

EVERYWHERE

ROYAL CERAMICS LANKA PLC . ANNUAL REPORT 2012 - 2013



in your life

Touching lives, transforming homes, creating elegant spaces for discerning people to fashion their lives around...this is what we do. At Rocell we produce the finest ceramic and porcelain tiling solutions, together with a world-class range of sanitaryware preferred by thousands of demanding customers both here and overseas.

Durability, quality and value are the hallmarks of our product portfolio and the same characteristics are inherent in our company. These are the qualities we offer every stakeholder we serve; the customers, employees, business partners and shareholders whose lives we impact in so many different and positive ways.

Rocell. Everywhere in your life.

↓ 'Best Under A Billion'

Royal Ceramics Lanka PLC figured among the prestigious Forbes' 'Asia's 200 Best under a Billion' awards and followed up the achievement by securing a special award for Best Comeback Performance by a company as well.

Last year too RCL won two awards.

Forbes' 'Asia's 200 Best under a Billion' list honours public companies in the Asia Pacific region with annual revenue between US\$ five million and US\$ one billion, have positive net income and have been publicly traded for at least a year. From a universe of 15,000 companies, the candidates are screened on sales growth, earnings growth and return on equity in the past 12 months and over three years. The result is a final list featuring 200 exceptional small and mid-sized companies, from 15 countries in Asia Pacific.

RCL had sales of US\$ 54 million, net income of US\$ 15 million and market values of US\$ 74 million as of July 2012.

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 ambiance.



To view our report online go to:
www.rocell.com

Quick Views

Managing Directors's
Review Pg 08



Management Discussion
& Analysis Pg 21



Financial
Calendar Pg 46



Statement of
Financial Position Pg 48



Contents

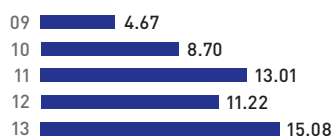
Overview	Group Financial Highlights	2
Management Information 4-19	Chairman's Statement	4
	Managing Director's Review of Operations	8
	The Board of Directors	12
	Corporate Management	15
	Senior Management	16
Management Discussion & Analysis 21-27	Management Discussion & Analysis	21
	Our Showroom Network	24
	Financial Review	26
Governance 29-45	Corporate Governance	29
	Annual Report of the Board of Directors on the Affairs of the Company	34
	Statement of Directors' Responsibilities	42
	Report of the Audit Committee	43
	Report of the Remuneration Committee	45
Financial Statements 46-134	Financial Calendar	46
	Independent Auditors' Report	47
	Statement of Financial Position	48
	Statement of Income	50
	Statement of Comprehensive Income	51
	Statement of Changes in Equity	52
	Statement of Cash Flow	54
	Notes to the Financial Statements	56
	Group Value Added Statement	125
	Ten Year Summary - Company	126
	Share Information	129
	Glossary of Financial Terms	131
	Notice of Meeting	132
	Form of Proxy	Enclosed

Group Financial Highlights

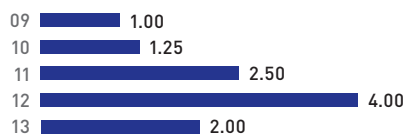
For the year ended 31 March

	2013 Rs. '000	2012 Rs. '000	Change %
Turnover - Gross	8,458,558	7,756,697	9.0%
- Net	7,611,404	6,956,110	9.4%
Profit Before Tax	1,847,350	1,296,657	42.5%
Profit After Tax	1,727,117	1,243,282	38.9%
Gross dividends	221,579	443,158	-50.0%
Interest cover (No. of times)	4.29	4.95	-13.3%
Dividend cover (No. of times)	7.79	2.81	177.8%
Return On Equity (%)	20.6%	19.0%	8.1%
As at 31 March			
Shareholders' funds	8,401,470	6,538,832	28.5%
Total assets	13,617,249	11,456,340	18.9%
Group employment (No. of persons)	1,535	1,626	-5.6%
Current ratio (current assets : current liabilities)	1.25:1	1.18:1	6.0%
Per share*			
(Issued & fully paid shares 110,789,384)			
Earnings (Rs.)	15.08	11.22	34.4%
Dividend (Rs.)	2.00	4.00	-50.0%
Net assets (Rs.)	75.83	59.02	28.5%
Market value (Rs.)	99.50	115.00	-13.5%
Cash flow from operations (Rs.)	10.81	10.55	2.5%

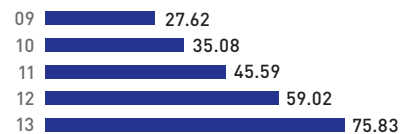
Earnings per Share (Rs.)



Dividends per Share (Rs.)



Net Assets per Share (Rs.)





Design, is evolution
in summary.

EVERYWHERE
in your life

Chairman's Statement



The construction sector continued to boom during the year making it the biggest driver of growth in the national industrial output. However, due to a number of reasons the benefits of this growth have not fully trickled down to the ceramic industry.

The Sri Lankan economy grew at a healthy rate of 6.4% in 2012, while inflation was maintained at single digits for a fourth consecutive year, despite several global and domestic challenges. All key sectors of the economy contributed towards this growth in output. However, it was the industry sector that made the highest contribution through the rapid growth of the construction sub-sector. While the Industry sector grew by 10.3%, the construction sector grew by 21.6% in 2012, from 14.2% in 2011. The surge in construction activity contributed to 8.1% of the overall GDP and 23.9% of the change in GDP growth from 2011 to 2012, becoming one of the strongest elements of the national economy. Rapid construction was fuelled by ongoing major government infrastructure projects and a number of private sector activities, including tourism related new construction and housing projects.

This activity in the construction sector resulted in higher demand for minerals and construction material, enabling the mining and

quarrying sub sector to increase its share in GDP to 2.8% in 2012, from 2.5% in 2011. Within this highly positive external environment, demand for tiles was expected to increase at a rapid rate. However, articles made of concrete, cement and plaster, as well as porcelain and ceramic products recorded declines.

The ceramic industry, which had experienced rapid growth up till 2010 backed by a good export market, is now experiencing a negative growth rate due to a number of reasons. Although rapid construction activity was expected to fuel demand for ceramic tiles, actual demand growth has been below anticipated levels, due to tiles being imported to cater to these new constructions. As a result, the local tile and ceramic industry has not benefited as much as expected from the construction boom. In addition, the rising interest rates experienced during the year discouraged housing loans, which resulted in lower demand for tiles in the housing sector. Therefore, tile and sanitaryware demand from the housing, commercial and tourism sectors have all been slower than anticipated.

The rising energy costs are a major production obstacle as the costs of electricity and fuel are the main production costs. Scarcity of raw material and its costs are other challenges faced by the ceramic sector. Currently raw materials account for approximately 20% of the production cost of ceramic tiles and while clay, feldspar and silica sand are sufficiently available in the country, transportation cost and escalating fuel costs have negatively impacted the industry. The depreciating rupee also contributed towards higher cost of production by increasing the price of imported raw materials. In addition, there is a heavy influx of cheaper tiles into the domestic market from China, India and Indonesia.

Chairman's Statement

Exports of tiles from Sri Lanka has also been declining due to lower demand from key export markets such as US, Australia and Canada. The higher domestic production costs have also made it harder to compete against lower cost tiles entering the world markets. During 2012, ceramic product exports declined from US\$ 38 million to US\$ 36 million. However, as the export market is not a key market for Royal Ceramics, this situation did not have a significant impact on the company's performance.

Despite this challenging environment, Group Profit After Tax grew from a restated Rs. 1.24 billion in 2011/12 to Rs. 1.73 billion in the financial year 2012/13. During the year we disposed of Asia Siyaka Commodity Brokers, a subsidiary we had acquired at the beginning of the financial year and made a decent capital gain through the transaction.

Meanwhile, we continued our expansion drive and made a strategic acquisition in May 2013 by acquiring controlling interest in Lanka Ceramic PLC which now positions Rocell as the dominant player in both the local floor and wall tile markets. During the year, we also continued improving our production facilities, to ensure a wider product portfolio and improved quality. We are in the process of renovating our Eheliyagoda facility which includes the purchase of a new kiln, a new digital printing machine, some additional machinery such as sorting lines and also a new factory building to manage the space. Through this investment we expect an additional capacity enhancement of about 1,500 square meters per day. For our Bathware facility, we have ordered a new pressure casting system from Italy that will enhance production capacity and yield with better quality products.

We have also expanded our distribution network to the North and East by adding a new Concept Centre showroom in Vavuniya and another showroom in Trincomalee. We have also bought two properties to build new showrooms in Colombo and around, and we have already started expanding our warehousing capacities.

Future plans

Despite the drawbacks currently experienced by the local ceramic industry there is potential for demand growth for tile and ceramic products in the Sri Lankan market, particularly as tile consumption is relatively low in Sri Lanka. Per capita tile consumption is only 0.6 square meters in Sri Lanka compared to nations like Europe where consumption is 6 square meters per person, Brazil with 2.5 square meters per person and China with 2 square meters per person. Tile consumption is highly correlated with the per capita income. Therefore, with the growth in per capita income in Sri Lanka, there is potential for higher demand for tiles. However, it is important that the government allows this demand to trickle down to the domestic tile and ceramic sector by discouraging tile imports, particularly for large scale constructions.

In the new financial year we will continue our expansion focus by investing in new technologies and innovations. We are currently in the process of developing our paint facilities. We are confident that our expansion drive will contribute towards creating competitive advantage by offering better quality and wider choices for consumers.

Acknowledgements

My thanks go out to the Board of Directors, the Managing Director and the Management Team for their vision and dedication that has resulted in the growth and expansion of our business. I wish to convey my appreciation to our Shareholders for their loyalty and trust. We look forward to your support in the future. I also thank our bankers and suppliers who have been faithful partners in our endeavours.

I thank our customers for their loyalty towards the Rocell brand and I hope you will continue to support us. Last but not least, I thank the Rocell team for its commitment, integrity, imagination and hard work.

**A M Weerasinghe**

Chairman

Managing Director's Review of Operations



I am happy to announce that Royal Ceramics has continued to sustain profits and safeguard market share as the market leader of Sri Lanka's tile and sanitaryware industry. We have continued to offer an unbeatable value-for-money proposition to domestic consumers by introducing better and more attractive products to the domestic market. During the year under review we also continued to expand our production, warehousing and distribution facilities, and introduced the latest technology to deliver superior products to the local market.

