106.2 Mn	Mr. A. A. M. Fathihu	Warehouse Building at Meegoda	Market based evidence
3	Rocell Bathware Ltd	562.29 Mn	Mr. A. A. M. Fathihu	Land at Panagoda and Meegoda	Market based evidence
				Factory Building at Panagoda	Market based evidence
4	Lanka Walltiles PLC	353.68 Mn	Messrs. Sunil Fernando and Associates (Pvt) Ltd.	No. 215, Nawala Road, Narahenpita, Colombo 05	Market based evidence
		352 Mn	Mr. Ranjan J Samarakone	Plan No 2205 Situated at Mawathgama and Galagedara Village	Market based evidence
5	Lanka Tiles PLC	524.64 Mn	Mr. Ranjan J Samarakone	Factory at Jaltara, Ranala & Ball Clay land at Kaluthara	Market based evidence
		218.35 Mn	Mr. Ranjan J Samarakone	Warehouse at Biyagama	Market based evidence
		35.78 Mn	Mr. Ranjan J Samarakone	Land at Madampe	Market based evidence

3.18 The following properties are revalued and recorded under freehold land & clay mining land (Contd.)

No	Company	Valuation	Valuer	Location	Valuation Details
6	Uni Dil Packing Ltd.	87.97 Mn	Mr. Anton Rich	Land at Narampola road, Moragala, Deketana	Market based evidence
7	Uni Dil Paper Sacks (Pvt) Ltd.	21.75 Mn	Mr. Anton Rich	Land at Narampola road, Moragala, Deketana	Market based evidence
8	Swisstek (Ceylon) PLC	310 Mn	Mr. K. D. T. Tissera	Balummara, Imbulgoda	Market based evidence
9	Swisstek Aluminium Ltd.	160 Mn	Mr. T. J. Tissera	Land at Pahala Dompe, Dompe	Market based evidence
10	Lanka Ceramic PLC	3.53 Mn	Mr.B.L.Ariyathilake	Mining Land at Owala	Market based evidence
		18.68 Mn	Mr.B.L.Ariyathilake	Mining Land at Meetiyagoda	Market based evidence
		5.94 Mn	Mr.B.L.Ariyathilake	Mining Land at Dediyawala	Market based evidence
		4.11 Mn	Messrs.Ariyathilake & Company (Pvt) Limited	Land situated at Meetiyagoda	Market based evidence
		13.16 Mn	Messrs.Ariyathilake & Company (Pvt) Limited	Factory Building	Market based evidence

3.19 The useful lives of the assets are estimated as follows

	2014 Years	2013 Years
Non Plantation Assets		
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	4 to 12	4 to 12
Showroom Fixures and Fittings	10-15	10-15
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation (re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	20
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3

3.20 Leasehold Right over Mining Land - Acquisition through Subsidiary

	2014 Rs.
Cost	
Opening Balance	27,665,000
Additions	-
Disposals	(19,865,000)
At the end of the year	7,800,000
Accumilated Depreciation	
Opening Balance	25,186,000
Charge for the year	1,252,500
Disposals	(19,865,000)
At the end of the year	6,573,500
Written Down Value	1,226,500

4. INVESTMENT PROPERTY

Group	2014 Rs.	2013 Rs.
At the beginning of the year	-	-
Acquisition through subsidiary	349,294,000	-
Disposal of investment property	(80,000,000)	-
Transferred to Property, Plant and Equipment	(29,200,000)	-
At the end of the year	240,094,000	-

Lanka Ceramics PLC

As at 31 March 2014, the investment property includes land and building at No 696,696 1/1,696 2/1,696 3/1,696 4/1, Kollupitiya Road, Colombo 03 (1R - 1,12 P). The fair value of freehold land and buildings were determined by Mr. B.L Ariyathllake an independent professionally qualified valuer in reference to market based evidence (Valuation report dated 31 March 2012 - Rs. 240.094 Mn).

Lanka Walltiles PLC

As at 31 March 2014, the investment property includes land and building at Balangoda. The fair value of freehold land and buildings were determined by the board of Directors by taking in to consideration the revaluation done in January 2014 by Messrs. Sunil Fernando and Associates (Pvt) Ltd an independent firm of chartered valuation surveyors; in reference to market based evidence.The investment property has been soldout in the current financial year.

Swisstec Ceylon PLC

Factory complex at Balummahara,Imbulgoda has transferred to Property, Plant and Equipment during the current financial year for a consideration of 130 Mn.

5. INVESTMENTS IN SUBSIDIARIES

	Holding		Cost	Directors' Valuation	Cost	Directors' Valuation
	2014	2013	2014	2014	2013	2013
Non-Quoted	%	%	Rs.	Rs.	Rs.	Rs.
Royal Ceramics Distributors (Pvt) Limited	100%	100%	500,000	-	500,000	-
Royal Porcelain (Pvt) Limited	100%	100%	500,000,000	500,000,000	500,000,000	500,000,000
Rocell Bathware Limited	100%	100%	929,999,930	929,999,930	929,999,930	929,999,930
Ever Paint and Chemical Industries (Pvt) Ltd	100%	100%	270,400,000	270,400,000	70,400,000	70,400,000
			1,700,899,930	1,700,399,930	1,500,899,930	1,500,399,930

5. INVESTMENTS IN SUBSIDIARIES (Contd.)

	Holding Valuation 2014 %	2013 %	Cost 2014 Rs.	Directors' Valuation 2014 Rs.	Cost 2013 Rs.	Directors' 2013 Rs.
Quoted						
Lanka Ceramic PLC	76.7%		2,866,709,287	2,866,709,287	-	-
Lanka Floortiles PLC	1.62%		66,714,575	66,714,575	-	-
Lanka Walltile PLC	1.06%		33,932,044	33,932,044	-	-
			2,967,355,906	2,967,355,906	-	-
Total Quoted & Non-Quoted Investments in Subsidiaries			4,668,255,836	4,667,755,836	1,500,899,930	1,500,399,930
Total Gross Carrying Value of Investments			4,668,255,836	1,500,899,930	-	-
Provision for decline in value			(500,000)	(500,000)	-	-
Total Gross Carrying Value of Investments in Subsidiaries			4,667,755,836	4,667,755,836	1,500,399,930	1,500,399,930

6. INVESTMENTS IN ASSOCIATES

6.1 Company

	Holding Percentage 2014	2013	Cost 2014 Rs.	Directors' Valuation 2014 Rs.	Cost 2013 Rs.	Directors' Valuation 2013 Rs.
Quoted Investments						
L. B. Finance PLC	26.08%	25.98%	2,499,577,145	2,499,577,145	2,491,864,224	2,491,864,224
Non Quoted Investments						
Delmage Limited	21.00%	20.00%	663,360,345	663,360,345	624,535,345	624,535,345
			3,162,937,490	3,162,937,490	3,116,399,569	3,116,399,569

6.2 Group

	Holding Percentage 2014	2013	Carrying Value 2014 Rs.	Directors' Valuation 2014 Rs.	Carrying Value 2013 Rs.	Directors' Valuation 2013 Rs.
Quoted Investments						
L. B. Finance PLC	26.08%	25.98%	3,156,741,754	3,156,741,754	2,900,044,985	2,900,044,985
Unquoted Investments						
Delmage Limited (Formaly know as Lewis Brown & Company Limited)	21.00%	20.00%	647,930,774	647,930,774	526,435,164	526,435,164
			3,804,672,527	3,804,672,527	3,426,480,149	3,426,480,149

31 March 2014 is Rs. 1,807,967,762/- (2013 - Rs. 2,388,055,001/-)

6.3 Summarised financial information of Associates

	L. B. Finance PLC		Delmage Limited		Total	
	2014	2013	2014	2013	2014	2013
	Rs	Rs	Rs	Rs	Rs	Rs
Group share of;						
Revenue	3,554,312,119	2,896,680,180	1,020,866,341	917,851,622	4,575,178,460	3,814,531,802
Operating Expenses	(3,204,832,458)	(2,455,777,913)	(1,017,952,429)	(947,828,094)	(4,222,784,886)	(3,403,606,007)
Finance Expenses	-	-	(69,157,028)	(66,006,651)	(69,157,028)	(66,006,651)
Profit for the year	349,479,661	440,902,267	(66,243,115)	(95,983,123)	283,236,546	344,919,144
Group share of;						
Total Assets	15,860,390,493	14,087,098,659	1,281,659,500	979,718,757	17,142,049,993	15,066,817,416
Total Liabilities	(14,241,686,029)	(12,702,728,044)	(905,960,407)	(695,115,975)	(15,147,646,436)	(13,397,844,019)
Net Assets	1,618,704,465	1,384,370,615	375,699,092	284,602,782	1,994,403,557	1,668,973,397
Goodwill and Other Adjustments	1,538,037,289	1,515,674,370	272,231,682	241,832,383	1,810,268,971	1,757,506,752
	3,156,741,754	2,900,044,985	647,930,774	526,435,164	3,804,672,527	3,426,480,149
Group Share of Contingent liabilities	23,401,182	27,262,795	22,362,900	46,559,400	45,764,082	73,822,195
Capital and other commitments	142,949,406	290,542,881	-	-	142,949,406	290,542,881

6.4 Movement in Investments in Associates

	2014	2013	2014	2013	2014	2013
	Rs	Rs	Rs	Rs	Rs	Rs
As at the beginning of the year	2,900,044,985	2,524,388,870	526,435,164	622,418,288	3,426,480,149	3,146,807,158
Investment made during the year	7,712,922	14,247,047	38,825,000	-	46,537,922	14,247,047
Share of results of associates net of dividends	244,203,687	360,337,521	(66,243,115)	(95,983,123)	177,960,572	264,354,397
Share of associate company net assets	4,780,160	1,071,547	148,913,725	-	153,693,886	1,071,547
At the end of the year	3,156,741,754	2,900,044,985	647,930,774	526,435,164	3,804,672,529	3,426,480,149

For the Year ended 31st March 2014

	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
7. INTANGIBLE ASSETS				
7.1 Goodwill				
At the beginning of the year	-	-	71,866,701	71,866,701
On acquisition of subsidiary	-	-	10,848,884	-
Goodwill arising on acquisition of subsidiary	-	-	981,273,957	96,524,136
Amount reversed on disposal of subsidiary	-	-	-	(96,524,136)
Written off as bad debts during the year	-	-	-	-
At the end of the year	-	-	1,063,989,542	71,866,701
7.2 Computer Software				
At the beginning of the year	-	-	-	-
Incurred during the year	113,799,325	-	113,799,325	-
Amount Amortised during the year	(7,508,826)	-	(7,508,826)	-
At the end of the year	106,290,498	-	106,290,498	-
7.3 Software work in progress				
At the beginning of the year	111,053,384	-	111,053,384	-
Incurred during the year	53,376,571	111,053,384	53,376,571	111,053,384
Amount Capitalized during the year	(113,799,325)	-	(113,799,325)	-
At the end of the year	50,630,630	111,053,384	50,630,630	111,053,384
Total intangible assets	156,921,128	111,053,384	1,220,910,670	182,920,085

8 LONG TERM RECEIVABLES

	Group 2014 Rs.	Group 2013 Rs.
Advance Company Tax Receivable	27,285,000	-
	27,285,000	-

9. INVENTORIES

For the Year ended 31st March 2014

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Raw Materials	156,115,875	159,911,189	1,109,690,527	444,477,352
Construction Consumables	8,605,702	9,327,708	14,431,089	9,327,708
Spares & Consumables	197,079,186	160,805,859	1,061,717,932	383,408,636
Accessories	-	-	223,905,370	130,112,107
Harvested crops	-	-	213,001,000	-
Work in Progress	29,084,695	26,155,649	244,134,305	122,712,634
Finished Goods	609,431,770	275,176,261	4,034,248,957	1,085,319,042
Goods in Transit	2,651,336	2,716,105	43,382,143	29,693,935
	1,002,968,564	634,092,771	6,944,511,323	2,205,051,414
Less : Provision for Obsolete & Slow Moving Stock	(10,192,871)	(13,301,565)	(102,171,065)	(25,371,937)
	992,775,692	620,791,205	6,842,340,259	2,179,679,477