The entire ceramic tile and sanitaryware industry in Sri Lanka was adversely affected by rising interest rates experienced during the financial year 2012/13. The combination of rising interest rates for housing loans and lower housing loan disbursements by banks saw a sharp downturn in housing construction. This in turn, dampened demand for tiles and sanitaryware. Meanwhile, operating costs increased during the year due to increased fuel prices as the kilns in our manufacturing plants use kerosene and gas. Electricity and fuel account for approximately 35% of our production costs. An electricity tariff increase, which will be realised by the time this annual report is presented, would further impact the entire tile and ceramic industry in the country. The costs of transport and raw material have increased with the rise in interest rates and fuel prices. The rupee depreciation has affected the cost of imported raw materials such as glaze, ink, designs and spares.

However, despite a scenario of rising costs and slower than anticipated demand, the company increased revenues to Rs. 2.30 billion from Rs. 2.18 billion in the previous financial year. Group revenues increased to Rs. 7.61 billion from Rs. 6.96 billion in 2011/12. Due to the obvious higher cost structure, our profitability reduced during the current financial year. Group Profit After Tax stood at Rs. 1.73 billion while we recorded profits of Rs. 1.24 billion (restated) in 2011/12. The company absorbed a portion of the rising cost of production experienced during the year and did not transfer the cost increase in its entirety to the consumers.

During the current financial year we disposed of our subsidiary Asia Siyaka Commodity Brokers for Rs. 369 million against the acquisition price of Rs. 338 million.

Managing Director's Review of Operations

I would like to add that the ongoing development drive has created a highly favourable environment for tile and Bathware sales. New public development projects such as the Colombo development programme under the Urban Development Authority, and private investments within Colombo and the suburbs, such as the Shangri La Hotel and Krrish Towers, would create strong demand for our products. However, due to raw material import concessions provided for such investments many new projects tend to import their tile and sanitaryware requirements. As a result, domestic manufacturers are not fully benefiting from the development drive. We hope that the government will take this situation into serious consideration and take steps to support local industries, as domestic manufacturers can provide products comparable or even superior in quality.

Expanding Our Market

We maintained our focus on market expansion and acquired a controlling interest in Lanka Ceramic PLC, which now further strengthens our market position in the local tile sector. While we are the market leader for ceramic floor tiles, with 40% of the local market, this latest acquisition makes us the leader in the wall tile market as well, and now positions Rocell as the largest tile company in Sri Lanka, which gives us an unassailable market advantage.

Meanwhile, to widen our market reach and enhance the Rocell brand image we added two new showrooms to our existing system. Our distribution network now comprises 44 showrooms and a network of almost 350 direct and sub dealers across the island. We have

also purchased two properties in Narahenpita and Seeduwa to construct two more showrooms and additional showrooms are in the pipeline. Our expanding network of showrooms is boosting sales by popularising the Rocell brand name and improving accessibility to our products to communities across the island.

To accommodate the expansion in production we have started building a new warehouse complex adjoining our existing warehouse in Meegoda, at an estimated cost of Rs. 240 million. This new state-of-the-art warehousing complex will help fulfil warehousing requirements for the group.

Enhancing consumer choice and widening our product portfolio is part of our future growth strategy. Therefore, during the year we continued to invest in improving our existing manufacturing facilities by introducing the latest technologies. Our investments in new technologies and processes have equipped us with a competitive advantage against both locally manufactured and imported products. We are able to provide international quality of tile and sanitaryware products at highly competitive prices for domestic and commercial buildings with the widest choice in designs. We have continued to train our employees to ensure maximum returns from our investments and increased productivity.

We also implemented a new Oracle IT system for the entire group which proved to be extremely successful. The new system will ensure greater efficiency, better communications and customer service with improved internal controls across the group.

Recognition

I am proud to announce that Royal Ceramics has won not one, but two awards from the prestigious Forbes magazine for the second time. We were recognised as one of Asia's 200 best companies under a billion and we also secured a special award for the Best Comeback Performance by a company. Forbes' 'Asia's Best Under A Billion' list honours public companies in the Asia Pacific region with annual revenue between US\$ 5 million and US\$ 1 billion, have positive net income and have been publicly traded for at least a year. From a universe of 15,000 companies, the candidates are screened on sales growth, earnings growth and return on equity in the past 12 months and over three years. The result is a final list featuring 200 exceptional, small and mid-sized companies, from 15 countries in the Asia Pacific. From Sri Lanka, we were among the only two companies to have won this highly respected award, which is a great achievement.

Future Direction

As the next step in our growth strategy we will focus on expanding and improving our paint manufacturing facility, Ever Paint and Chemical Industries (Private) Limited, which was acquired in the beginning of 2011/12. We are already in the process of negotiating a joint venture with a reputed paint manufacturer from Italy. We have also already imported new machinery to upgrade this business and shifted manufacturing to a new location in Malabe. With the latest technologies in manufacturing already installed, we hope to re-launch this product during the new financial year.

As our diversification strategy has paid good dividends we are considering further diversification through acquisitions.

Appreciations

I believe our employees are the foundation of our success. Therefore, I would like to thank each of our employees for their hard work and dedication during the year. I am confident that I can count on them to continue to deliver above and beyond our expectations.



Nimal Perera

Managing Director

The Board of Directors



Left to Right Seated

Mr. A.M. Weerasinghe - Chairman, Mr. K.D.D. Perera - Deputy Chairman, Mr. W.D.N.H. Perera - Managing Director

Left to Right Standing

Mr. G.A.R.D. Prasanna, Mr. R.N. Asirwatham, Mr. R.B. Thambiayah, Mr. T.G. Thoradeniya - Director Marketing & Business Development
Mr. A.A. Page, Mr. L.T. Samarawickrama, Mr. M.D.S. Goonatilleke

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, the construction Industry and Transportation. Has been a landed proprietor. 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 strategist and business specialist with 25 years of business experience.

His business interests include Hydropower generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. Currently he holds the position of Secretary to the Ministry of Transport, Sri Lanka. He 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. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC, Dipped Products PLC, Orit Apparels Lanka (Pvt) Limited, Sri Lanka Insurance Corporation Ltd, Lanka Floortiles PLC, Lanka Walltiles PLC and Horana Plantations PLC.

He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

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

Mr. Nimal Perera is the Chairman of Pan Asia Banking Corporation PLC.

He is also the Deputy Chairman of Vallibel One PLC, Executive Director of LB Finance PLC, Alternate Director of Vallibel Power Erathna PLC & The Fortress Resorts PLC. He also serves on the Boards of Amaya Leisure PLC, Hayleys PLC, Hotel Services (Ceylon) PLC, Vallibel Finance PLC, Haycarb PLC, Thalawakele Tea Estates PLC, Lanka Floortiles PLC, Lanka Walltiles PLC and Horana Plantations PLC.

Mr. Perera, a member of the Sri Lanka Institute of Marketing, counts over 31 years of experience in the fields of Finance, Capital Market Operations, Manufacturing, Marketing and Management services.

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

Mr. Goonatilleke is a Financial Professional with over 26 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 a Group Executive Director of DSL Group of Companies. Mr. Goonatilleke also serves as an Independent Director of Vallibel Finance PLC, and Director of Hayleys PLC, Colombo Land & Development Company PLC and Pan Asia Banking Corporation PLC.

Mr. L.T. Samarawickrama

Director of Royal Ceramics Lanka PLC since 2003. Mr. Samarawickrama serves as the Managing Director of Amaya Leisure PLC and Hotel Services (Ceylon) PLC. He is also an Executive Director of Hayleys PLC and serves as a Director of The Fortress Resorts PLC, Hunas Falls PLC and Kelani Valley Plantations PLC.

The Board of Directors

Mr. R.B. Thambiayah

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

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, the 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 Private Limited.

Mr. G.A.R.D. Prasanna

Mr. Prasanna was appointed to the Royal Ceramics Board on 29 May 2009. He is the Managing Director of Grandmark (Pvt) Ltd and also serves as Director on the Boards of Tekro Holdings (Pvt) Ltd and Citytel (Pvt) Ltd.

Mr. A. A. Page

Mr. Anthony A. Page is the Chairman of CT Holdings PLC and counts over 41 years of management experience in a diverse array of business segments and serves on the Boards of many companies. He was formerly on the Board of the Colombo Stock Exchange and is a former Member of the Employers' Federation of Ceylon.

Mr. A. A. Page is a Chartered Accountant by profession and is a fellow member of the Institute of Chartered Accountants of Sri Lanka.



Left to Right Seated

Mr. Tharana Thoradeniya - Director Marketing & Business Development/CEO - Rocell Bathware Ltd., Mr. Nimal Perera - Managing Director

Left to Right Standing

Mr. Kumudu Keerthiratna - Head of Eheliyagoda Complex, Mr. Anura Jayatissa - Head of Bathware Complex, Mr. Nandajith Somaratna - Head of Horana Complex, Mr. Aravinda Sirinatha - Head of Sales Administration, Mr. Hareesh Somashantha - Head of Finance & Treasury, Mr. Neil Bogahalande - Head of Human Resources, Mr. Sunil Atapattu - Head of Technical & Procurement, Mr. Dulanjana Silva - Head of IT, Mr. Tony Ranasinghe - CEO - Ever Paint & Chemical Industries (Pvt) Ltd.

Senior Management



1. **Mr. Malaka Ratnayake**
Head of Business Development
2. **Ms. Wasantha Liyanage**
Group Finance Manager
3. **Mr. Samanjith Udumalagala**
Head of Channel Sales
4. **Mr. Rohan Mendis**
Senior Export Manager
5. **Mr. Dhammika Ranaweera**
Factory Manager
(Horana Complex)
6. **Mr. Upali Nanayakkara**
Factory Manager
(Eheliyagoda Complex)



7. Mr. Prabhath Pupulawatte
Assistant Factory Manager
- Engineering
(Horana Complex)

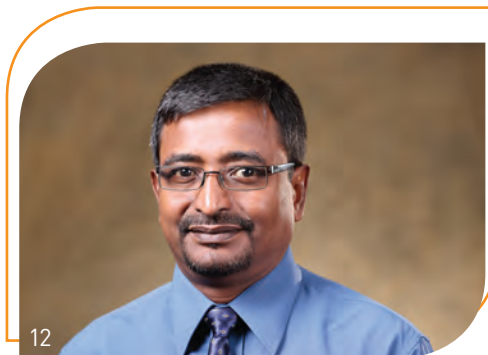
8. Mr. Sidath Rodrigo
Head of Retail

9. Mr. Shammika de Silva
Senior Stores Manager

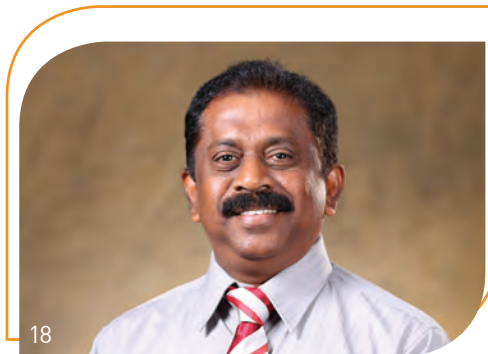
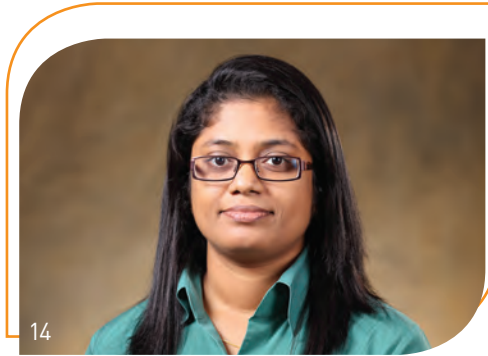
10. Mr. Rohana Kumar
Assistant Factory Manager
- Production
(Horana Complex)

11. Mr. Muthugounder Ganapathy
Production Manager
(Bathware Complex)

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



Senior Management



13. Mr. Dhammika Ponnampereuma
QA & RD Manager
(Bathware Complex)

14. Ms. Thilini Guneratne
Chief Internal Auditor

15. Mr. Upul Dissanayake
Logistics Manager

16. Mr. Mahil Asanka
HR Manager
(Horana Complex)

17. Mr. Ubesiri Naveendra
Area Sales Manager

18. Mr. Shelton De Ranasinghe
Planning Manager
(Eheliyagoda Complex)



19. Ms. Kulanthi Silva
Executive Assistant to MD

20. Mr. Bandula Rodrigo
Manager
- IT Infrastructure Support

21. Mr. Nimal Silva
Manager - Imports

22. Mr. Harinath Palihakkara
Manager - Purchasing

23. Mr. Shalitha Heenwella
Group Accountant

A masterpiece is a
kaleidoscope of detail.

EVERYWHERE
in your life



Management Discussion & Analysis

Royal Ceramics Lanka PLC is a public limited liability company quoted on the Colombo Stock Exchange. The Group's core 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".

Industry Overview

Sri Lanka is rich in minerals, such as kaolin, ball clay, feldspar, silica sand, quartz and dolomite. This has encouraged a domestic ceramic industry that manufactures porcelain tableware, porcelain ornamental-ware and glazed wall and floor tiles for the local and export markets. The local tile manufacturing sector is an oligopolistic market with three players, including Royal Ceramics, that account for the major share of the market. Lanka Walltile dominates the local wall tile sector with a market share of 55% whilst imported tiles from the European and Asian markets compete for the second place. In the floor tile sector Royal Ceramics dominates the local market with a market share of 40% followed by Lanka Tile. The rest of the market demand is mainly supplied through imported floor tiles from countries such as China, Italy and East Asia.

The current financial year saw the ceramic industry face a situation of rising costs in the wake of fuel and gas price increases. The industry is now faced with an electricity tariff increase. This situation has contributed towards pushing up the industry cost structure, as the fuel price increase has had a dual impact on internal manufacturing costs and also external raw material supplies. Due to high energy consumption in the manufacture of tiles, the rising energy prices have put up the cost of manufacture. Meanwhile, the costs of transport of raw materials and finished products have also increased because of the fuel price increase. This situation may erode the competitiveness of Sri Lankan tile and ceramic exports while also paving the way for low cost imported tiles to capture more of the domestic market.

Financial Performance

During the financial year 2012/13 the company revenue increased to Rs. 2.30 billion from Rs. 2.18 billion 2011/12. Group revenues increased to Rs. 7.61 billion from Rs. 6.96 billion in 2011/12.

Company Profit After Tax was Rs. 1.02 billion against a restated Rs. 1.25 billion in the previous year in compliance with the new Financial Reporting Standards. The group Profit After Tax stood at Rs. 1.73 billion against a restated profit of Rs. 1.24 billion in 2011/12.

Finance costs reduced from Rs. 1.01 billion to Rs. 643 million during the year even though Finance cost on Borrowings have increased from Rs. 328 million to Rs. 561 million. Selling and distribution, and administration costs have also increased.

The share price ended the year at Rs. 99.5 compared to a price of Rs. 115 per share as at March 31, 2012.

Operational Highlights

Royal Ceramics Lanka PLC

As a part of our acquisition-led growth plan, Royal Ceramics, together with our parent company Vallibel One PLC, acquired a controlling stake of 80% in Lanka Ceramic PLC and its four subsidiaries, including Horana Plantations, from the Ceylon Theatres Group, at a price of Rs. 2.9 billion, in May 2013. This acquisition makes us the largest player in both the floor and wall tile markets, as Lanka Ceramic's two subsidiaries, Lanka Tiles and Lanka Walltiles, now come under the Rocell umbrella. This latest move therefore, has positioned Rocell as the undisputed market leader, controlling a major share of the domestic tile market.

We also continued investing in our existing facilities. During the current financial year we invested nearly Rs. 600 million to fully refurbish our main production facility which is our first porcelain tile plant in Eheliyagoda. The renovations included replacing the entire factory building with a new steel structure and, installing a new kiln and also few of the machinery. These modernisations would increase capacity by 1,500 square metres per day, enabling us to increase outputs within the new financial year.

Management Discussion & Analysis

During the current financial year Royal Ceramics generated a revenue of Rs. 2.3 billion compared to the revenue of Rs. 2.2 billion in the previous financial year, which is a contribution of 30% to overall group revenue.

Royal Porcelain (Private) Ltd.

We have invested a further Rs. 187 million in addition to the investment in the previous year amounting to Rs. 534 million at our Horana facility for a new digital printing machine and other modern machinery. This investment has improved our overall product quality and designs.

The factory is now equipped with the latest digital ceramic printing technology and a colour mixing machine that makes it possible to print any picture, design or pattern on floor or wall tiles. This has opened up unlimited creative opportunities for Sri Lankan consumers.

Royal Porcelain revenues stood at Rs. 4.2 billion during the current financial year, compared to the revenue of Rs. 3.8 billion in the previous financial year. Overall contribution to group revenue by Royal Porcelain was 55%.

Rocell Bathware Limited

A new pressure casting system will be imported from Italy for the Rocell Bathware facility in Homagama and be commissioned in the year 2013/14, which will enhance production capacity of the factory from the current 225,000 units to 245,000 units per annum.

Launched only four years ago, Rocell Bathware has already captured 50% of the local sanitaryware market with an attractive and competitively priced product portfolio, made to Italian designs.

During the current financial year Rocell Bathware generated a revenue of Rs. 1.1 billion, compared to the revenue of Rs. 897 million in the previous financial year, contributing 14% to the group's revenue.



Managing Director Mr. Nimal Perera receiving the Forbes award for 'Asia's 200 Best Under a Billion'

Internal Control Systems

During the financial year we introduced a new Oracle based Enterprise Resource Planning system across the group's main companies. The new system has simplified and automated processes for functions including procurement, manufacturing, inventory management and sales, making them more efficient and adding a further dimension of security and strength to the overall internal control system.

Our Internal Audit Department continued to improve our system of internal controls to ensure stronger procedural compliance and conformity with our high standards of internal controls.

Human Resource Development

We have continued to invest in our employees through regular training and development programmes conducted in-house and outside. We ensure a motivated workforce by providing competitive remuneration and other benefits together with growth opportunities.

Corporate Social Responsibility

We believe in giving back to society by investing in community welfare projects. During the year we donated Rs. 2.1 million worth of equipment to an organisation that promotes eye care. We also conducted three eye clinics and donated spectacles to needy people.

We continued our special discount scheme for members of the Sri Lankan armed forces which has allowed us to lend a helping hand to our national heroes. This discount is also extended to all religious institutions.

We believe that in strengthening our partners we also add value to ourselves. Therefore, we provide financial assistance to our suppliers who wish to expand or improve upon their businesses.

Our policy is to follow environmentally friendly business practices. Therefore, 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. Rocell Bathware's CE certification serves as a guarantee that all the products within the range meet



Donation of ophthalmic equipment to So Others May See Inc

European Union consumer safety, health and environmental requirements. Our Homagama plant has also obtained ISO 9001 Quality Management Systems and ISO 14001 Environmental Management Systems certifications. The standard of the entire Bathware range exceeds quality specifications of vitreous china sanitary appliances as per BS 3402-1969 whilst carrying the international Water Mark Certification for water consumption and flush efficiencies. We have set up a scrubber unit at our factory in Horana to reduce dust emission from the spray dryer. The waste water treatment facilities at all our plants have been upgraded to reduce the percentage of harmful waste released into the environment.

To minimise environmental impacts further, we are looking at reducing the amount of smoke emitted from our kilns. In addition, we are also conducting research into methods of energy conservation including the possibility of channelling waste heat from the kiln into powering our Spray Dryer.

Future Outlook

Overall, the country's macroeconomic fundamentals have strengthened over time and Sri Lanka is now targeting to double per capita income to US\$ 4,000 by 2016. The Government has also relaxed certain policies and is making preparations to ensure steady growth to avoid the "middle-income trap". To facilitate this process the Central Bank is aiming to maintain inflation at mid-single digit level over the next five years, while anticipating a real GDP to grow by 7.5% for 2013.

If this highly positive scenario holds into the future we can anticipate a growth in demand for tiles and sanitaryware products, in line with growth in per capita income. This will boost revenues and profitability of the group. Our investments over the last few years have now positioned the company to capitalise from any such growth. Our ongoing investments in new technologies have improved manufacturing efficiency while increasing consumer choice, which has allowed us to rapidly capture market share. Therefore, we are confident of a strong future for the Royal Ceramics group. In the new financial year we look forward to building synergies while continuing to improve our technology and product portfolio. We will also consider other growth avenues through acquisition.