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	Rs.	Rs.
10.1 Company		
Trade Debtors (Note 10.1.2)	326,111,987	269,169,312
Receivables - Other	26,165,239	302,822,409
- Related Parties (Note 10.1.1)	10,675,834	202,022,299
	362,953,061	774,014,021

10.1.1 Amount due from Subsidiaries

	2014 Rs.	2013 Rs.
Royal Ceramics Distributors (Pvt) Ltd	589,210	-
Lanka Tiles PLC	2,939,897	-
Lanka Wall Tiles	2,923,824	-
Ever Paint and Chemical Industries (Pvt) Ltd	-	202,022,299
Lanka Ceramics PLC	3,149,071	-
Horana Plantation PLC	1,073,836	
	10,675,834	202,022,299

10.1.2 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2014, the age analysis of trade receivables is as follows:

	Total	Neither past due nor Impaired	Past due but not impaired		
			Less Than 3 Month	3 to 12 Month	More Than One Year
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors	326,111,987	230,517,374	32,843,178	55,711,120	7,040,315
	326,111,987	230,517,374	32,843,178	55,711,120	7,040,315

10.2 Group

	2014 Rs.	2013 Rs.
Trade Debtors (Note 10.2.1)	3,017,842,581	876,910,041
Provision for Bad and Doubtful Debts (Note 10.2.2)	(68,032,554)	(11,286,943)
	2,949,810,027	865,623,098
Loans to company officers	7,283,947	-
Receivables- Other	350,158,115	309,602,876
	3,307,252,089	1,175,225,974

10.2.1 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2014, the ageing analysis of trade receivables is as follows:

	Total	Neither past nor due Impaired	Past due but not impaired		
			Less Than 3 Month	3 to 12 Month	More Than One Year
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade debtors	3,017,842,581	673,578,650	93,838,294	221,200,406	34,507,918
	3,017,842,581	673,578,650	93,838,294	221,200,406	34,507,918

10.2.2 Allowances for Doubtful Debts

	2014 Rs.	2013 Rs.
At the beginning of the year	11,286,943	1,321,491
Amount provided during the year	56,745,611	9,965,452
Amount Written off as bad debts during the year	-	-
At the end of the year	68,032,554	11,286,943

11. OTHER NON FINANCIAL ASSETS

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Receivables - Other	6,992,333	67,148,019	28,642,450	123,840,045
Advances and Prepayments	265,217,892	110,523,628	671,395,118	269,318,217
	272,210,225	177,671,646	700,773,569	393,158,262

For the Year ended 31st March 2014

12 OTHER FINANCIAL ASSETS

12.1 Non Current - Company/Group

Investments Available for Sale-Non Quoted

	Cost 2014 Rs.	Directors' Valuation 2014 Rs.	Cost 2013 Rs.	Director' Valuation 2013 Rs.
Rocell Ceramics Limited	197,136,773	197,136,773	196,396,497	196,396,497
Rocell Property Ltd	73,506	73,506	73,506	73,506
	197,210,279	197,210,279	196,470,003	196,470,003

12.2 Current - Company/Group

Investments fair Value Through Profit or Loss-Quoted

	No. of Shares		Carrying Value	
	2014	2013	2014	2013
Quoted			Rs.	Rs.
Lanka Floortiles PLC	-	2,397	-	166,591
Lanka Walltile PLC	-	2,100	-	117,390
The Fortress Resorts PLC	336,100	336,100	4,470,130	5,041,500
Aitken Spence PLC	225,000	225,000	22,027,500	26,910,000
Lanka Hospitals Corporation PLC	45,519	45,519	1,893,590	1,593,165
Pan Asia Bank PLC	-	6,177,271	-	117,368,149
Access Engineering PLC	-	2,000,000	-	39,400,000
Citrus Leisure PLC	2,768,276	2,768,276	45,399,726	53,427,727
Citrus Leisure Warrant 2015	10	10	11	25
Serendib Hotels PLC	16,000	16,000	448,000	379,200
Softlogic Finance PLC	1,042,200	1,042,200	31,995,540	26,576,100
Ascot Holdings PLC	30,000	30,000	3,420,000	4,719,000
Waskaduwa Beach Resorts PLC	1,400,145	1,400,145	10,641,102	7420769
			120,295,600	283,119,616
Non-Quoted				
MBSL Insurance Company Ltd	4,666,667	4,666,667	8,666,667	8,666,667
	-	-	8,666,667	8,666,667
	-	-	128,962,267	291,786,283

12.3 Fair Values

Financial instruments of the Company/Group includes Trade and other receivables, cash and cash equivalents, Interest bearing loans and Borrowings and trade and other payables. The fair value of these financials instruments are determined at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term variable-rate borrowings approximate their carrying amounts largely due to the market based interest rates.

Fair value of quoted investments is based on price quotations at the reporting date. The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities and hence approximates its fair value.

Hence the carrying amounts of Group's/Company's financial instruments are reasonable approximation of their fair values.

12.4 Fair value hierarchy

As at 31 March the Group held the following financial instruments carried at fair value in the statement of financial position;

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value- Company/ Group

	As at 31st March	Total Rs	Level 1 Rs	Level 2 Rs	Level 3 Rs
Investments fair value through profit or loss	2014	128,962,267	120,295,600	-	8,666,667
Investments fair value through profit or loss	2013	291,786,283	283,119,616	-	8,666,667

Movement in Non Quoted Shares

	Balance as at 01 April 2013 Rs	Additions Rs	Disposals Rs	Balance as at 31 March 2014 Rs
Investment in Non Quoted Shares				
MBSL Insurance Company Limited	8,666,667	-	-	8,666,667
	8,666,667	-	-	8,666,667

For the Year ended 31st March 2014

13. STATED CAPITAL - COMPANY/GROUP

	2014		2013	
	Number	Rs.	Number	Rs.
As at 01 April	110,789,384	1,368,673,373	110,789,384	1,368,673,373
Issue of shares through capitalisation of reserves	-	-	-	-
As at 31 March	110,789,384	1,368,673,373	110,789,384	1,368,673,373

14. RESERVES

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Summary				
Revaluation Reserve (Note 14.1)	213,634,264	213,634,264	669,505,157	513,494,300
Available for sale reserve (Note 14.2)	-	-	9,571,387	1,071,547
	213,634,264	213,634,264	679,076,545	514,565,847

14.1 Revaluation Reserve

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
On: Property, Plant and Equipment				
As at 1 April	213,634,264	-	513,494,300	100,734,594
Revaluation of surplus during the year	-	239,627,012	156,010,858	497,589,762
Tax effect of Items Transferred from Equity		(25,992,748)	-	(84,830,056)
As at 31 March	213,634,264	213,634,264	669,505,157	513,494,300

The above revaluation surplus consists of net surplus resulting from the revaluation of property plant and equipment as described in Note 3.4 and 3.18.

The unrealised amount cannot be distributed to shareholders.

For the Year ended 31st March 2014

14.2 Available for Sale Reserve

	Group	
	2014	2013
	Rs.	Rs.
As at 1 April	1,071,547	-
Transferred during the year	11,047,669	1,488,260
Tax effect of Items Transferred from Equity	(2,547,829)	(416,713)
As at 31 March	9,571,387	1,071,547

15 INTEREST BEARING LOANS AND BORROWINGS

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Non Current				
Long term loans (15.1)	3,699,996,091	1,065,888,695	6,699,042,090	1,556,357,269
Finance leases (15.2)	8,066,943	13,848,145	133,032,021	29,871,328
	3,708,063,034	1,079,736,840	6,832,074,111	1,586,228,597
Current				
Long term loans (15.1)	535,697,007	567,815,523	1,633,428,516	808,212,415
Finance leases (15.2)	5,781,203	5,780,350	44,245,979	13,786,411
Short term loans	235,523,279	227,310,837	3,351,348,337	765,369,645
Bank overdrafts (20.0)	183,616,842	248,539,583	1,796,625,824	990,853,031
	960,618,331	1,049,446,293	6,825,648,655	2,578,221,502
Total	4,668,681,365	2,129,183,135	13,657,722,766	4,164,450,099

15.1 Long Term Loans

	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
At the beginning of the year	1,633,704,217	1,384,864,768	2,364,569,683	2,235,112,962
On acquision of subsidiaries	-	-	2,898,417,000	-
Loans obtained during the year	4,400,220,477	761,857,567	7,062,848,505	939,457,567
Exchange gain/loss on USD loans	11,173,522	-	6,870,522	-
Effect of fair value of loans	-	-	(244,000)	-
Repayments during the year	(1,809,405,117)	(513,018,118)	(3,999,991,103)	(810,000,845)
At the end of the year	4,235,693,099	1,633,704,218	8,332,470,608	2,364,569,684
Payable within 1 year	535,697,007	567,815,523	1,633,428,516	808,212,415
Payable after 1 year before 5 years	3,699,996,091	1,065,888,695	6,699,042,090	1,556,357,269
	4,235,693,098	1,633,704,218	8,332,470,606	2,364,569,684

15.2 Finance Leases

	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
JEDB/SLSPC estates (Note 15.3)	-	-	162,068,000	-
Other finance lease creditors (Note 15.14)	16,810,048	25,289,760	102,684,286	56,034,394
Gross liability	16,810,048	25,289,760	264,752,286	56,034,394
Finance charges allocated to future periods	(2,961,902)	(5,661,266)	(87,475,287)	(12,376,655)
Net liability	13,848,146	19,628,494	177,276,999	43,657,739
Payable within 1 year	5,781,203	5,780,350	44,245,979	13,786,411
Payable after 1 year before 5 years	8,066,943	13,848,145	133,032,021	29,871,328
Total	13,848,146	19,628,495	177,277,999	43,657,739

15.3 JEDB/SLSPC estates

	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
At the beginning of the year	-	-	-	-
On acquisition of subsidiaries	-	-	167,296,000	-
New leases obtained during the year	-	-	11,287,000	-
Repayments during the year	-	-	(16,515,000)	-
At the end of the year	-	-	162,068,000	-

15.4 Other Financial lease creditors

	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
At the beginning of the year	25,289,760	14,464,809	56,034,393	37,655,371
On acquisition of subsidiaries	-	-	108,077,000	-
New leases obtained during the year	-	15,705,489	16,282,699	34,842,741
Repayments during the year	(8,479,712)	(4,880,538)	(77,709,806)	(16,463,718)
At the end of the year	16,810,048	25,289,760	102,684,286	56,034,394

15.5 The lease rentals have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/-per estate per annum. The basic rental payable under the revised basis is Rs.5.228 Mn per annum. This amount is to be inflated annually by the Gross Domestic Product(GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10th June 2005, freezing the annual lease rental at Rs.7.472 Mn for a period of six years commencing from 22nd June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Mn per annum until 21st June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

Future liability on the revised annual lease payment of Rs.7.472 Mn will continue until 21st June 2008, and thereafter from 22nd June 2008,annual lease payment will remain at Rs.5.228 Mn, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.91.087 Mn.

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

		Rs. Mn
Gross Liability	- Overdue	-
	- 36 Years @ Rs. 5.228 million per annum	162.068
		162.068
Less : Interest in Suspense		(70.981)
Net Present Value		91.087

The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 10,983.342/- and the gross liability to make contingent rentals for the remaining 31 years of lease term at the current rate would be estimated to Rs. 340,483,612/- as at 31 March 2014.