Our Showroom Network



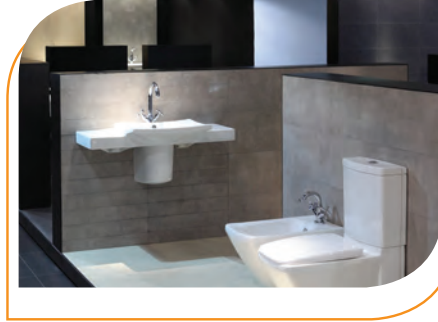
1. 98, Nawala Road, Nugegoda.
Tel: 011-4405160
2. 440, R.A. de Mel Mawatha,
Colombo 03.
Tel: 011-4209204/5/6
3. 106, Galle Road,
Dehiwala North, Dehiwala.
Tel: 011-4202815/4
4. 780/1, New Kandy Road,
Thalangama North, Malabe.
Tel: 011-4411775
5. 158, Negombo Road, Wattala.
Tel: 011-4818563
6. 392, Gala 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. 509, Colombo Road, Kaduwela.
Tel: 011-4948182
26. 200, Colombo Road, Negombo.
Tel: 031-4922192



27. 721 & 721 A, Mandandawela,
Trincomalee Street, Matale.
Tel: 066-4460928
28. 86, Weyangoda Road, Minuwangoda.
Tel: 011-4969060
29. 174/A/2, Colombo Road, Gampaha.
Tel: 033-4670937/755
30. 181, Hettipola Road, Kuliyaipitiya.
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



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. 7.6 billion during the financial year in spite of the challenges faced by the ceramic industry in the country. This is a 9% growth further consolidating the position of 'Rocell' as the clear market leader in this industry. A growth of 27% is seen in the group export turnover with Rs. 269 million. Export sales have contributed 3.5% 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 1.5%. Group Profit After Tax increased to Rs. 1.73 billion as against Rs. 1.24 billion (restated) in the previous year. Share of profit from Associate companies Delmege Limited and LB Finance PLC was Rs. 559 million as opposed to Rs. 81 million in 2011/2012. This was mainly because LB Finance PLC become an Associate of the group only in February 2012. Pre-tax profit has also increased by 43% to Rs. 1.85 billion during the financial year from a restated profit of Rs. 1.3 billion in the previous. Consequently, the Group has a 34% increase in Earnings per Share of Rs. 15.08 mainly due to the higher net profit compared to the last year.

Other Income

Other income of the Group has increased by 8%.

Taxation

The Group made an Income Tax provision of Rs. 103 million for the year under review in comparison to Rs. 53 million in its previous financial year. This includes Rs. 230 million as the share of Income Tax from Associate companies and Rs. 148 million as a reversal of deferred tax provision. In addition, Rs. 989 million was paid to the Government by way of direct sales taxes during the year. The profits of the Company, Royal Porcelain (Pvt) Ltd. and Ever Paint and Chemical Industries (Private) Limited are liable for Income Tax. Royal Porcelain (Pvt) Ltd., enjoyed a tax holiday under Section 17(2) of BOI Law No. 4 of 1978 from the year of assessment 2002/03 which expired in January 2013. Rocell Bathware Limited, in terms of the agreement entered into with the BOI of Sri Lanka, is exempt from Income Tax for a period of 6 years, commencing 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 is earlier. After the expiration of the tax exemption period, the profits and income of the enterprise shall be charged, for any year of assessment, at the rate of 15%.

Dividend

The Company has paid an interim dividend of Rs. 2/= per share on February 22, 2013 for the year under review.

Capital Expenditure

Capital expenditure of the Group was Rs. 1,149 million for the year, spent on purchasing and upgrading plant and machinery, adopting newer technologies to meet future demands, showroom development, etc.

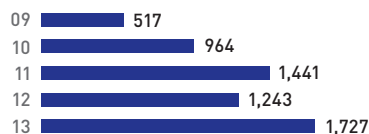
Financial Indicators

The Group's net cash inflow of funds was Rs. 470 million. The Group's long term borrowings have increased by 6% to Rs. 2,365 million. The Group's short term borrowings, including overdrafts, have decreased by 4% to Rs. 1,756 million. Shareholders' funds consist of 16% stated capital, 6% capital reserves and 78% revenue reserves.

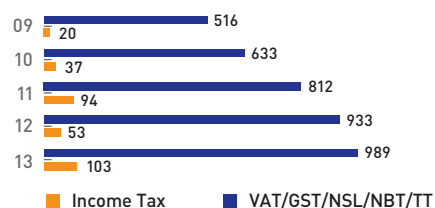
Accounting Policies and Disclosures

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

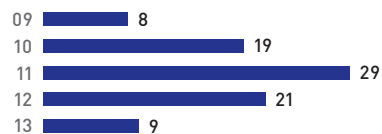
Profit After Taxation (Rs. million)



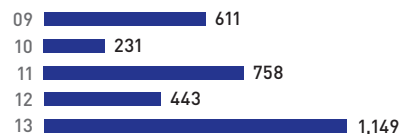
Contribution to the Government (Rs. million)



Net Sales Growth Rate (%)



Capital Expenditure (Rs. million)





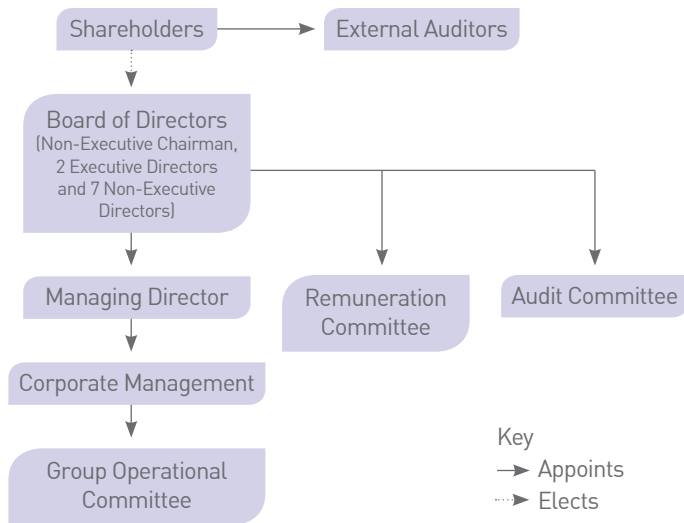
Perfection is eternal.

EVERYWHERE
in your life

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.

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 Operational 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:

Corporate Governance

- 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 consist of ten Directors, eight 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. Thambiyah, Mr. L. T. Samarawickrama, Mr. M. D. S. Goonatilleke, Mr. R. N. Asirwatham, Mr. G. A. R. D. Prasanna and Mr. A. A. Page 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 43.

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. Thambiyah. The Report of the Remuneration Committee appears on page 45. The total of Directors' Remuneration is reported in Note 32.2.1 to the Financial Statements, on page 119.

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	5	2
Mr. A.M. Weerasinghe	Non-Executive Chairman	12/12*	N/A	N/A
Mr. K.D.D. Perera	Non-Executive Deputy Chairman	11/12	N/A	N/A
Mr. W.D.N.H. Perera	Managing Director	8/12	4/4**	2/2**
Mr. T.G. Thoradeniya	Executive Director	11/12	1/1**	N/A
Mr. R.B. Thambiayah	Independent Non-Executive Director	9/12	N/A	2/2*
Mr. L.T. Samarawickrama	Independent Non-Executive Director	8/12	2/5	2/2
Mr. M.D.S. Goonetilleke	Independent Non-Executive Director	10/12	5/5*	2/2
Mr. G.A.R.D. Prasanna	Independent Non-Executive Director	12/12	N/A	N/A
Mr. R.N. Asirwatham	Independent Non-Executive Director	11/12	5/5	N/A

* Chairman ** By invitation

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.

Corporate Governance

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 the revised Sri Lanka Financial Reporting 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 has 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.

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	Eight out of ten Directors are Non-Executive
Independent Directors	7.10.2 (a)	Compliant	Six out of eight Non-Executive Directors are "Independent"
	7.10.2 (b)	Compliant	
Disclosures relating to Directors	7.10.3	Compliant	Given under the heading of Composition of the Board of this Report. Brief resumes of each Director appear on pages 13 and 14.
Remuneration Committee	7.10.5 (a)	Compliant	The Committee comprises of three Non-Executive Independent Directors
	7.10.5 (b)	Compliant	Please refer the Remuneration Committee Report on page 45
	7.10.5 (c)	Compliant	The aggregate remuneration paid to Executive and Non-Executive Directors is given under Note 32.2.1 to the Financial Statements on page 119.
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 43.
	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.

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 2013.

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 Group 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. 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'.

During the year the Company acquired a 51% stake in Asia Siyaka Commodities PLC, a company engaged in the business of tea and commodity broking and has a fully owned subsidiary, Asia Siyaka Warehousing (Pvt) Ltd, which owns a state-of-the-art warehouse. The investment was disposed of on 28th March 2013.

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 Chairman's Statement, Managing Director's Review of Operations and Management Discussion and Analysis on pages 5,9 and 21 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 are given on pages 48 to 124.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 47.

Accounting Policies

The financial statements of the Company and Group have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS / LKAS) and the policies adopted thereof are given on pages 56 to 69 Figures pertaining to the previous periods have been re-stated where necessary to conform to the current year's presentation.

Directors

The names of the Directors who held office as at the date of this report are given below and their brief profiles appear on pages 13 and 14.

Executive Directors

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

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

Non-Executive Directors

Mr. A. M. Weerasinghe - Chairman

Mr. K. D. D. Perera - Deputy Chairman

Independent Non-Executive Directors

Mr. L. T. Samarawickrama
Mr. R. B. Thambiyah
Mr. G. A. R. D. Prasanna
Mr. M. D. S. Goonatilleke
Mr. R. N. Asirwatham
Mr. A. A. Page

Directors of subsidiary Companies***Royal Porcelain (Private) Limited***

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

Rocell Bathware Limited

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

Royal Ceramics Distributors (Private) Limited

Mr. A. M. Weerasinghe
Mr. W. D. N. H. Perera
Mr. T. G. Thoradeniya
Mr. G. A. R. D. Prasanna

Ever Paint and Chemical Industries (Private) Limited

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

Mr. R. B. Thambiyah 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.