15.6 Interest Bearing Loans and Borrowings

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31st March 2014
Company : Royal Ceramics Lanka PLC					
Commercial Bank PLC	Rs 300 Mn	48 equal monthly Installments	Tripartite Agreement with company, company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC	Rs. 300 Mn	Rs. 62.5 Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs. 300 Mn	
Commercial Bank PLC	Rs. 500 Mn	60 equal monthly Installments	Tripartite Agreement with company,company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC	Rs. 500 Mn	Rs. 283.29 Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs. 500 Mn	
Commercial Bank PLC	Rs. 620 Mn	48 equal monthly Installments	Simple deposit of 100001 shares (20.01% stake) of Lewis Brown & Company	Rs. 620 Mn	Rs. 284.184 Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs. 620 Mn	
Commercial Bank PLC	Rs 175 Mn	48 equal monthly Installments	174.9Mn in mortgage over properties at Baddegadaramulla, Meegoda, No 101, Nawala Road, Nawala and No 472, Highlevel Road Kottawa	Rs. 175 Mn	Rs. 140.125 Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs. 175 Mn	
Commercial Bank PLC	Rs. 41 Mn	48 equal monthly Installments	Primary mortgage bond for 41Mn over the Polishing line	Rs. 41 Mn	Rs. 25.61 Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs. 41 Mn	
Commercial Bank PLC	Rs. 24 Mn	60 equal monthly Installments	Primary mortgage bond for 24Mn over the two LP Gas Tanks	Rs. 24 Mn	Rs. 20.4 Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	Rs. 24 Mn	
Commercial Bank PLC	Rs. 1 Bn	Repayable over 7 years in equeal or incremental installments	Triparte agreement over the company/share brokering company/ custodian company & bank over a portfolio of Lanka Ceramic PLC shares.	Rs. 817 Mn	Rs. 1,000 Mn

15. Interest Bearing Loans and Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31st March 2014
Commercial Bank PLC	Rs. 260 Mn	60 equal monthly installments	Primary mortgage bond over Land and Building at No. 20, R. A. De Mel Mawatha, Colombo 3.	Rs. 260 Mn	Rs. 260 Mn
HNB Bank	Rs. 1.67 Bn	Minimum of Rs. 0.9 Bn to be settled within 12 months and the balance to be reviewed at the end of 12 months	Triparte agreement over the company/share brokering company/ custodian company & bank over a portfolio of Lanka Ceramic PLC shares.	Rs. 1,368 Mn	Rs. 1,673.40 Mn
HNB Bank	Rs. 100 Mn	59 equal monthly installments	Registered primary concurrent mortgage bond for Rs 650mn (HSBC 500Mn, HNB 150Mn) over factory premises at Eheliyagoda to be executed	Rs. 100 Mn	Rs. 47.186 Mn
					3,796.6915 Mn
HSBC Bank	USD 4 Mn	60 equal monthly installments	Registered primary concurrent mortgage bond for Rs 650mn (HSBC 500Mn, HNB 150Mn) over factory premises at Eheliyagoda to be executed	USD 4 Mn	USD 3,325.769
					USD 3,325.769
Company : Royal Porcelain (Pvt) Ltd					
Commercial Bank PLC	Rs. 100 Mn	60 equal monthly installments	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 100 Mn	Rs. 3.36 Mn
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana togeather with existing machinery & the machinery to be imported.	Rs. 100 Mn	

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31st March 2014
Commercial Bank PLC	Rs. 280 Mn	59 equal monthly installments	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 280 Mn	Rs. 1,44.57 Mn
Hatton national Bank PLC	Rs. 75 Mn	60 equal monthly installments	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 75 Mn	Rs. 45 Mn
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between Commercial & DFCC) over the factory premises of RPL in Horana together with existing machinery therein.	Rs. 75 Mn	
DFCC Bank PLC	Rs. 150 Mn	60 equal monthly installments	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 150 Mn	102.50 Mn
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & Commercial) over the factory premises of RPL in Horana togeather with existing machinery therein.	Rs. 150 Mn	
Commercial Bank PLC	Rs. 80 Mn	60 equal monthly installments	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 80 Mn	Rs. 42.2 Mn
Commercial Bank PLC	Rs 56 Mn	60 equal monthly installments	Mortgage over line Sorting Palertizer Machine	Rs. 56 Mn	Rs. 41.04 Mn
			Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 56 Mn	
Commercial Bank PLC	Rs 67 Mn	60 equal monthly installments	Mortgage over Tile Printing Machine	Rs. 67 Mn	Rs. 51.6 Mn
			Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 67 Mn	
Commercial Bank PLC	Rs.48 Mn	60 equal monthly installments	Mortgage over Glazed Polishing Line	Rs. 48 Mn	Rs. 48 Mn
			Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 48 Mn	
Commercial Bank PLC	Rs. 67 Mn	60 equal monthly installments	Mortgage over Digital Ceramic Printing Machine	Rs. 67 Mn	Rs. 67 Mn
			Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 67 Mn	

Notes to the Financial Statements

15. Interest Bearing Loans and Borrowings (Contd.)

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31st March 2014
Commercial Bank PLC	Rs. 200 Mn	60 equal monthly installments	Mortgage over warehouse premises at Meegoda owend by Rocell Bathware Ltd	Rs. 200 Mn	Rs. 200 Mn
Commercial Bank PLC	Rs. 48.56 Mn	60 equal monthly installments	Mortgage over 4 units of 4 wheel Forklifts and 4 units reach trucks to be executed	Rs. 48.56 Mn	Rs. 48.56 Mn
Commercial Bank PLC	Rs. 53 Mn	60 equal monthly installments	Mortgage over the Nano coating line , Unloading Polishing Machine, Batching and mill Feeding Machine and Air Compressor to be executed	Rs. 53 Mn	Rs. 52.117 Mn
			Corporate Guarantee from Royal Ceramics Lanka PLC	Rs. 53 Mn	
					845.95Mn
Company : Rocell Bathware Limited					
Hatton National Bank PLC	Rs. 150 Mn	66 equal monthly installments	Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs. 150 Mn	Rs. 15.26 Mn
			Corporate guarantee of RCL	Rs. 150 Mn	
Hatton National Bank	Rs. 160 Mn	54 equal monthly installments	Concurrent Mortgage bond over leasehold land and building and machinary (excluding Unimack) at Templeburg Industrial Estate, Panagoda.	Rs. 160 Mn	Rs. 94.13 Mn
			Corporate guarantee of RCL		
Hatton National Bank	Rs. 70 Mn	54 equal monthly installments	Concurrent Mortgage bond over leasehold land and building and machinery (excluding Unimack) at Templeburg Industrial Estate, Panagoda.	Rs. 70 Mn	Rs. 51.92 Mn
			Corporate guarantee of RCL		Rs. 161.30 Mn
Company : EVER PAINT AND CHEMICAL INDUSTRIES (Pvt) Ltd					
COMM. Bank	Rs. 100 Mn	60 equal monthly installments	Primary concurrent Mortgage bond over company factory premise at hanwella, stocks in trade and assignment over book debts and mortgage over movable machinery equipment,furniture fittings at Malabe	Rs. 100 Mn	Rs. 85.15 Mn
			Corporate guarantee of RCL	Rs. 100 Mn	
					Rs. 85.15 Mn

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31/03/2014 Rs.Mn
Company : Lanka Ceramic PLC					
Hatton National Bank PLC	500 Mn	08 monthly installments	Mortgage for Rs, 500 Mn over Lanka Walltiles PLC shares held monthly in the custodian account with HNB	Rs. 500 Mn	Rs. 435 Mn
					Rs. 435 Mn
Company: Lanka Walltiles PLC					
National Development Bank PLC	4.960 Mn	60 monthly installments	Primary mortgage over plant & machinery worth Rs. 3.6 million	Rs. 3.6 Mn	Rs. 0.292 Mn
Hatton National Bank	300 Mn	60 monthly installments	Primary mortgage bond for Rs. 390 million over the project assets comprising land, building and machinery at Meepe.	Rs. 390 Mn	Rs. 225 Mn
	USD 1.8 Mn	60 monthly installments	Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.	USD 1.8 Mn	Rs. 218.081 Mn
Commercial Bank of Ceylon PLC	200Mn	60 monthly installments	Primary mortgage bond for Rs.200 million over the property situated at 215, Nawala Road, Colombo 5	Rs. 200 Mn	Rs. 96.15 Mn
	80Mn	60 installments	Primary Mortgage bond for Rs.80Mn over the ceramic printer	Rs. 80 Mn	Rs. 74.664 Mn
DFCC Bank	200Mn	60 monthly installments	Primary mortgage over movable machinery at Meepe	Rs. 200 Mn	Rs. 150 Mn
					Rs. 764 Mn

15. Interest Bearing Loans and Borrowings (Contd.)

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31/03/2014 Rs.Mn
Company :Lanka Tiles PLC					
DFCC Bank	Rs. 150 Mn	48 monthly installments		Rs. 300 Mn	Rs. 127.50 Mn
	Rs. 165 Mn	84 monthly installments	A primary mortgage over land, building and plant and machinery of Lanka Floortiles PLC at Ranala.	Rs. 100 Mn	Rs. 123.75 Mn
	Rs. 287.71 Mn (USD 3 Mn)	85 monthly installments		Rs. 300 Mn	Rs. 278.65 Mn
Commercial Bank of Ceylon PLC	Rs. 22 Mn	59 monthly installments	A primary mortgage over land, building and immovable assets of Lanka Floortiles PLC at Ranala amounting to Rs.100 million	Rs. 100 Mn	Rs. 5.177 Mn
	Rs. 100 Mn	48 monthly installments			Rs. 81.1 Mn
Hatton National Bank	Rs. 38 Mn	59 monthly installments	A primary mortgage bond for Rs.27million over the sorting line	Rs. 27 Mn	Rs. 13.274 Mn
					Rs. 629.447 Mn
Company:Uni-Dil Packaging Limited					
Sampath Bank PLC	USD 153,339	US$ 3,000 monthly installments	Mortgage bond for USD 175,000 over machinery, Concurrent mortgage bond over stocks & debtors for USD 2.55 Mn with HNB, HSBC and Deutsche Bank Securing Sampath Bank for USD 575,000.	USD 175,000	USD 44,619
					USD 44,619
Company:Horana Plantations PLC					
Bank of Ceylon (75% of project cost out of ADB Line of credit)	Rs. 245 Mn	120 monthly installments	Primary mortgage over Leasehold rights of Alton Bambarakelle, Eldon Hall and Gouravilla Estates, to the value of Rs. 244.99 million.	Rs. 244.99 Mn	Rs. 7.89 Mn

Lender	Approved Facility	Repayment Terms	Security	Security Amount	Balance as at 31/03/2014 Rs.Mn
Lanka Orix Leasing Co., PLC Out of ADB Plantation development project line of credit	Rs. 54.214 Mn	84 monthly installments	Secondary mortgage over the leasehold rights of Millakanda Estate and Mirishena Estate		Rs. 23.59 Mn
	Rs. 21.079 Mn	84 monthly installments			
People's Leasing Co., Ltd Out of DFCC e-Friends line of credit	Rs. 12 Mn	48 monthly installments	Promissory note and Primary mortgage over the leasehold rights of Hillstream Estate of Horana Plantations PLC to the value of 12.00 million.	Rs. 12 Mn	Rs. 6.226 Mn
Hatton National Bank PLC	Rs. 150 Mn	72 monthly installments	Primary mortgage for 150 million over the leasehold rights of Frocester Estate Undertaking from tea brokers to recover & remit from sales	Rs. 150 Mn	Rs. 350 Mn
	Rs. 200 Mn				Rs. 24 Mn
National Development Bank PLC	Rs. 200 Mn	38 monthly installments	Undertaking from tea brokers to recover & remit from sales		Rs. 58.8 Mn
Central Finance Company PLC	Rs. 16.483 Mn	54 monthly installments	Primary mortgage over leasehold rights of Tillicoultry Estate		Rs. 14.688 Mn
					Rs. 484.376 Mn
Company:Swisstek (Ceylon) PLC					
Bank of Ceylon	Rs. 25.817 Mn	58 monthly installments	Mortgage over immovable property at Balummahara, Imbulgoda		Rs. 13.824 Mn
DFCC Bank					Rs. 251.173 Mn
					Rs. 264.997 Mn
Company : Swisstek Aluminium Limited					
DFCC Bank	Rs. 290 Mn	78 monthly installments	Mortgage over land, building, plant & machinery stocks & book debts		Rs. 250.993 Mn
					Rs. 250.993 Mn

For the Year ended 31st March 2014

16 RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Retirement Benefit Obligation as at the beginning of the year	124,132,009	104,916,609	157,272,531	132,827,897
On acquisition of Subsidiary	-	-	566,733,800	36,679,782
Interest cost	12,413,201	10,491,661	80,092,253	13,305,365
Current service cost	12,204,414	11,061,688	64,022,265	23,386,338
Benefits Paid	(3,303,378)	(2,935,073)	(86,088,691)	(12,125,061)
Benefits Payable	(70,170)	-	(31,563,745)	-
Acturial (gain)/loss	5,685,811	597,124	101,635,437	402,589
Disposal of Subsidiary	-	-	-	(37,204,379)
Retirement Benefit Obligation as at the end of the year	151,061,887	124,132,009	852,103,850	157,272,531

16.1 Maturity Profile of the Defined benefit obligation as at 31st March 2014 - Company

Future Working Life Time	Defined Benefit Obligation
Within the next 12 months	37,430,859
Between 1-2 years	34,767,041
Between 2-5 years	35,904,385
Between 5-10 Years	29,237,919
Beyond 5-10 years	13,721,683
Total	151,061,887

16.2 Sensitivity Analysis

In order to illustrate the significance of the salary escalation rates and discount rates assumed in these valuations a sensitivity analysis for all employees of Royal Ceramics Lanka PLC and its subsidiaries is carried out as follows;

	Company	Group
	Rs.	Rs.
Discount rate as at 31st March 2014		
Effect on DBO due to decrease in the discount rate by 1%	6,388,037	69,538,611
Effect on DBO due to increase in the discount rate by 1%	(5,870,030)	(56,706,269)

	Company Rs.	Group Rs.
Salary escalation rate as at 31st March 2014		
Effect on DBO due to decrease in the salary escalation rate by 1%	(6,405,432)	(41,362,517)
Effect on DBO due to increase in the salary escalation rate by 1%	6,865,302	45,637,833

Royal Ceramics Lanka PLC/Rocell Bathware Ltd/ Royal Porcelain (Pvt) Ltd/ Ever Paint and Chemical Industries (Pvt) Ltd

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit Method as at 31st March 2014. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2014	2013
Discount rate assumed (%)	10% p.a	10% p.a
Further salary increase (%)	10% p.a	10% p.a
Staff Turn Over	16% p.a	10% p.a

The demographic assumption underlying the valuation is retirement age -Males 55 years, females 50 years for the above 2 years.

Lanka Ceramic PLC

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Lanka Ceramic PLC of the defined benefit plan gratuity as at 31 March 2014.

The principal assumptions used are as follows:

		2014
Discount rate (per annum)		10.5%
Salary scale (per annum)	- Executives	10.0%
	- Non Executives	5.0%
Retirement Age		55 Years

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2014 was actuarially valued by M/s Piyal S. Goonetilleke and Associates qualified actuary.

The principal assumptions underlying the valuation are as follows;

		2014
Discount rate (per annum)		12.9%
Salary scale (per annum)	- Executives	11.1%
	- Non Executives	10.5%
Retirement Age		55 Years

Rates of turnover at selected ages as follows;

Executive and staff

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

Lanka Tiles PLC

The defined beneft liability of Lanka Floortiles PLC was actuarially valued by M/s Piyal S Goonathilake and Associates qualified actuary on 27th March 2010.

Principal Actuarial Assumptions are as follows

		2014
Discount rate		10.33%
Future salary increases	- Executives	11%
	- Non Executives	8.12%

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the acturial valuation.

GA 1983 mortality table issued by the Society of Actuaries USA was taken as the base for the valuation.

Horana Plantations PLC

An acturial valuation of the retirement benefit obligation was carried out as at 31st March 2014 by Mr. poopalanthan, Acturial and Management Consultant (Pvt Ltd.

The valuation method used by the actuary to value the benefit is the “Project Unit Credit Method”

Principal Actuarial Assumptions are as follows

	2014
Rate of interest	10.50%
Rate of salary increase - Workers	16%
Staff	12.50%
Retirement age - Workers	60
Staff	60
Head office	55
Daily wage rate - Tea	Rs.450.00
Rubber	Rs.450.00

The company will continue as a going concern

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

An acturial valuation of the retirement benefit obligation was carried out as at 31st March 2014by M/s Acturial and Management Consultant (Pvt) Ltd.

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

Principal Actuarial Assumptions are as follows

	2014
Discount rate p.a	10.0%
Rate of salary increase	10%
Staff turnover factor	8%
Retirement age (Years)	55

The Company will continue as a going concern.

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs. Piyal S Gunathilake & Associates on 31 March 2014.

Principal Actuarial Assumptions are as follows

	2014
Discount rate p.a	10%
Rate of salary increase	12.0%

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs. Piyal S Gunathilake & Associates on 31 March 2014.

Principal Actuarial Assumptions are as follows

	2014
Discount rate p.a	10.96%
Rate of salary increase	12%

17. CAPITAL GRANTS

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Capital grants on acquisition of subsidiary	-	-	118,411,000	-
	-	-	118,411,000	-

17.1 Capital grants (Contd.)

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance at the beginning Rs.'000	Received during the period Rs.'000	Amortised during the period Rs.'000	Balance at the end Rs.'000
Sri Lanka Tea Board	Tea factory modernizatiion	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	419	262	-	(31)	231
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	1,215	1,170	45	-	1,215
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	21,988	-	(790)	21,198
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	34,817	-	(1,120)	33,697
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	354	-	(12)	342

17.1 Capital grants (Contd.)

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance at the beginning Rs.'000	Received during the period Rs.'000	Amortised during the period Rs.'000	Balance at the end Rs.'000
Plantation development project	Improvement of workers living environment Ergonomic equipment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	17,337	-	(501)	16,836
		Rate of depreciation applicable to equipment (12.5% p.a.)	5,853	2,019	-	(731)	1,288
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	4,092	-	(116)	3,976
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	9,023	-	(252)	8,771
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	31,444	21,120	10,076	(650)	30,546
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	363	-	(52)	311
Total			151,598	112,545	10,121	(4,255)	118,411

18. TRADE AND OTHER PAYABLES

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Creditors - Others	104,015,615	80,590,909	1,066,353,173	273,704,650
Payables - Other	156,546,563	114,907,168	250,866,878	127,251,856
Sundry Creditors Including Accrued Expenses	80,559,650	84,486,334	747,028,074	145,142,767
Payable to Related Parties (Note 18.1)	804,744,818	598,001,952	-	-
	1,145,866,646	877,986,364	2,064,248,125	546,099,272

18.1 Payable to Related Parties

	Company 2014 Rs.	Company 2013 Rs.	Group 2014 Rs.	Group 2013 Rs.
Royal Porcelain (Pvt) Ltd	452,631,428	451,910,160	-	-
Rocell Bathware Ltd	346,956,922	146,091,793	-	-
Ever Paint & Chemical Industries (Pvt) Ltd	5,156,468	-	-	-
	804,744,818	598,001,952	-	-

19 OTHER CURRENT LIABILITIES

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Provisions	49,138,252	44,748,758	75,481,298	68,414,787
Advances	166,081,481	16,338,890	174,293,583	75,242,156
Other	47,319,761	29,025,452	119,462,555	115,791,567
	262,539,495	90,113,100	369,237,435	259,448,510

20. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
20.1 Favorable Cash & Cash Equivalent Balances				
Components of Cash and Cash Equivalents				
Cash & Bank Balances	160,880,808	178,036,925	353,861,243	240,537,592
Short Term Bank Deposits	-	-	23,813,000	-
	160,880,808	178,036,925	377,674,243	240,537,592
20.2 Unfavorable Cash & Cash Equivalent Balances				
Bank Overdraft	(183,616,842)	(248,539,583)	(1,796,625,824)	(990,853,031)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(22,736,034)	(70,502,658)	(1,418,951,581)	(750,315,439)

21 REVENUE

21.1 Summary

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Sales - Export	116,049,692	120,426,930	843,612,895	268,609,404
- Local	2,553,287,422	2,428,428,728	20,867,840,268	8,189,948,271
Gross	2,669,337,114	2,548,855,658	21,711,453,162	8,458,557,675
Less: Sales Taxes - Value Added Tax	(255,519,877)	(252,561,122)	(1,962,653,058)	(847,153,714)
Revenue	2,413,817,238	2,296,294,536	19,748,800,104	7,611,403,961

22. OTHER INCOME AND GAINS

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Income from Investments with Related Parties	1,384,433,286	1,380,564,746	-	-
Service Fee Income - Related Parties	999,996	3,999,996	-	-
Sales Commission - Related Party	5,440,482	-	-	-
Rent Income - Related Parties	5,872,500	4,493,572	-	-
Rent Income - Others	1,552,233	-	38,302,233	-
Profit/(Loss) on Disposal of Property, Plant & Equipment	-	850,552	49,394,612	(215,311)
Sundry Income	2,464,503	5,672,397	76,942,820	8,892,459
Amortisation of capital and revenue grants	-	-	5,659,000	-
Reversal of debtors impairment	-	-	1,246,000	-
Change in fair value of consumable biological assets	-	-	26,052,000	-
	1,400,763,000	1,395,581,262	197,596,665	8,677,148

23. FINANCE COST AND INCOME

23.1 Finance Cost

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
FINANCE COST				
Interest Expense on Overdrafts	38,823,430	53,939,231	201,973,147	158,833,128
Interest Expense on Loans & Borrowings	477,466,145	227,216,112	1,178,815,075	397,254,895
Finance Charges on Lease Liabilities	2,699,364	1,476,778	23,645,045	5,392,341
Interest expense on TR bills	-	-	43,846,000	-
Less : Capitalisation of borrowing costs on immature plantations	-	-	(43,195,000)	-
Net loss on financial Assets at fair value through profit or loss	-	81,921,951	24,286,617	81,921,951
Loss on Disposal of Short Term Investments	24,286,617	-	-	-
	543,275,556	364,554,072	1,429,370,883	643,402,315

23.2 Finance Income

Interest Income	1,540,308	955,031	28,449,557	1,438,291
Dividends on long-term & current investments	1,835,528	13,398,488	1,835,528	13,398,488
Profit/(Loss) on Disposal of Short Term Investments	-	15,411,385	31,302,483	15,411,385
Net Profit on financial Assets at fair value through profit or loss	31,302,483	-	-	-
	34,678,319	29,764,903	61,587,569	30,248,163

24. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Stated after Charging /Crediting				
Included in Cost of Sales				
Depreciation	80,880,511	35,923,101	857,726,525	316,923,534
Employee Benefits including the following	249,007,803	207,385,381	2,604,202,679	516,706,255
- Defined Benefit Plan Costs -Gratuity	11,212,799	6,049,294	168,373,241	13,376,991
- Defined Contribution Plan Costs - EPF & ETF	16,960,265	15,316,496	202,517,289	37,298,866
Export duty rebate	(2,038,807)	(2,088,567)	(8,710,627)	(7,545,300)
Included in Administrative Expenses				
Depreciation	22,992,864	21,946,693	37,733,235	21,964,633
Employee Benefits including the following	171,115,969	137,479,863	325,310,583	161,069,344
- Defined Benefit Plan Costs -Gratuity	9,186,746	9,845,298	33,814,646	9,996,406
- Defined Contribution Plan Costs - EPF & ETF	17,488,905	14,835,641	29,172,276	15,792,715
Auditors' Fees and Expenses	956,250	948,680	7,301,005	1,454,906
Loss on translation of foreign currency	12,838,702	(5,624,868)	25,052,415	(11,642,376)
Donations	400,000	2,121,744	3,976,848	2,121,744
Amortisation of intangible assets	7,403,559	-	7,403,559	-
Included in Selling and Distribution Costs				
Depreciation	68,764,759	59,811,118	104,768,485	93,286,987
Damage Stocks net of insurance claims received	628,108	6,193,095	21,736,499	13,222,971
Sales Promotion	103,448,122	118,359,353	227,984,007	146,501,955
Employee Benefits including the following	194,803,148	159,478,837	328,550,726	210,755,158
- Defined Benefit Plan Costs -Gratuity	4,218,070	6,255,931	4,272,020	6,277,285
- Defined Contribution Plan Costs - EPF & ETF	16,172,030	12,505,616	23,058,211	13,196,506