At the conclusion of the forthcoming Annual General Meeting, Mr. R. N. Asirwatham who is 70 years of age will vacate office in pursuance of Section 210 of the Companies Act No. 7 of 2007. A resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re-election of Mr. R. N. Asirwatham.

Mr. A. A. Page who appointed to the Board on 6th May 2013 shall retire in terms of Article 92 of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Directors' Meetings

Directors' Meetings are detailed on page 31 under Board Meetings and Attendance in the Corporate Governance 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 is available for inspection upon request.

All related party transactions which encompass 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.

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

The relevant interests of Directors as at 31st March 2013 as recorded in the Interests Register are given in this Report under Directors' Interests in Contracts and Directors' Shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under Compensation to Key Management Personnel in Note 32.2.1 to the Financial Statements on page 119.

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 32.2.2 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.

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2013
Royal Porcelain (Pvt) Ltd	Mr. A.M. Weerasinghe	Chairman	A sum of Rs.1,142,780 /- was received as service charges.	(451,910,159.59)
	Mr. W.D.N.H. Perera	Managing Director	A sum of Rs. 4,500,000/- was received as rent	
	Mr. T.G. Thoradeniya	Director Marketing & Business Development	A sum of Rs. 8,433,515/- worth of damaged tiles were purchased.	
	Mr. R.B. Thambiayah	Director	A sum of Rs. 1,300,000,000/- was received as dividends.	
	Mr. L.T. Samarawickrama	Director	Materials worth Rs. 13,663,646/- were purchased	
	Mr. G.A.R.D Prasanna	Director	Materials worth Rs. 10,343,543/- were sold	
	Mr. M.D.S. Goonatilleke	Director	A sum of Rs. 1,322,877,924.05 was received as short term funds.	
	Mr. R.N. Asirwatham	Director	A sum of Rs. 325,979,180/- is receivable for reimbursement of expenses.	
Rocell Bathware Ltd	Mr. A.M. Weerasinghe	Chairman	Materials worth Rs. 2,021,381/- were purchased	(146,091,361.07)
	Mr. W.D.N.H. Perera	Director	Materials worth Rs. 2,010,900/- were sold	
	Mr. T.G. Thoradeniya	Director/CEO	A sum of Rs. 383,692,033/- was received as short term funds.	
	Mr. R.B. Thambiayah	Director	A sum of Rs. 99,556,153/- is receivable for reimbursement of expenses.	
	Mr. L.T. Samarawickrama	Director		
	Mr. G.A.R.D Prasanna	Director		
	Mr. M.D.S. Goonatilleke	Director		
Mr. R.N. Asirwatham	Director			

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding As at 31/03/2013
Royal Ceramics Distributors (Pvt) Ltd	Mr. A.M. Weerasinghe Mr. K.D.D. Perera Mr. W.D.N.H. Perera Mr. T.G. Thoradeniya Mr. R.B. Thambiayah Mr. L.T. Samarawickrama Mr. G.A.R.D Prasanna	Chairman Deputy Chairman Managing Director Director Marketing & Business Development Director Director Director	A sum of Rs 7,695,280/- due was written off.	Nil
Ever Paint & Chemical Industries (Pvt) Ltd.	Mr. A.M. Weerasinghe	Chairman	Materials worth Rs. 2,539,790/- were purchased Materials worth Rs. 65,622/- were sold A sum of Rs. 52,425,000/- was given as short term funds A sum of Rs. 7,773,508/- is receivable for reimbursement of expenses.	202,022,299
Kandyan Resorts (Pvt) Ltd	Mr. L.T. Samarawickrama	Director	Tiles worth Rs.1,405,000/- were sold	901,691
L B Finance PLC	Mr. K.D.D. Perera Mr. W.D.N.H. Perera Mr. A.M. Weerasinghe	Executive Deputy Chairman Executive Director Director	Tiles worth Rs. 3,107,881/- were sold Lease paid amounting Rs. 1,049,616/- A sum of Rs.80,564,747/- was received as dividends. Legal fees paid amounted to Rs.32,182/-	Trade debtor - 607,691 Lease Creditor - (1,399,488)
Pan Asia Banking Corporation PLC	Mr. W.D.N.H. Perera Mr. T.G. Thoradeniya Mr. M.D.S. Goonatilleke Mr. A. A. Page Mr. G.A.R.D. Prasanna	Chairman Director Director Director Director	Current account balance Tiles worth Rs. 345,779/- were sold A sum of Rs.9,971,508/- was received as dividends.	8,030,312
Sampath Bank PLC	Mr. K.D.D. Perera	Chairman	Current account balance Tiles worth Rs. 63,977/- were sold	3,412,508
Hayleys PLC	Mr. K.D.D. Perera Mr. W.D.N.H. Perera Mr. L.T. Samarawickrama Mr. M.D.S. Goonatilleke	Deputy Chairman Director Director Director	Tiles worth Rs. 302,900/- were sold	33,125
Renuka Hotels (Pvt) Ltd.	Mr. R.B. Thambiayah Mr. R.N. Asirwatham	Chairman Director	Tiles worth Rs 1,540,020/- were sold.	Nil

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 31/03/2013
Vallibel One PLC	Mr. K.D.D. Perera	Chairman/ Managing Director	A sum of Rs. 113,005,200/- was paid as dividends	Nil
	Mr. W.D.N.H. Perera	Deputy Chairman		
	Mr. R.N. Asirwatham	Director		
Hotel Services Ceylon PLC	Mr. K.D.D. Perera	Director	A sum of Rs. 182,432/- was paid as hotel bills Tiles worth Rs. 12,082,983/- were sold	6,030,996
	Mr. W.D.N.H. Perera	Director		
	Mr. L.T. Samarawickrama	Director		
Orit Apparels Lanka (Pvt) Ltd.	Mr. K.D.D. Perera	Director	Tiles worth Rs. 33,879/- were sold	Nil
Kelani Valley Plantations PLC	Mr. L.T. Samarawickrama	Director	Tiles worth Rs. 60,391/- were sold	21,375
N Sports (Pvt) Ltd.	Mr. W.D.N.H. Perera	Chairman	A sum of Rs. 6,283,200/- was paid towards business promotion	Nil
Vallibel Finance PLC	Mr. K.D.D. Perera	Chairman	Tiles worth Rs 79,559/- were sold	Nil
	Mr. W.D.N.H. Perera	Alternate Director		
	Mr. M.D.S. Goonatileke	Director		
The Fortress Resorts PLC	Mr. K.D.D. Perera	Chairman	Tiles worth Rs 179,904/-were sold	Nil
	Mr. L.T. Samarawickrama	Director		
	Mr. W.D.N.H. Perera	Alternate Director		
Douglas & Sons Ltd	Mr. M.D.S. Goonatileke	Director	Goods worth Rs 372,165 /-were purchased	Nil
Aitken Spence PLC	Mr. R.N. Asirwatham	Director	A sum of Rs.315,000/- was received as dividends	Nil
Aitken Spence Hotels PLC	Mr. R.N. Asirwatham	Director	A sum of Rs.5,074,394/- were paid towards hotel bills	363,045
Rocell Ceramics Ltd	Mr. A.M. Weerasinghe	Chairman	A sum of Rs. 4,001,051/- was invested	196,396,496
	Mr. K.D.D. Perera	Deputy Chairman		
	Mr. W.D.N.H. Perera	Director		
	Mr. T.G. Thoradeniya	Director		

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the 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 42.

Auditors

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

A total amount of Rs. 1,065,000 is payable by the Company to the Auditors for the year under review comprising Rs. 875,000 as audit fees and Rs. 190,000 for non-audit services. A sum of Rs. 2,230,000 (Rs. 1,753,750 for the year ended March 2012) is payable by the Group to the Auditors for the year under review comprising Rs. 1,730,000 as audit fees and Rs. 500,000 for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 14th May 2013, 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 2013 (which was the same as at 31st March 2012).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2013 and 31st March 2012 are as follows.

	Shareholding as at 31/03/2013	Shareholding as at 31/03/2012
Mr. A.M. Weerasinghe	7,970,089	8,584,024
Mr. K.D.D. Perera	200,772	200,772
Mr. T.G. Thoradeniya	176,390	169,400
Mr. W.D.N.H. Perera	87,900	67,400
Mr. M.D.S. Goonatilleke	2,500	2,500
Mr. L.T. Samarawickrama	2,000	2,000
Mr. R.B. Thambiyah	1,584	1,584
Mr. G.A.R.D. Prasanna	-	-
Mr. R.N. Asirwatham	-	-

Shareholders

There were 11,610 shareholders registered as at 31st March 2013 (11,867 shareholders as at 31st March 2012). The details of distribution are given on page 129 of this Report. The Company has made every endeavour to ensure the equitable treatment of Shareholders.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings per share, dividends per share, net assets per share, twenty largest Shareholders of the Company and percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 129 and 130 under Share Information.

Employment Policy

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

As at 31st March 2013 1,535 persons were in employment (1,626 persons as at 31st March 2012).

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

Reserves

The reserves of the Company with the movements during the year are given in Note 12 to the Financial Statements on page 92.

Land Holdings

The Company's land holdings referred to in Note 3 to the Financial Statements collectively comprises lands of a total extent of 11,055.5 Perches carried at a book value of Rs. 669,957,150 (which is the current market value). Lands of extents 28.69 perches, 52.52 perches and 17.02 perches situated in Nuwara Eliya, Seeduwa and Narahenpita were acquired during the year under review. The extents, locations, valuations and the number of buildings in the company's land holdings are given below.

Location	No. of Buildings	Extent (Perches)	Land Valuation (Rs. '000)
Eheliyagoda	28	7,909.44	247,150
Kottawa	3	230.72	105,485
Nawala	1	24.96	87,150
Meegoda	1	424.00	48,740
Nuwara Eliya	1	28.69	25,048
Seeduwa	-	52.52	65,546
Narahenpita	-	17.02	59,314
Naththandiya	-	1,600.00	20,000
Kalutara	-	768.16	11,525
	34	11,055.51	669,957

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 3 to the Financial Statements on page 74.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2013 are given in Notes 4,5 and 10 to the Financial Statements on pages 82, 83 and 89.