25 INCOME TAX EXPENSE

25.1 The major components of income tax expense

	Company		Group	
For the year ended 31st March	**2014**	**2013**	**2014**	**2013**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Statement of Income				
Current Income Tax				
Current Income Tax charge	-	181,128	227,305,150	16,683,506
Dividend Tax	279,000	-	30,675,192	-
Under/(Over) Provision of current taxes in respect of prior years	-	4,452,564	3,279,891	4,447,787
Share of Associate Company Income Tax	-	-	139,257,319	230,458,506
	279,000	4,633,692	400,517,552	251,589,799
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 25.5)	(186,059,191)	(72,357,980)	(48,091,021)	(148,336,723)
Share of Associate Company Deferred Tax	-	-	(33,895,219)	-
Income tax expense reported in the income statement	(185,780,191)	(67,724,288)	318,531,312	103,253,076
Statement of Comprehensive Income				
Deferred Income Tax related to items charged or credited directly to Comprehensive Income:				
Deferred Tax effect on Employee Benefits	(1,546,541)	-	(15,190,923)	-
Net gain on revaluation of buildings	-	25,992,748	-	84,830,056
Income tax expense reported in Comprehensive Income	(1,546,541)	25,992,748	(15,190,923)	84,830,056

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

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Accounting Profit (Profit before Taxation)	668,861,161	918,762,420	2,293,814,155	1,739,252,273
Share of results of associates	-	-	(388,598,646)	(559,373,190)
	668,861,161	918,762,420	1,905,215,509	1,179,879,083
Exempt Profit	(1,386,268,814)	(1,409,374,619)	(829,180,490)	(3,089,635,841)
Non deductible expenses	336,609,672	325,663,299	1,345,871,930	336,520,940
Deductible expenses	(431,901,557)	(184,731,625)	(2,116,596,613)	(207,685,813)
Tax losses utilized	-	-	(56,789,000)	-
Interest Income	-	955,031	-	1,438,291
Rent Income	-	4,480,179	-	4,480,179
Taxable Income	(812,699,539)	(344,245,315)	248,521,336	(1,775,003,161)
Income Tax on Profit of the local sales @ 28%	-	181,128	217,307,069	16,683,506
Income Tax on Profit of the export sales @ 12%	-	-	9,998,080	-
Income Tax on Profit @ 10%	279,000		32,581,192	-
Current and Deferred Tax share of Associates	-	-	105,362,100	214,454,047
Charge/(Reversal) of Deferred Tax (Note 25.5)	(186,059,191)	(72,357,980)	(48,091,021)	(132,332,263)
Adjustment of taxes in respect of prior years	-	4,452,564	1,373,891	4,447,787
	(185,780,191)	(67,724,288)	318,531,311	103,253,077

25.3 **Deferred Tax Assets**

Statement of Financial Position	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	-	-	(3,211,728)	-
Transferred from Deferred Tax Liability	(22,269,422)	-	-	-
On acquisition of Subsidiary	-	-	22,369,000	-
Charge/(Reversal) for the year	186,059,191	-	173,642,303	19,057,694
Deffered Tax Effect on components of other comprehensive income	1,546,541	-	3,032,114	-
At the end of the year	165,336,310	-	195,831,689	19,057,694
The closing net deffered tax liability relate to the following;				
Capital allowances for tax purposes	(199,071,592)	-	(213,003,238)	11,455,324
Defined Benefit Obligation	41,088,833	-	52,324,358	7,602,370
Provisions	-	-	145,000	-
Unutilised tax losses	323,319,069	-	356,366,069	-
	165,336,310	-	195,832,189	19,057,694

25.4 Deferred Tax Liability

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Statement of Financial Position				
At the beginning of the year	-	68,634,654	491,105,166	69,272,102
Recognised in Profit or loss	-	(72,357,980)	125,398,282	(67,035,151)
Recognised in other comprehensive income	-	25,992,748	(12,364,809)	38,590,638
At the end of the year	-	22,269,422	604,138,639	40,827,588
The closing net deffered tax liability relate to the following;				
Capital allowances for tax purposes	-	144,662,728	1,004,658,017	164,157,175
Defined Benefit Obligation	-	(33,763,906)	(120,601,378)	(34,700,187)
Unutilised tax losses	-	(88,629,400)	(254,982,000)	(88,629,400)
Provisions	-	-	(24,936,000)	-
	-	22,269,422	604,138,639	40,827,588

25.5 Statement of Income

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Deferred tax expense/(reversal) arising from;				
Capital allowances for tax purposes	54,408,864	21,498,008	282,973,537	(30,063,711)
Defined Benefit Obligation	(5,778,386)	(5,226,588)	(22,470,889)	(13,639,152)
Provisions	-	-	10,392,000	-
Unutilised tax losses	(234,689,669)	(88,629,400)	(318,985,669)	(88,629,400)
	(186,059,191)	(72,357,980)	(48,091,021)	(132,332,263)
Share of Associate Company Deferred Tax	-	-	(33,895,219)	(16,004,460)
Total Deffered Tax Charge/(Reversal) for the year	(186,059,191)	(72,357,980)	(81,986,240)	(148,336,723)

Deffered tax has been computed at 28% for all standard rate companies and at 12% for export sale business other than Rocell Bathware Ltd which has been computed at 15%

Royal Ceramics Distributors (Private) Limited which is a fully owned subsidiary of Royal Ceramics Lanka PLC has a tax loss that is available indefinitely for offset against future taxable profit of the Company subject to the limit of 35% of taxable profit each year of assessment. A deferred tax asset has not been recognized in respect of this tax loss as it is anticipated that the deferred tax asset will not realize in the foreseeable future.

26. EARNINGS PER SHARE

26.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

26.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Amount Used as the Numerator:				
Net Profit for the year attributable to equity holders of the parent from continuing operations	854,641,352	986,486,708	1,125,669,579	1,635,999,197
Net Profit for the year attributable to equity holders of the parent from discontinued operations	-	31,385,910	-	34,385,911
	854,641,352	1,017,872,618	1,125,669,579	1,670,385,108

	2014 Number	2013 Number	2014 Number	2013 Number
Number of Ordinary Shares Used as the Denominator:				
Weighted Average number of Ordinary Shares in issue Applicable to basic Earnings Per Share	110,789,384	110,789,384	110,789,384	110,789,384

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

27. DIVIDEND PER SHARE

	Company/Group	
	2014 Rs.	2013 Rs.
1st Interim Dividends for 2012/13: Rs. 2.00 per share	-	221,578,768
Total Gross Dividends	-	221,578,768
No of shares	110,789,384	110,789,384
Total Dividend per Share	-	2.00
Proposed for approval at AGM (not recorded as liability as at 31st March 2014)		
Equity dividend on ordinery shares		
Final dividend for 2013/14 (Rs. 1/- per share)	110,789,384	-

28 SEGMENT INFORMATION AND REVENUE

Primary reporting format -Business Segments

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

- Tile and associated items - Plantation - Paints - Other

- Sanitary ware - Finance - Packing Material

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

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Tiles & Associated Items		Sanitaryware		Paints and Allied Products		Plantation		Paking Material	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue										
Sales to external customers	14,357,550,158	6,453,857,547	1,124,666,917	1,081,906,770	106,654,144	75,639,644	2,069,471,000	-	1,966,348,413	-
Inter-Segment Sales		-	-	-	-	-	-	-	97,234,587	-
Total Revenue	14,357,550,158	6,453,857,547	1,124,666,917	1,081,906,770	106,654,144	75,639,644	2,069,471,000	-	2,063,583,000	-
Results										
Gross Profit	5,329,259,017	2,917,383,024	414,703,426	421,479,251	7,577,391	2,738,082	272,475,000	-	245,737,000	-
Other Income	119,847,156	10,860,801	592,575	(680,853)	428,063	1,497,200	29,085,000	-	54,187,000	-
Distribution Expenses	(1,874,908,396)	(1,027,761,795)	(33,680,932)	(47,939,245)	(60,024,075)	(39,058,447)	-	-	(78,172,000)	-
Administrative Expenses	(1,000,934,467)	(408,548,363)	(20,861,214)	(21,970,625)	(13,292,208)	(11,965,797)	(81,770,000)	-	(62,202,000)	-
Finance Costs	(1,186,416,684)	(600,205,320)	(51,832,407)	(40,703,133)	(23,234,621)	(2,493,862)	(58,644,000)	-	(44,661,000)	-
Finance Income	60,619,187	110,792,985	-	-	-	19,925	315,000	-	-	-
Loss On Disposal of Subsidiary	-	-	-	-	-	-	-	-	-	-
Share of Associate Company's Profit	-	-	-	-	-	-	-	-	-	-

Brokering		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	(Discontinued)										
-	459,711,478	-	-	124,109,471	-	19,748,800,104	8,071,115,438	-	(459,711,478)	19,748,800,104	7,611,403,960
-	-	-	-	60,768,095	-	158,002,682	-	-	-	158,002,682	-
-	459,711,478			184,877,566		19,906,802,786	807,115,438	-	(459,711,478)	19,906,802,786	7,611,403,960
-	451,969,680	-	-	68,594,136	-	6,338,345,969	3,793,570,037	-	(451,969,680)	6,338,345,969	3,341,600,357
-	2,666,014	-	-	103,322,845	-	307,462,639	14,343,162	(109,865,974)	(5,666,014)	197,596,665	8,677,148
-	(21,686,926)	-	-	(1,659,419)	-	(2,041,952,097)	(1,136,446,412)	-	21,686,926	(2,041,952,095)	(1,114,759,486)
-	(237,057,027)	-	-	(47,752,077)	-	(1,220,991,716)	(679,541,812)	-	237,057,027	(1,220,991,716)	(442,484,785)
-	(64,585,628)	-	-	(64,582,171)	-	(1,429,370,883)	(707,987,943)	-	64,585,628	(1,429,370,883)	(643,402,315)
-	1,453,419	-	-	653,382	-	61,587,569	112,266,329	-	(82,018,165)	61,587,569	30,248,164
-		-	-	-	-	-	-	-	-	-	-
-	-	487,276,324	654,238,404	(98,677,678)	(94,865,213)	388,598,646	559,373,191	-	-	388,598,646	559,373,191

28 SEGMENT INFORMATION AND REVENUE (Contd.)

	Tiles & Associated Items		Sanitaryware		Paints and Allied Products		Plantation		Paking Material	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Net Profit before Income Tax	1,459,778,791	1,002,521,332	308,921,447	310,185,395	(88,545,450)	(49,262,898)	161,461,000	-	114,889,000	-
Income Tax Expense	(146,359,464)	133,021,400	(16,916,767)	(12,253,009)	10,206,019	(9,567,421)	(29,969,000)	-	(30,130,000)	-
Net Profit for the year from Continuing Operations	1,313,419,327	1,135,542,732	292,004,680	297,932,386	(78,339,431)	(58,830,319)	131,492,000	-	84,759,000	-
Profit After tax from discontinued Operation	-	31,385,910	-	-	-	-	-	-	-	-
Net Profit for the Year	1,313,419,327	1,166,928,642	292,004,680	297,932,386	(78,339,431)	(58,830,319)	131,492,000	-	84,759,000	-
As at 31st March										
Assets and Liabilities										
Segment Assets	28,938,266,550	12,472,192,374	3,137,785,387	2,453,616,089	362,269,006	304,538,122	3,084,522,000	-	1,342,117,000	-
Total assets	28,938,266,550	12,472,192,374	3,137,785,387	2,453,616,089	362,269,006	304,538,122	3,084,522,000	-	1,342,117,000	-
Segment liabilities	14,853,413,922	4,868,495,212	779,365,629	377,903,095	299,173,287	364,025,984	1,848,745,000	-	546,401,000	-
Total Liabilities	14,853,413,922	4,868,495,212	779,365,629	377,903,095	299,173,287	364,025,984	1,848,745,000	-	546,401,000	-
Other Segment Information										
Total cost incurred during the period to acquire Property, Plant & Equipment	1,820,759,216	1,037,934,665	174,324,565	28,442,365	29,048,837	78,520,378	365,921,000	-	14,919,000	-
Depreciation	586,614,468	330,711,998	98,401,389	98,080,815	98,401,389	6,224,168	146,453,000	-	44,633,000	-
Provisions for retirement benefit liability	165,370,746	28,063,318	2,379,731	1,135,900	526,478	451,414	71,028,000	-	5,089,000	-