Dividends

The Directors approved and paid an interim dividend of Rs. 2/= per share for the year under review.

Donations

The Company made donations amounting to Rs. 2.1 million 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. Financial risk management objectives and policies of the Group are given in Note 33 to the Financial Statements on page 121.

Internal Controls

The Board is satisfied that the system of internal controls put in place, covering financial, operational and compliance controls, is sufficiently robust to identify and manage risks which have an impact on the company's performance.

Statutory Payments

The Directors confirm to the best of their knowledge that 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 end of the financial period have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note 28 to the Financial Statements on page 117, there were no material Contingent Liabilities as at the reporting date.

Going concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and the Directors have adopted the going concern basis in preparing the accounts.

Events Occurring After the Reporting Period

Except for the matters disclosed in Note 30 to the Financial Statements on page 117 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 compositions of the said committees are as follows.

Audit Committee

Mr. M.D.S. Goonatilleke - Chairman

Mr. L.T. Samarawickrama

Mr. R.N. Asirwatham

Remuneration Committee

Mr. R.B. Thambiyah - 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 Report on pages 29 to 33 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 page 23 of this Report.

Annual General Meeting

The Notice of the Twenty Third (23rd) Annual General Meeting appears on page 132.

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

Director/Secretaries

31 May 2013

Statement of Directors' Responsibilities

The responsibility of the Directors in relation to the financial statements of the Company are 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 47.

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 the 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 2013/2014 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
Director/Secretaries

Colombo
31 May 2013

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 (SLFRS/LKAS).
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 five 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 is given in the Corporate Governance Report on page 31.

The Committee carried out the following activities.

Financial Reporting

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

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

Risks and Controls

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

Report of the Audit Committee

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, Messrs 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 a report on the extent to which the Company was in compliance with mandatory and statutory requirements to the Audit Committee. The Committee reviewed the procedures established by Management for compliance with the requirements of regulatory bodies and also ensured the full compliance to the Colombo Stock Exchange Rule No. 7.10 on Corporate Governance disclosure requirements, which is given on page 33.

(Sgd.)

M.D.S. Goonatileke

Chairman - Audit Committee

31 May 2013

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. Thambiyah - 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 oversees the implementation thereof. The Managing Director who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.

Fees

All Non-Executive Directors receive a fee for attendance at Board Meetings and serving on sub-committees. They do not receive any performance or incentive payments. The total remuneration to Directors is shown in Note 32.2.1 on page 119.

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 complied with at the commencement of 2012.

(Sgd.)

R.B. Thambiyah

Chairman - Remuneration Committee

31 May 2013

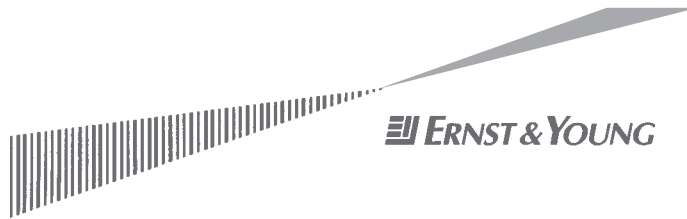
Envy is art's
greatest heir.

EVERYWHERE in your life

Financial Calendar

Interim Report – 1 st Quarter 2012/2013	26 July 2012
Interim Report – 2 nd Quarter 2012/2013	9 November 2012
Interim Report – 3 rd Quarter 2012/2013	31 January 2013
Rs. 2/= per share Interim Dividend for the financial year 2012/2013	22 February 2013
Interim Report – 4 th Quarter 2012/2013	31 May 2013
Annual Report 2012/2013	31 May 2013
23 rd Annual General Meeting	28 June 2013

Independent Auditors' Report



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

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 2013, 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 2013 and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2013 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 2013 and its 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.

31 May 2013
Colombo

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

Statement of Financial Position

As At 31st March 2013

	Note	Company			Group		
		2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	03	2,237,933,541	1,261,329,148	1,173,431,200	5,502,352,878	4,274,376,214	4,214,936,515
Investments in Subsidiaries	04	1,500,399,930	1,500,399,930	1,429,999,930	-	-	-
Investments in Associate	05	3,116,399,569	3,102,152,522	-	3,426,480,149	3,146,807,158	-
Intangible Assets	06	111,053,384	76,822,489	51,201,974	182,920,085	148,689,190	51,201,974
Deferred Tax Assets		-	-	-	19,057,694	-	-
Other Financial Assets	10	196,470,003	192,395,446	183,961,983	196,470,003	192,395,446	183,961,983
		7,162,256,427	6,133,099,535	2,838,595,087	9,327,280,809	7,762,268,008	4,450,100,472
Current Assets							
Inventories	08	620,791,205	538,080,872	461,529,218	2,179,679,477	1,917,055,677	1,380,703,093
Trade and Other Receivables	09	774,014,021	462,513,347	422,482,830	1,175,225,974	514,657,866	387,153,139
Other Non Financial Assets	07	177,671,646	164,479,494	118,511,138	393,158,262	327,683,611	237,858,377
Other Financial assets	10	291,786,283	804,672,342	2,630,304,150	291,786,283	804,672,342	2,630,304,150
Income Tax Recoverable		7,496,627	7,002,224	-	9,580,342	8,728,773	938,350
Cash and Cash Equivalents	17	178,036,925	85,876,048	46,992,243	240,537,592	121,273,927	61,167,881
		2,049,796,707	2,062,624,327	3,679,819,579	4,289,967,930	3,694,072,196	4,698,124,990
Total Assets		9,212,053,134	8,195,723,862	6,518,414,666	13,617,248,739	11,456,340,204	9,148,225,462
EQUITY AND LIABILITIES							
Capital and Reserves							
Stated Capital	11	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373	1,368,673,373
Reserves	12	213,634,264	-	-	514,565,847	100,734,594	100,734,594
Retained Earnings		4,354,879,250	3,558,585,400	2,747,128,537	6,518,230,548	5,069,424,209	4,269,299,804
Total Equity		5,937,186,887	4,927,258,773	4,115,801,910	8,401,469,768	6,538,832,176	5,738,707,771

As At 31st March 2013

	Note	Company			Group		
		2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Non-Current Liabilities							
Interest Bearing Loans & Borrowings	13	1,079,736,840	1,009,632,121	318,899,021	1,586,228,597	1,582,785,916	994,949,656
Deferred Tax Liabilities	22	22,269,422	68,634,654	61,555,765	40,827,588	69,272,101	61,555,765
Retirement Benefit Liability	14	124,132,009	104,916,609	80,212,662	157,272,531	132,827,897	100,788,775
		1,226,138,271	1,183,183,384	460,667,448	1,784,328,716	1,784,885,914	1,157,294,196
Current Liabilities							
Trade and Other Payables	15	877,986,364	973,132,142	1,338,173,309	546,099,272	391,802,079	576,186,729
Other Non Financial Liabilities	16	90,113,100	78,538,216	65,477,502	259,448,510	196,974,266	153,971,582
Dividend Payable		31,182,219	26,674,704	15,826,051	31,182,219	26,674,704	15,826,051
Income Tax Liabilities		-	-	35,252,593	16,498,752	-	35,252,593
Interest Bearing Loans & Borrowings	13	1,049,446,293	1,006,936,643	487,215,853	2,578,221,502	2,517,171,065	1,470,986,540
		2,048,727,976	2,085,281,705	1,941,945,308	3,431,450,255	3,132,622,114	2,252,223,495
Total Equity and Liabilities		9,212,053,134	8,195,723,862	6,518,414,666	13,617,248,739	11,456,340,204	9,148,225,462

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 56 through 124 form an integral part of these financial statements.

31 May 2013

Colombo

Statement of Income

For the Year ended 31st March 2013

	Note	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Revenue	18	2,296,294,536	2,178,913,382	7,611,403,961	6,956,110,450
Cost of Sales		(1,308,766,635)	(1,153,064,148)	(4,269,803,604)	(3,663,718,584)
Gross Profit		987,527,901	1,025,849,234	3,341,600,357	3,292,391,866
Other Income and Gains	19	1,395,581,262	1,937,903,958	8,677,148	8,054,450
Distribution Expenses		(817,435,606)	(756,936,714)	(1,114,759,486)	(863,391,953)
Administrative Expenses		(312,121,968)	(292,886,489)	(442,484,785)	(399,056,338)
Finance Cost	20.1	(364,554,072)	(834,641,650)	(643,402,315)	(1,014,376,302)
Finance Income	20.2	29,764,903	191,042,541	30,248,163	191,629,427
Share of Associate Company's Profit		-	-	559,373,190	81,405,573
Profit Before Tax	21	918,762,420	1,270,330,880	1,739,252,272	1,296,656,723
Tax Expense	22	67,724,288	(15,716,481)	(103,253,076)	(53,374,783)
Net Profit After Tax from Continuing Operation		986,486,708	1,254,614,399	1,635,999,196	1,243,281,940
Profit After Tax from Discontinued Operations	23	31,385,910	-	91,118,169	-
Net Profit for the Year		1,017,872,618	1,254,614,399	1,727,117,365	1,243,281,940
Attributable to					
Owners of the Parent		1,017,872,618	1,254,614,399	1,670,385,108	1,243,281,940
Non-Controlling Interest		-	-	56,732,257	-
		1,017,872,618	1,254,614,399	1,727,117,365	1,243,281,940
Basic Earnings Per Share	24	9.19	11.32	15.08	11.22
Basic Earning Per Share from Continuing Operation		8.90	11.32	14.77	11.22
Dividend Per Share	25	2.00	4.00	2.00	4.00

The Accounting Policies and Notes on pages 56 through 124 form an integral part of these financial statements.

Statement of Comprehensive Income

For the Year ended 31st March 2013

	Note	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Net Profit for the Year		1,017,872,618	1,254,614,399	1,727,117,365	1,243,281,940
Other Comprehensive Income					
Revaluation of Land and Buildings	12.1	239,627,012	-	497,589,763	-
Income Tax Effect	12.1	(25,992,748)	-	(84,830,056)	-
Share of the Other Comprehensive Income of Associate Company	12.2			1,488,260	
Share of Tax Effect	12.2			(416,713)	
Other Comprehensive Income for the Year, Net of Tax		213,634,264	-	413,831,254	-
Total Comprehensive Income for The Year, Net of Tax		1,231,506,882	1,254,614,399	2,140,948,619	1,243,281,940
Attributable to					
Owners of the Parent		1,231,506,882	1,254,614,399	2,084,216,362	1,243,281,940
Non-Controlling Interest		-	-	56,732,257	-
		1,231,506,882	1,254,614,399	2,140,948,619	1,243,281,940

The Accounting Policies and Notes on pages 56 through 124 form an integral part of these financial statements.