Brokering		Finance		Other		Total Segments		Eliminations/ Adjustments		Total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	132,759,532	487,276,324	654,238,404	(40,100,984)	(94,865,213)	2,403,680,129	1,955,576,552	(109,865,974)	(216,324,278)	2,293,814,195	1,739,252,276
-	(16,979,415)	(137,796,663)	(213,336,137)	32,434,563	(1,117,910)	(318,531,312)	(120,232,492)	-	16,979,415	(318,531,312)	(103,253,076)
-	115,780,117	349,479,661	440,902,267	(7,666,421)	(95,983,123)	2,085,148,816	1,835,344,061	(109,865,974)	(199,344,863)	1,975,282,842	1,635,999,200
-	-	-	-	-	91,118,169	-	122,504,079	-	(31,385,910)	-	91,118,169
-	115,780,117	349,479,661	440,902,267	(7,666,421)	(4,864,954)	2,085,148,816	1,957,848,140	(109,865,974)	(230,730,773)	1,975,282,842	1,727,117,369
-	1,512,979,351		-	1,107,815,057	-	37,972,774,999	16,743,325,936	(4,641,170,847)	(3,126,077,196)	33,331,604,152	13,617,248,740
-	1,512,979,351			1,107,815,057	-	37,972,774,999	16,743,325,936	(4,641,170,847)	(3,126,077,196)	33,331,604,152	13,617,248,740
-	924,462,248			480,776,550		18,807,875,388	6,534,886,538	(1,068,290,697)	(1,319,107,565)	17,739,584,692	5,215,778,973
-	924,462,248			480,776,550	-	18,807,875,388	6,534,886,538	(1,068,290,697)	(1,319,107,565)	17,739,584,692	5,215,778,973
-	4,445,547			8,905,000		2,413,877,618	1,149,342,955	-	(4,445,547)	2,145,364,151	1,144,897,408
-	26,068,013			25,725,000		1,000,228,245	461,084,994	-	(26,068,013)	1,000,228,245	435,016,981
-	7,443,660			1,356,000		245,749,955	37,094,292	-	(7,443,660)	245,749,955	29,650,632

28 SEGMENT INFORMATION (Contd.)

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

	2014	2013
Reconciliation of Revenue		
Segment Revenue	19,748,800,104	8,071,115,438
Revenue of discontinued segment	-	(459,711,478)
Group Revenue	19,748,800,104	7,611,403,961
Reconciliation of Finance Costs		
Segment Finance Costs	(1,429,370,883)	(707,987,943)
Finance Costs of discontinued segment	-	64,585,628
Group Finance Costs	(1,429,370,883)	(643,402,315)
Reconciliation of Income Tax Expense		
Segment Income Tax Expense	(318,531,312)	(120,232,491)
Income Tax Expense of discontinued segment	-	16,979,415
Group Income Tax Expense	(318,531,312)	(103,253,076)
Reconciliation of Net Profit for the year		
Segment Net Profit for the year from continuing operations	2,085,148,816	1,957,848,139
Net Profit for the year from continuing operations	-	(115,780,117)
Gain from sale of discontinued operations	-	(31,385,910)
Inter-segment dividend income (elimination)	(109,865,974)	(80,564,747)
Inter-segment service fee income (elimination)	-	(3,000,000)
Group Net Profit for the year from continuing operations	1,975,282,842	1,727,117,365

	2014	2013
Reconciliation of Profit After Tax from Discontinued Operations		
Segment Net Profit for the Year	-	122,504,078
Gain from Discontinued Operations	-	(31,385,910)
Group Profit After Tax from Discontinued Operations	-	91,118,168
Reconciliation of assets		
Segment assets	37,972,774,999	16,743,325,935
assets of discontinued operations	-	(1,512,979,351)
Investment in subsidiaries (elimination)	(4,214,615,188)	(1,528,533,239)
Inter company balances (elimination)	(1,068,290,697)	(394,645,318)
Share of associate company's accumulated profit net of dividend received (elimination)	641,735,037	310,080,711
Group assets	33,331,604,152	13,617,248,739
Reconciliation of Liabilities		
Segment Liabilities	18,807,875,388	6,534,886,539
Liabilities of discontinued operations	-	(1,212,835,630)
Minority interest of discontinued operations	-	288,373,382
Inter company balances (elimination)	(1,068,290,697)	(394,645,318)
Group Liabilities	17,739,584,692	5,215,778,973

29 BUSINESS COMBINATIONS

On 6th May 2013, the company has acquired 76.54% of the voting shares of Lanka Ceramic PLC incorporated and domiciled in Sri Lanka engages in the business of mining and processing, manufacturing, retail and wholesale trading of ceramic tiles and allied products.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Lanka Ceramic PLC together with its subsidiary as at the date of acquisitions were;

	Fair Value as at 01.05. 2013 Rs.
Assets	
Property, Plant & Equipment	9,568,520,453
Investment Properties	349,294,000
Intangible Assets	10,848,884
Deferred Tax Assets	22,369,064
Income tax receivable	27,285,000
Inventories	3,819,378,116
Debtors and Other Receivables	1,953,000,000
Short Term Deposits with Banks	14,412,000
Cash in hand and at bank	149,889,000
	15,914,996,517
Liabilities	
Interest Bearing Loans & Borrowings	(4,148,169,000)
Retirement Benefit Liability	(543,763,000)
Deferred Tax Liability	(453,526,576)
Capital Grants	(115,937,000)
Trade and Other Payables	(1,717,823,115)
Bank Overdraft	(836,655,000)
	(7,815,873,691)
Non Controlling Interest	(5,342,651,991)
Total identifiable net assets at fair value	2,756,470,835
Net Assets Acquired (76.54% stake)	(2,109,802,777)
Goodwill arising on acquisition	(981,273,957)
Goodwill attributable to Non-Controlling Interest	(230,206,870)
Goodwill attributable to the Parent	(751,067,087)
Purchase consideration paid	(2,860,869,864)
Cash and cash equivalents of subsidiary acquired	(672,354,000)
Net Cash Out flow on Acquisition of subsidiary	(3,533,223,864)

30. CONTINGENT LIABILITIES

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

b) The Lanka Walltiles PLC, Ceytea Plantation Management Limited and Horana Plantations PLC are defendants in lawsuits in respect of labour tribunal cases filed by employees for which maximum liability cannot be reliably measured as at the reporting date. Although there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly no provision for any liability has been made in the financial statements.

c) As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue inrespect of Income tax, Value added tax and economic service charge totaling Rs. 224,275,000/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch.

The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for liability has been made in these financial statements.

d) In Horana Plantation PLC unfullfilled condition on capitak grants - Capital grants received from Ceylon Electricity Board for stand by power generators is subject to a condition of minimum usage of CEB power as against the Generator power. A liability will arise only if the above condition is not fullfilled.

Horana Planatation PLC - Contingent Rent (Refer Note 17.1 to the Financial Statements)

31. CAPITAL COMMITMENTS

The Group and Company's commitment for acquisition of Property, Plant and Equipment incidental to the Ordinary course of business as at 31st March.
as follows.

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Contracted but not provided for	138,174,430	115,731,690	253,813,296	254,370,715
	138,174,430	115,731,690	253,813,296	254,370,715

No provision has been made in these Financial Statements in this regard as at 31st March 2014

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, Ceytea Plantation Management Ltd has changed its name as "Vallibel Plantation Management Ltd" with effect from 24th April 2014.

Subject to approval of shareholders at the annual general meeting, directors of Royal Ceramics Lanka PLC recommended of a final dividend of Rs. 1/- per share for the year ended 31st March 2014 on 29th May 2014.

Other than the above there have been no material events occuring after the reporting date that required adjustment or disclosure in the Financial Statements except for the following.

33. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 15.

34. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

34.1 Transactions with the Related Entities

	Parent		Subsidiaries		Associates and other	
	2014	2013	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transaction						
Statement of Income						
Sale of Goods/Services	-	-	23,243,656	16,920,066	-	3,107,881
Purchase of Goods/Services	-	-	(120,815,710)	(26,658,332)	(1,049,616)	(1,081,798)
Dividend Income	-	-	1,278,369,941	1,300,000,000	105,275,974	80,564,746
Dividend Payment	-	(113,005,200)	-	-	-	-
Service Charges	-	-	1,142,781	4,142,781	-	-
Investments made by the Company	-	-	(3,396,793,380)	337,620,000	46,537,922	14,247,047
Others	-	-	-	(7,695,280)	-	-
Reimbursement of Expenses	-	-	476,592,768	433,308,841	-	-
Net of funds Transfers	-	-	(1,934,461,128)	(1,654,144,957)	-	-
Statement of Financial Position						
Balance outstanding as at end of the year						
Lease Creditors	-	-	-	-	(349,858)	(1,399,488)
Trade Debtors	-	-	-	-	-	607,691
Other Receivables	-	-	2,509,602	-	-	-
Due to Related Parties	-	-	(794,068,984)	(395,979,654)	-	-

Parent company is Vallibel One PLC

Transactions with subsidiaries of the Group include Royal Porcelain (Private) Limited, Rocell Bathware Limited, Royal Ceramics Distributors (Private) Limited and Ever Paint and Chemical Industries (Pvt) Ltd, Lanka Ceramic PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek Aluminium Ltd, Vallibel Plantation Management Ltd, Horana Plantation PLC, UniDil Packaging Ltd and UniDil Papersack (Pvt) Ltd.

Associates of the Group include L. B. Finance PLC and Delmage Limited.

The company carried out above transactions under the ordinary course of its business at commercial rates. Fund transfers represents the sales proceeds of the subsidiaries received by the parent company and it will be settled by transferring of funds back to the relevant companies.

34.2 Transactions with Key Management Personnel (*)

34.2.1 Compensation to Key Management Personnel

		Company		Group	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Nature of Transaction					
Short term Employee Benefits	- Executive Directors	54,101,362	39,886,704	104,874,174	39,886,704
	- Non Executive Directors	7,304,285	7,075,000	7,304,285	7,075,000
Post Employment Benefits	- Executive Directors	10,369,427	7,288,211	13,626,927	7,288,211
		71,775,074	54,249,915	138,152,886	54,249,915

34.2.2 Other Transactions with Key Management Personnel

	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs3
Rent Expenses	6,906,262	5,880,536	6,906,262	5,880,536
Transport Expenses	1,190,155	1,318,051	1,190,155	1,318,051
Sales	964,770	1,148,411	1,928,660	3,097,868

(*) Key management personnel include the Board of Directors of the Company and Directors in subsidiary companies.

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

a) Statement of Income

	Company		Group	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Sale of Goods/Services	2,587,333	19,892,213	11,701,163	86,471,976
Purchase of Goods/Services	5,963,121	(13,108,429)	59,250,538	(13,855,050)
Dividend Income	-	10,286,508	-	10,286,508
Investment	740,276	4,001,051	740,276	4,001,051

b) Statement of Financial Position

	Company		Group	
	2014	2013	2014	2013
	Rs	Rs	Rs	Rs
Balance outstanding as at end of the year				
Cash and Cash equivalents	11,524,555	11,442,821	11,524,555	11,722,354
Trade Debtors	9,785,315	7,432,474	11,680,082	17,884,570
Investments	197,136,773	196,396,496	197,136,773	196,396,496
Term Loan	-	-	102,499,981	132,499,993

** Other Related Companies as cited below represent transactions of its business at commercial rates under the ordinary course with entities either controlled or in which significant influence is held by key management personnel or their close family members.

Kandyan Resorts (Pvt) Ltd, L B Finance PLC, Vallibel Lanka (Pvt) Ltd, Pan Asia Bank PLC, Sampath Bank PLC, Rocell Ceramics Ltd, Hayleys PLC, Renuka Hotels PLC, Culture Club Resorts (Pvt) Ltd,Vallible Holding (pvt) Ltd., Hayleys Travels & tours (Pvt) Ltd.,Hayleys Industrial Solutions (Pvt) Ltd.,Delmage Interior Décor (Pvt) Ltd,Delmage Freight Services (Pvt) Ltd, Vallibel One Plc, Asian Alliance Insurance PLC ,Hotel Services Ceylon PLC,Sri Lanka Insurance PLC,Orit Apparels Lanka (Pvt) Ltd.,Country Energy (Pvt) Ltd.,Kelani Valley Plantations PLC, N Sports (Pvt) Ltd.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Market risk

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

Interest rate risk

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

Interest rate sensitivity

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

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

	Company		Group	
	Change in basis points	Change in Profit before tax	Change in basis points	Change in Profit before tax
2014	100 (1%)	Rs. 46.7 Mn	100 (1%)	Rs. 114.3 Mn
2013	100 (1%)	Rs. 19.3 Mn	100 (1%)	Rs. 40.0 Mn

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates with all other variables held constant, the Groups profit before tax. The Group exposure to all the other currencies are not material.

	Company		Group	
	Change in basis points	Change in Profit before tax	Change in basis points	Change in Profit before tax
2014	5%	Rs. 19.3 Mn	5%	Rs. 42.1 Mn
2013	5%	Rs. 19.0 Mn	5%	Rs. 20.0 Mn

Equity Price risk

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

At the reporting date, the exposure to listed equity securities at fair value was Rs. 120,295,600/-. A change in 5% of the ASPI could have an impact on approximately Rs. 13,687,721/- on the Company/Groups profit before tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. All debtors balances of the group are backed by bank guarantees. Hence the Group evaluates the concentration of risk with respect to trade receivables as low.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables are disclosed in Note 10.

Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31 March 2014	On demand Rs	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	Total Rs
Company						
Interest-bearing loans and borrowings	183,616,842	370,892,831	406,108,657	3,708,063,034	-	4,668,681,365
Trade and other payables	-	1,145,866,646	-	-	-	1,145,866,646
	183,616,842	1,516,759,477	406,108,657	3,708,063,034	-	5,814,548,011
Group						
Interest-bearing loans and borrowings	915,958,824	4,486,313,728	1,423,376,021	6,645,557,193	186,517,000	13,657,722,766
Trade and other payables	-	2,064,248,125	-	-	-	2,064,248,125
	915,958,824	6,550,561,853	1,423,376,021	6,645,557,193	186,517,000	15,721,970,891

As at 31 March 2013	On demand Rs	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	Total Rs
Company						
Interest-bearing loans and borrowings	248,539,583	287,292,619	513,613,937	1,516,358,021	-	2,565,804,160
Trade and other payables	-	877,986,364	-	-	-	877,986,364
	248,539,583	1,165,278,983	513,613,937	1,516,358,021	-	3,443,790,524
Group						
Interest-bearing loans and borrowings	990,853,031	771,806,932	815,448,184	2,092,543,236	-	4,670,651,383
Trade and other payables	-	546,099,273	-	-	-	546,099,273
	990,853,031	1,317,906,205	815,448,184	2,092,543,236	-	5,216,750,656

36. CAPITAL MANAGEMENT

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 31 March 2013.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings less cash and cash equivalents.

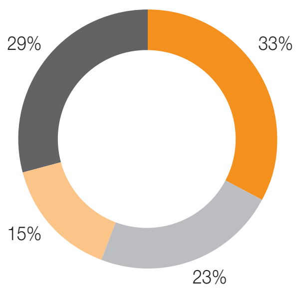
	Company		Group	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Interest Bearing Borrowings	4,668,681,365	2,129,183,134	13,657,722,766	4,164,450,099
Trade and Other payables	1,145,866,646	877,986,364	2,064,248,125	546,099,272
Less: Cash and Cash Equivalents	(160,880,808)	(178,036,925)	(353,861,243)	(240,537,592)
Net Debt	5,653,667,202	2,829,132,573	15,368,109,648	4,470,011,779
Equity	6,787,688,974	5,937,186,887	15,592,019,460	8,401,469,768
Total Capital	6,787,688,974	5,937,186,887	15,592,019,460	8,401,469,768
Gearing ratio	45%	32%	50%	35%

GROUP

Value Added Statement

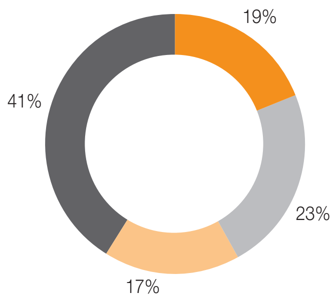
		2014 Rs. '000			2013 Rs. '000	
Turnover		21,711,453			8,458,558	
Finance and Other Income		259,184			38,925	
Share of Associate Company's Profit		388,599			559,373	
Profit After Tax from Discontinued Operation		-			91,118	
		22,359,236			9,147,974	
Less: Cost of Material & Services bought in		(12,586,243)			(4,473,859)	
		9,772,993			4,674,118	
Value Allocated to Employees						
Salaries and Wages and Other Benefits		3,258,063	33%		888,531	19%
To Government						
Income Tax	318,531			103,253		
VAT/NBT	1,962,653	2,281,184	23%	989,384	1,092,637	23%
To Providers of Capital						
Dividends	-	-		221,579		
Finance Cost	1,405,084	1,405,084	15%	561,480	783,059	17%
To Expansion and Growth						
Retained in Business	1,828,432			1,448,806		
Depreciation	1,000,228	2,828,660	29%	461,085	1,909,891	41%
		9,772,993	100%		4,674,118	100%

Value Added 2014



- Value Allocated to Employees
- To Government
- To Providers of Capital
- To Expansion & Growth

Value Added 2013



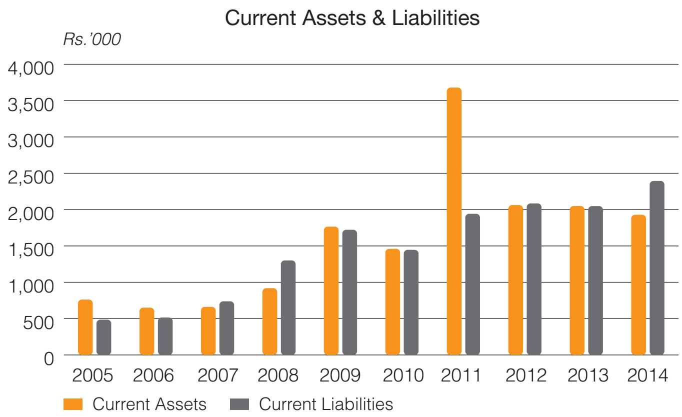
TEN YEAR

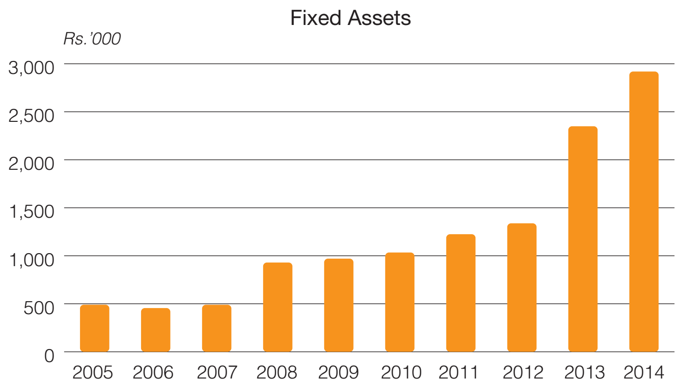
Summary - Company

	SLFRS			SLAS						
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Trading Results (Rs. '000)										
Net Turnover	**2,413,817**	2,296,295	2,178,913	2,180,608	1,529,017	1,435,112	1,484,123	1,362,397	1,193,481	976,298
Other Income	**1,435,441**	1,425,346	2,128,946	1,431,648	876,799	481,761	202,217	200,300	119,820	168,545
Profit Before Interest	**1,212,137**	1,283,316	2,104,973	1,540,223	879,642	441,083	356,391	337,323	441,354	285,289
Interest	**(543,276)**	(364,554)	(834,642)	(72,735)	(132,419)	(215,386)	(207,114)	(126,998)	(76,291)	(60,309)
Profit After Interest Before Tax	**668,861**	918,762	1,270,331	1,467,488	747,223	225,697	149,277	210,325	365,063	224,980
Tax Reversal/(Expense)	**185,780**	67,724	(15,716)	(93,663)	(36,611)	(20,011)	(27,310)	(57,511)	(44,048)	(23,093)
After Tax Profit from Discontinued Operations	**-**	31,386	-	-	-	-	-	-	-	-
Net Profit	**854,641**	1,017,873	1,254,614	1,373,825	710,612	205,686	121,966	152,814	321,015	201,887

	SLFRS				SLAS					
Statement of Financial Position (Rs. '000)										
Stated Capital	**1,368,673**	1,368,673	1,368,673	1,368,673	814,726	814,726	814,726	814,726	814,726	814,726
Capital Reserve	**213,634**	213,634	-	-	365,714	367,343	418,388	4,168	4,168	4,168
Retained Earnings	**5,205,381**	4,354,879	3,558,585	2,747,129	1,150,357	576,602	430,660	415,134	373,109	121,637
Shareholders' Funds	**6,787,689**	5,937,187	4,927,259	4,115,802	2,330,797	1,758,671	1,663,775	1,234,028	1,192,003	940,531
Fixed Assets	**2,919,364**	2,348,987	1,338,152	1,224,633	1,034,176	970,404	929,883	489,995	455,546	490,390
Investments	**7,830,693**	4,616,800	4,602,552	1,430,000	1,603,941	1,264,888	1,772,020	1,306,903	979,964	545,519
Other Financial Assets	**197,210**	196,470	192,395	183,962						
Current Assets	**1,929,083**	2,049,797	2,062,624	3,679,820	1,460,429	1,766,129	919,250	661,905	650,981	762,052
Current Liabilities	**(2,394,873)**	(2,048,728)	(2,085,282)	(1,941,945)	(1,446,404)	(1,722,431)	(1,300,811)	(738,180)	(515,441)	(485,337)
Non Current Liabilities	**(3,859,125)**	(1,226,138)	(1,183,183)	(460,667)	(321,345)	(520,319)	(656,568)	(486,596)	(379,047)	(372,093)
	6,787,689	5,937,187	4,927,259	4,115,802	2,330,797	1,785,671	1,663,775	1,234,028	1,192,003	940,531

Ratios and Statistics	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Ordinary Dividends (Rs. '000)	-	221,579	443,158	276,973	138,487	110,789	55,395	110,789	55,395	110,789
Dividend per Share (Rs.) *	-	2.00	4.00	2.50	1.25	1.00	0.50	1.00	0.50	1.00
Dividend Payout Ratio (%)	-	22	35	20	19	54	45	72	17	55
Earnings per Share (Rs.) *	**7.71**	9.19	11.32	12.40	6.41	1.86	1.10	1.38	2.90	1.82
Market Value per Share-Closing (Rs.)	**79.30**	99.50	115.00	157.00	113.00	27.50	42.50	35.00	34.00	45.00
Market Value per Share-Highest (Rs.)	**112.00**	118.50	167.50	335.00	116.50	51.00	45.00	43.00	50.00	57.50
Price Earnings Ratio (Times)	**10.29**	10.83	10.16	12.66	17.62	14.81	38.61	25.37	11.73	24.69
Net Assets per Share (Rs.)	**61.27**	53.59	44.47	37.15	21.04	15.87	15.02	11.14	10.76	8.49
Return on Equity (%)	**12.60**	17	25	33	30	12	7	12	27	21