Statement of Changes in Equity - Company

For the Year ended 31st March 2013

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2011	1,368,673,373	-	2,747,128,537	4,115,801,910
Net Profit for the Year	-	-	1,254,614,399	1,254,614,399
Other comprehensive income	-	-	-	-
Total Comprehensive income	-	-	1,254,614,399	1,254,614,399
2nd Interim Dividends - 2010/11	-	-	(110,789,384)	(110,789,384)
Final Dividends - 2010/11	-	-	(110,789,384)	(110,789,384)
Interim Dividends - 2011/12	-	-	(221,578,768)	(221,578,768)
Balance as at 31st March 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	1,231,506,882
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

The Accounting Policies and Notes on pages 56 through 124 form an integral part of these financial statements.

Statement of Changes in Equity - Consolidated

For the Year ended 31st March 2013

	Attributable to owners of the parent					Non-Controlling Interest	Total
	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Accumulated Profits			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance as at 1st April 2011	1,368,673,373	100,734,594	-	4,269,299,804	-	5,738,707,771	
Net Profit for the year	-	-	-	1,243,281,940	-	1,243,281,940	
Other comprehensive Income	-	-	-	-	-	-	
Total comprehensive Income	-	-	-	1,243,281,940	-	1,243,281,940	
Dividends - 2010/11 - 2nd Interim	-	-	-	(110,789,384)	-	(110,789,384)	
Final Dividends - 2010/11	-	-	-	(110,789,384)	-	(110,789,384)	
Interim Dividends - 2011/12	-	-	-	(221,578,768)	-	(221,578,768)	
Balance as at 31st March 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	
Acquisition 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	

The Accounting Policies and Notes on pages 56 through 124 form an integral part of these financial statements.

Statement of Cash Flow

For the Year ended 31st March 2013

	Notes	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash Flow from/(used in) Operating Activities					
Profit from Operating Activities before tax		950,148,330	1,270,330,880	1,847,349,856	1,296,656,722
Adjustments for					
Dividend Income		(1,393,963,234)	(1,826,733,210)	(13,398,487)	(26,733,210)
Interest Income		(955,031)	(272,525)	(1,438,291)	(859,411)
Depreciation of Property, Plant & Equipment		118,369,255	97,708,103	461,084,994	388,015,952
(Profit)/Loss on Sale of Property, Plant & Equipment		(850,552)	(4,031,474)	215,311	(4,031,474)
Finance Costs	20	282,632,121	148,385,304	561,480,364	328,119,956
(Gain)/Loss from sale of Fair Value through Profit or Loss Investments	20	(15,411,385)	(164,036,806)	(15,411,385)	(164,036,806)
(Profit)/Loss on Disposal of Subsidiary		(31,385,910)	-	27,661,950	-
Provision/(Reversal) of stock provision		-	(15,719,849)	655,849	(15,719,849)
Impairment of Property, Plant and Equipment		-	-	3,086,819	-
Provision for bad debts		-	-	9,965,453	-
Provision/(Reversal) for change in market value of the investments	20	81,921,951	686,256,346	83,099,341	686,256,346
Profit Share of Investment in associate		-	-	(559,373,190)	(81,405,573)
Provision for Defined Benefit Plans - Gratuity	14	22,150,473	27,811,042	37,094,292	34,921,672
Operating Profit/(Loss) before Working Capital Changes		12,656,018	219,697,810	2,442,072,876	2,441,184,325
(Increase)/ Decrease in Inventories		(82,710,333)	(60,831,805)	(262,651,391)	(507,627,805)
(Increase)/ Decrease in Trade and Other Receivables		(34,746,241)	(23,337,209)	(744,198,432)	(79,357,930)
(Increase)/Decrease in Other Non Financial Assets		(13,192,152)	(45,968,356)	(65,474,651)	(89,825,234)
Increase/ (Decrease) in Trade and Other Payables		(95,145,778)	(365,041,167)	251,520,827	(253,937,010)
Increase/(Decrease) in Non Financial Liabilities		11,574,884	13,060,714	62,474,245	43,002,684
Increase/(Decrease) in Changes in Short Term Financings		-	-	114,640,919	-
Cash Generated from Operations		(201,563,603)	(262,420,013)	1,798,384,392	1,553,439,031
Finance Costs Paid		(282,632,121)	(148,385,304)	(561,480,364)	(328,119,956)
Defined Benefit Plan Costs Paid		(2,935,073)	(3,107,094)	(12,125,061)	(4,137,631)
Income Tax Paid		(5,128,095)	(50,892,409)	(27,180,676)	(51,984,070)
Net Cash Flows From/(Used in) Operating Activities		(492,258,892)	(464,804,820)	1,197,598,291	1,169,197,374

For the Year ended 31st March 2013

	Notes	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash Flows from / (Used in) Investing Activities					
Acquisition of Property, Plant & Equipment		(843,873,674)	(191,439,798)	(1,149,342,955)	(416,891,123)
Proceeds from Sale of Property, Plant & Equipment		877,589	9,865,222	1,003,852	9,865,222
Acquisition of Intangible Asset		(34,230,895)	(25,620,515)	(35,244,626)	(25,620,515)
Proceeds from Sale of Short Term investments		539,460,049	2,588,131,584	539,460,049	2,588,131,584
(Acquisition)/Disposals of Short-Term Investment		(97,159,114)	(1,536,061,020)	(97,159,114)	(1,536,061,020)
(Acquisition)/Disposals of Investment in Associate		(14,247,047)	(2,875,937,589)	(14,247,047)	(2,875,937,589)
Acquisition of Investment in subsidiary	27	(337,620,000)	(70,400,000)	(326,360,579)	(68,929,462)
Proceeds from Disposal of subsidiary	23	92,251,478	-	85,544,862	-
Interest Received		955,031	272,525	1,438,291	859,410
Dividends Received		1,393,963,234	1,826,733,210	93,963,234	26,733,210
Net Cash Flows from/(Used in) Investing Activities		700,367,652	(274,456,382)	(900,944,031)	(2,297,850,283)
Cash Flows from / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans & Borrowings		1,363,070,693	1,532,008,142	3,212,944,642	3,113,698,974
Repayment of Interest Bearing Loans & Borrowings		(1,033,671,970)	(600,886,497)	(2,811,622,974)	(2,247,284,490)
Capital Repayments under Finance Lease Liabilities		(3,403,760)	(2,925,332)	(11,095,401)	(11,790,760)
Dividends Paid		(217,071,254)	(432,308,883)	(217,071,254)	(432,308,883)
Net Cash Flows from/(Used in) Financing Activities		108,923,709	495,887,429	173,155,013	422,314,841
Net Increase/(Decrease) in Cash and Cash Equivalents		317,041,469	(243,373,773)	469,809,273	(706,338,068)
Cash and Cash Equivalents at the beginning of the year	17	(387,544,129)	(144,170,356)	(1,220,124,712)	(513,786,644)
Cash and Cash Equivalents at the end of the year	17	(70,502,658)	(387,544,129)	(750,315,439)	(1,220,124,712)

The Accounting Policies and Notes on pages 56 through 124 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 2013 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 and Rocell Bathware Limited and Ever Paint and Chemical Industries (Private) Limited

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 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

Asia Siyaka Commodities PLC

- Carry on the business of tea brokers, rubber brokers produce brokers, auctioneers, appraisers, valuers, commission agents and general agents. This subsidiary was disposed on 28 March 2013

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Royal Ceramics Lanka PLC, for the year ended 31 March 2013 were authorized for issue in accordance with the resolution of the Board of Directors on 31 May 2013.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Consolidated and separate Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter “SLFRS”) as issued by the Institute of Chartered Accountants of Sri Lanka.

For all periods up to and including year ended 31 March 2012, the Company/Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (“SLAS”) applicable as at 31 March 2012. These Financial Statements for the year ended 31 March 2013 are the first the Company/ Group has prepared in accordance with SLFRS (Refer Note 3 for explanation of the transition).

Subject to certain transitional elections and exceptions, the Group has consistently applied the accounting policies used in the preparation of its opening SLFRS statement of financial position as at 1 April 2011 through all periods presented, as if these policies had always been in effect.

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 that have been valued at fair value.

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.

2.1.2 Going Concern

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

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 for the same reporting year as the Company using consistent accounting policies.

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 Industrial (Private) Limited	2002/2003	100%

The consolidated financial statements incorporating all subsidiaries in the Group are prepared to common financial year ending 31 March using uniform Accounting Policies for like transactions and in similar circumstances and are applied consistently.

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.

Notes to the Financial Statements

(i) 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. Management uses judgment in estimating such impairment considering the duration of outstanding and any other factors management is aware of that indicates uncertainty in recoverability.

(ii) 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 14.

(iii) 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.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

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

a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4.2 Taxation

(a) Income Tax

Royal Ceramics Lanka PLC, Royal Ceramics Distributors (Private) Limited and Ever Paint and Chemical Industries (Private) Limited

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. Relevant details are disclosed in Note 22 to these Financial Statements.

Royal Porcelain (Private) Limited

Pursuant to agreement dated 21 December 2001 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 10 years from the year of assessment 2002/2003. This exemption expired on year of assessment 2012/2013. After the expiration of tax exemption period the profits and income of the enterprise shall be charged for any year of assessment at the prevailing tax rate.

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.

Notes to the Financial Statements

(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.

2.4.3 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.

2.4.4 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 actual cost on first-in-first-out (FIFO) basis.

(b) 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.

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

2.4.5 Property, Plant and Equipment

(a) Initial Recognition

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

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

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

(b) Subsequent Expenditure

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

(c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment, other than freehold land,

in order to write off the cost or valuation over the estimated economic life of such assets.