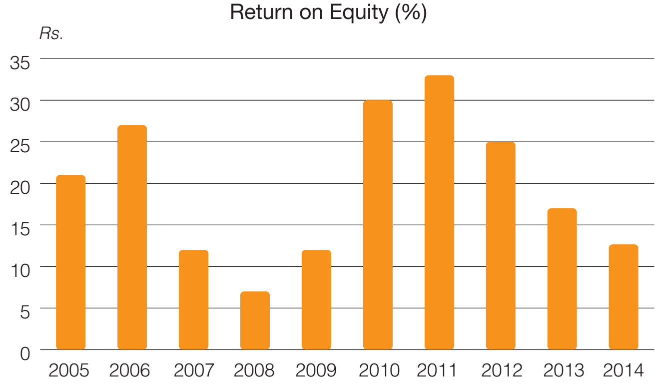




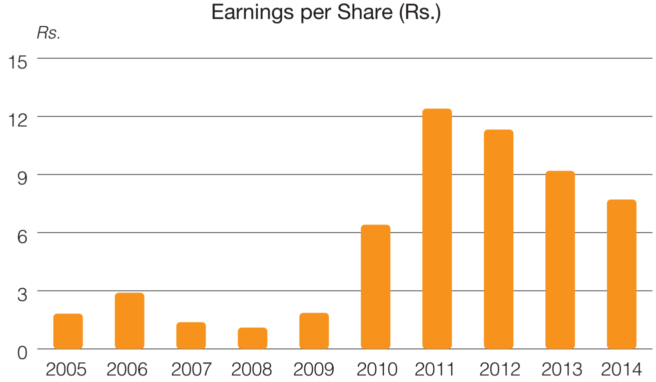
Ten Year Summary

Price Earnings Ratio (Times)

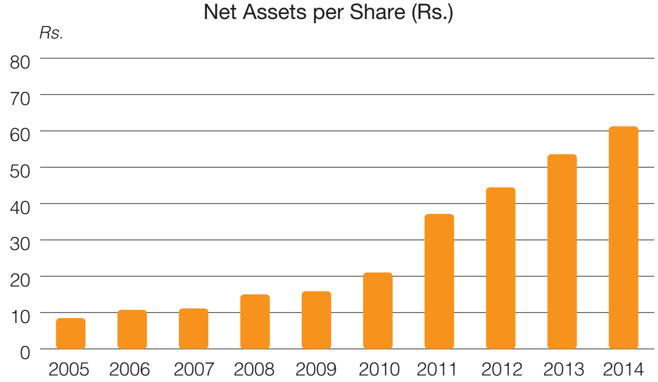
Return on Equity (%)



Earnings per Share (Rs.)



Net Assets per Share (Rs.)



SHARE
Information

SHAREHOLDERS

There were 11,427 registered shareholders as at 31st March 2014, distributed as follows

Number of Shares Held	No. of Shareholders	% of number of shareholders	Number of Shares	% Shareholding
1 - 1,000	10,095	88.35	2,222,220	2.01
1,001 - 10,000	1,063	9.30	3,441,025	3.11
10,001 - 100,000	207	1.81	6,719,846	6.07
100,001 - 1,000,000	55	0.48	14,476,431	13.07
1,000,000 & over	7	0.06	83,929,862	75.75
Total	11,427	100.00	110,789,384	100.00

41.20% of shares were held by public as at 31st March 2014

Shareholder Category	No. of Shareholders	% of number of shareholders	Number of Shares	% Shareholding
Local Individuals	10,928	95.63	18,381,578	16.58
Local Institutions	369	3.23	89,812,008	81.07
Foreign Individuals	113	0.99	1,215,669	1.10
Foreign Institutions	17	0.15	1,380,129	1.25
Total	11,427	100.00	110,789,384	100.00

SHARE PRICES FOR THE YEAR

	2013/2014	2012/2013
Highest during the year	**Rs. 112.00 (13th May 2013)**	Rs.118.50 (11th April 2012)
Lowest during the year	**Rs.77.00 (27th March 2014)**	Rs. 82.90 (28th August 2012)
As at end of the year	**Rs.79.30**	Rs. 99.50

Share Information

TWENTY MAJOR SHAREHOLDERS

	Number of Shares as at 31.03.2014	% of Issued Capital	Number of Shares as at 31.03.2013	% of Issued Capital
Vallibel One PLC	**56,502,600**	**51.00**	56,502,600	51.00
Employees Provident Fund	**11,063,410**	**9.99**	10,483,982	9.46
Mr. A.M. Weerasinghe	**7,142,614**	**6.45**	7,970,089	7.19
Bank of Ceylon A/C Ceybank Unit Trust	**3,138,177**	**2.83**	3,020,909	2.73
Sri Lanka Insurance Corporation Ltd- General Fund	**2,730,000**	**2.46**	2,730,000	2.46
Sri Lanka Insurance Corporation Ltd- Life Fund	**2,183,279**	**1.97**	2,183,279	1.97
AIA Insurance Lanka PLC A/C No. 7	**1,169,782**	**1.06**	1,060,267	0.96
Bank of Ceylon A/C Ceybank Century Growth Fund	**802,869**	**0.72**	808,420	0.73
National Savings Bank	**747,700**	**0.67**	747,700	0.67
Mr. D.L.B.C. Perera And Mrs. I.V. Kariyakarawana	**736,649**	**0.66**	736,649	0.66
Bank of Ceylon No. 01 Account	**711,339**	**0.64**	562,639	0.51
Commercial Bank of Ceylon PLC Capital Trust Holdings (Private) Limited	**608,053**	**0.55**	143,082	0.13
Pan Asia Banking Corporation PLC / Mr. R.P.L Eheliyagoda And Mr. S.U.R. Eheliyagoda	**565,000**	**0.51**	600,000	0.54
Mercantile Investment And Finance PLC	**550,000**	**0.50**	550,000	0.50
Amaya Leisure PLC	**521,600**	**0.47**	521,600	0.47
Bank of Ceylon- No. 02 A/C	**443,100**	**0.40**	443,100	0.40
MAS Capital (Private) Ltd	**442,900**	**0.40**	442,900	0.40
Amana Bank Limited	**427,764**	**0.39**	745,000	0.67
HSBC Intl Nominees Ltd- Credit Suisse AG Zurich	**410,000**	**0.37**	410,000	0.37
Mr. M.T.L Fernando	**405,954**	**0.37**	405,954	0.37
	91,302,790	**82.41**	91,068,170	82.20
Others	**19,486,594**	**17.59**	19,721,214	17.80
Total	**110,789,384**	**100.00**	110,789,384	100.00

GLOSSARY OF

Financial Terms

Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Capital Employed

Total assets less interest free liabilities

Capital Reserves

Profits of a Company that, for various reasons, are not regarded as distributable to Shareholders as dividends. These include gains on revaluation of capital assets and share premium.

Cash and Cash Equivalent

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

Contingencies

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

Current Ratio

Current assets divided by current liabilities

Deferred Taxation

Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

Dividend Cover

Post-Tax profit divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout Ratio

Dividends Per Share divided by Earnings Per Share

Earnings Per Share

Profits attributable to ordinary Shareholders divided by the number of ordinary shares in issue and ranking for dividend.

Gross Dividend

Portion of profits, inclusive of tax withheld, distributed to Shareholders.

Interest Cover

Earnings before interest and tax divided by interest expenses.

Net Assets Per Share

Shareholders' funds divided by the number of ordinary shares issued.

Glossary of Financial Terms

Operating Profit Margin

Operating profit divided by turnover

Price Earnings Ratio

Market price of a share divided by Earnings per share

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business

Return on Equity

Net profit for the year divided by Equity Shareholders' fund

Revenue Reserves

Reserves considered as being available for distributions and investments.

Shareholders' Funds

Total of issued and fully paid up capital and reserves.

Value Additions

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

Working Capital

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

NOTICE

of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Fourth (24th) Annual General Meeting of Royal Ceramics Lanka PLC will be held at The Winchester, The Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo 1 on the 30th day of June 2014 at 10.30 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2014 and the Report of the Auditors thereon.

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

3. To re-elect Mr. G A R D Prasanna,who retires by rotation in terms of Articles 85 and 86 of the Articles of Association, as a Director of the Company

4. To pass the ordinary resolution set out below to appoint Mr. R N Asirwatham who is 71 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 71 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

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

6. To authorize the Directors to determine payments for the year 2014/2015 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board
ROYAL CERAMICS LANKA PLC

ADWyes4

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
30th May 2014

Notes:

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

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

3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 10, R.A. de Mel Mawatha, Colombo 03, by 10.30 am on 28th June 2014

NOTES

FORM

of Proxy

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

Mr. A. M. Weerasinghe	of Colombo or failing him
Mr. K. D. D. Perera	of Colombo or failing him
Mr. W. D. N. H. Perera	of Colombo or failing him
Mr. T. G. Thoradeniya	of Colombo or failing him
Mr. R. B. Thambiayah	of Colombo or failing him
Mr. L. T. Samarawickrama	of Colombo or failing him
Mr. M. D. S. Goonatilleke	of Colombo or failing him
Mr. G. A. R. D. Prasanna	of Colombo or failing him
Mr. R. N. Asirwatham	of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th June 2014 at 10.30 a.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the company for the year ended 31st March 2014		
2) To declare a Dividend as recommended by the Directors.		
3) To re-elect Mr. G A R D Prasanna, who retires by rotation in terms of Article 85 and 86 of the Articles of Association as a Director of the Company.		
4) To pass the ordinary resolution set out below to appoint Mr. R N Asirwatham who is 71 years of age, as a Director of the Company; "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. R N Asirwatham who is 71 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"		
5) To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.		
6) To authorize the Directors to determine payments for the year 2014/2015 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).		

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

....
Signature

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.

2. If you wish to appoint a person other than Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 67 of the Articles of Association of the Company;

   (i) in the case of an individual shall be signed by the appointer or by his attorney; and

   (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the Corporation.

4. In terms of Article 62 of the Articles of Association of the Company

   In the case of joint-holders of a share the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders in respect of the joint holding.

5. To be valid the completed Form of Proxy shall be deposited at the Registered Office of the Company situated at No. 10, R. A. de Mel Mawatha, Colombo 3, by 10.30 a.m. on 28th June 2014.

CORPORATE
Information

Name of the Company
Royal Ceramics Lanka PLC

Legal Form
A Public Quoted Company with limited liabilty incorporated
Under the provisions of Companies Act No. 7 of 2007

Date of Incorporation
29th August 1990

Company Registration Number
PQ 125

Nature of Business
Manufacture and sale of Porcelain & Ceramic Tiles

Board of Directors
Mr. A.M. Weerasinghe - Chairman
Mr. K.D.D. Perera - Deputy Chairman
Mr. W.D.N.H. Perera - Managing Director
Mr. T.G. Thoradeniya - Director Marketing & Business Development

Mr. R.B. Thambiayah
Mr. L.T. Samarawickrama
Mr. M.D.S. Goonatilleke
Mr. G.A.R.D. Prasanna
Mr. R.N. Asirwatham

Head Office and Registered Office
10, R.A. de Mel Mawatha, Colombo 03
Tel : 011 4799400
Fax : 011 4720077
Email : ho.gen@rcl.lk
Website : www.rocell.com

Subsidiary Companies
Royal Porcelain (Pvt) Ltd.
Royal Bathware Ltd.
Royal Ceramics Distributors (Pvt) Ltd.
Ever Paint and Chemical Industries (Pvt) Ltd.
Lanka Ceramic PLC

Associate Companies
Delmege Limited
L B Finance PLC

Secretaries
P W Corporate Secretarial (Pvt) Ltd.
3/17, Kynsey Road, Colombo 08
Tel : 011 4640360-3
Fax : 011 4740588
Email : pwcs@pwcs.lk

External Auditors
Ernest & Young,
Chartered Accountants
201, De Saram Place, P.O. Box 101, Colombo 10.

Bankers
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Standard Chartered Bank Ltd.
HSBC Ltd.
DFCC Bank PLC
Seylan Bank PLC
Bank of Ceylon
NDB Bank PLC
PABC Bank PLC
Sampath Bank PLC
MCB Bank Ltd.

Designed & Produced by emagewise
Photography by Wildlight (Pvt) Ltd
Digital Plates & Printed by
Softwave Printing and Publishing (Pvt) Ltd

Eternal elegance

www.rocell.com