The annual rates of depreciation generally used by Companies in the Group for all period presented are as follows:

Building, Water Supply Scheme and Electricity Scheme	Over 25 - 40 Years
Motor Vehicles, Furniture & Fittings, Household Items - Heavy and Construction Lab and Other Equipment	Over 05 Years
Tools & Sundry Inventory and Household Items - Light	Over 02 Years
Factory Equipment, Plant & Machinery, Moulds and Communication Equipment	Over 10 - 20 Years
Office Equipment	Over 6.67 Years
Showroom Fixture and Fittings	Over 10 -15 Years

(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.

2.4.6 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 2.4.5.

Notes to the Financial Statements

Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

2.4.7 Intangible Assets

(a) Business Combination and Goodwill

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.

2.4.8 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:

c) 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.

d) 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 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.

e) Available-for-sale financial investments

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.

f) 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.

g) 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

Notes to the Financial Statements

an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

h) 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.

i) 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

j) 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, financial guarantee contracts.

k) Subsequent Measurement

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

l) 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.

m) 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.

n) 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

o) 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 10.

2.4.9 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 9 above.

2.4.10 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.

2.4.11 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

Notes to the Financial Statements

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 2.6.

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.

2.4.12 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.

2.4.13 Retirement Benefit Obligations

(a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2013, 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.

2.4.14 Impairment of Non-financial Assets

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

2.5 Statement of Income

2.5.1 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.

Notes to the Financial Statements

(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.

2.6 Significant Accounting Policies that are Specific to the Business of Associates

2.6.1 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.

2.7 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 will be effective for the financial periods beginning on or after 01 January 2015.

(ii) SLFRS 13 - Fair Value Measurement

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

on all fair value measurements under SLFRS. This standard was originally effective for the financial period beginning on or after 01 January 2013 and early application was allowed. However effective date has been deferred subsequently. However use of principles of measurement in this standards are recommended.

In addition to the above, following standards were also issued with an original effective date of 01 January 2013, which were also deferred subsequently.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The Group will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

2.8 First time Adoption of SLFRS

The Group adopted Sri Lanka Accounting Standards comprising LKAS and SLFRS ("SLFRS") which were effective from 01 January 2012. Prior to the adoption of SLFRS, the Group prepared its Consolidated Financial Statements in accordance with previous Sri Lanka Accounting Standards. The Group prepared its opening SLFRS Consolidated Financial Statements as at 01 April 2011, the date of transition to SLFRS which forms the starting point for the Group's financial reporting under SLFRS. These Consolidated Financial Statements have been prepared in accordance with the accounting policies described in Note 2. In preparing these Consolidated Financial Statements, the Group has applied the requirements of SLFRS1 - First-time adoption of Sri Lanka Accounting Standards, including retrospective application of SLFRS effective for the Group on adoption, unless otherwise indicated"

Notes to the Financial Statements

For the Year ended 31st March 2013

2.8.1 First Time Adoption - 2011

		Company			Group		
	Note	SLAS* As at 1 April 2011 Rs.	Remeasurement/ Reclassification 2011 Rs.	SLFRS** As at 1 April 2011 Rs.	SLAS* As at 1 April 2011 Rs.	Remeasurement/ Reclassification 2011 Rs.	SLFRS** As at 1 April 2011 Rs.
ASSETS							
Non-Current Assets							
Property, Plant & Equipments	A	1,224,633,174	(51,201,974)	1,173,431,200	4,266,138,489	(51,201,974)	4,214,936,515
Investments in Subsidiaries		1,429,999,930	-	1,429,999,930	-	-	-
Intangible Assets	A	-	51,201,974	51,201,974	-	51,201,974	51,201,974
Other Financial Assets	D	-	183,961,983	183,961,983	-	183,961,983	183,961,983
Other Receivables	D	183,961,983	(183,961,983)	-	183,961,983	(183,961,983)	-
		2,838,595,087	-	2,838,595,087	4,450,100,472	-	4,450,100,472
Current Assets							
Inventories		461,529,218	-	461,529,218	1,380,703,093	-	1,380,703,093
Trade and Other Receivables	B, C	563,361,932	(140,879,102)	422,482,830	647,379,480	(260,226,341)	387,153,139
Other Non Financial Assets	B	-	118,511,138	118,511,138	-	237,858,377	237,858,377
Other Financial Assets	D	1,919,782,728	710,521,422	2,630,304,150	1,919,782,728	710,521,422	2,630,304,150
Income Tax Recoverable		-	-	-	938,350	-	938,350
Cash and Cash Equivalents		46,992,243	-	46,992,243	61,167,881	-	61,167,881
		2,991,666,121	688,153,458	3,679,819,579	4,009,971,532	688,153,458	4,698,124,990
Total Assets		5,830,261,208	688,153,458	6,518,414,666	8,460,072,004	688,153,458	9,148,225,462
EQUITY AND LIABILITIES							
Capital and Reserves							
Stated Capital		1,368,673,373	-	1,368,673,373	1,368,673,373	-	1,368,673,373
Reserves		-	-	-	100,734,594	-	100,734,594
Retained Earnings	E	2,058,975,079	688,153,458	2,747,128,537	3,581,146,346	688,153,458	4,269,299,804
Total Equity		3,427,648,452	688,153,458	4,115,801,910	5,050,554,313	688,153,458	5,738,707,771
Non-Current Liabilities							
Interest Bearing Loans & Borrowings		318,899,021	-	318,899,021	994,949,656	-	994,949,656
Deferred Tax Liabilities		61,555,765	-	61,555,765	61,555,765	-	61,555,765
Retirement Benefit Liability		80,212,662	-	80,212,662	100,788,775	-	100,788,775
		460,667,448	-	460,667,448	1,157,294,196	-	1,157,294,196

For the Year ended 31st March 2013

	Note	Company			Group		
		SLAS*	Remeasurement/ Reclassification	SLFRS**	SLAS*	Remeasurement/ Reclassification	SLFRS**
		As at 1 April 2011 Rs.	2011 Rs.	As at 1 April 2011 Rs.	As at 1 April 2011 Rs.	2011 Rs.	As at 1 April 2011 Rs.
Current Liabilities							
Trade and Other Payables	B	1,403,650,811	(65,477,502)	1,338,173,309	730,158,311	(153,971,582)	576,186,729
Other Non Financial Liabilities	B	-	65,477,502	65,477,502	-	153,971,582	153,971,582
Dividend Payable		15,826,051	-	15,826,051	15,826,051	-	15,826,051
Income Tax Liabilities		35,252,593	-	35,252,593	35,252,593	-	35,252,593
Interest Bearing Loans and Borrowings		487,215,853	-	487,215,853	1,470,986,540	-	1,470,986,540
		1,941,945,309	-	1,941,945,309	2,252,223,495	-	2,252,223,495
Total Equity and Liabilities		5,830,261,208	688,153,458	6,518,414,666	8,460,072,004	688,153,458	9,148,225,462

**Based on Sri Lanka Accounting Standards ("SLAS") as at 1 April 2011. (Date of transition)

**Based on Sri Lanka Accounting Standards comprising LKAS and SLFRS ("SLFRS") as at 1 April 2011. (Date of transition)

2.8.2 First Time Adoption - 2012

	Note	Company			Group		
		SLAS*	Remeasurement/ Reclassification	SLFRS**	SLAS*	Remeasurement/ Reclassification	SLFRS**
		As at 1 April 2012 Rs.	2012 Rs.	As at 1 April 2012 Rs.	As at 1 April 2012 Rs.	2012 Rs.	As at 1 April 2012 Rs.
Non-Current Assets							
Property, Plant & Equipments	A	1,338,151,637	(76,822,489)	1,261,329,148	4,351,198,703	(76,822,489)	4,274,376,214
Investments in Subsidiaries		1,500,399,930	-	1,500,399,930	-	-	-
Investments in Associate		3,102,152,522	-	3,102,152,522	3,146,807,158	-	3,146,807,158
Intangible Assets	A	-	76,822,489	76,822,489	71,866,701	76,822,489	148,689,190
Other Financial Assets	D	-	192,395,446	192,395,446	-	192,395,446	192,395,446
Other Receivables	D	192,395,446	(192,395,446)	-	192,395,446	(192,395,446)	-
		6,133,099,535	-	6,133,099,535	7,762,268,008	-	7,762,268,008

Notes to the Financial Statements

2.8.2 First Time Adoption - 2012 (Contd.)

For the Year ended 31st March 2013

	Note	Company			Group		
		SLAS* 2012 Rs.	Remeasurement/ Reclassification 2012 Rs.	SLFRS** 2012 Rs.	SLAS* 2012 Rs.	Remeasurement/ Reclassification 2012 Rs.	SLFRS** 2012 Rs.
Current Assets							
Inventories		538,080,872	-	538,080,872	1,917,055,677	-	1,917,055,677
Trade and Other Receivables	B	653,780,855	(191,267,508)	462,513,347	869,129,490	(354,471,624)	514,657,866
Other Current Assets	B, C	-	164,479,494	164,479,494	-	327,683,611	327,683,611
Other Financial assets		804,672,342	-	804,672,342	804,672,342	-	804,672,342
Income Tax Recoverable		7,002,224	-	7,002,224	8,728,773	-	8,728,773
Cash and Cash Equivalents		85,876,048	-	85,876,048	121,273,927	-	121,273,927
		2,089,412,341	(26,788,014)	2,062,624,327	3,720,860,209	(26,788,013)	3,694,072,196
Total Assets		8,222,511,876	(26,788,014)	8,195,723,862	11,483,128,217	(26,788,013)	11,456,340,204
EQUITY AND LIABILITIES							
Capital and Reserves							
Stated Capital		1,368,673,373	-	1,368,673,373	1,368,673,373	-	1,368,673,373
Reserves		-	-	-	100,734,594	-	100,734,594
Retained Earnings	E	3,585,373,414	(26,788,014)	3,558,585,400	5,096,212,222	(26,788,013)	5,069,424,209
Total Equity		4,954,046,787	(26,788,014)	4,927,258,773	6,565,620,189	(26,788,013)	6,538,832,176
Non-Current Liabilities							
Interest Bearing Loans & Borrowings		1,009,632,121	-	1,009,632,121	1,582,785,916	-	1,582,785,916
Deferred Tax Liabilities		68,634,654	-	68,634,654	69,272,101	-	69,272,101
Retirement Benefit Liability		104,916,609	-	104,916,609	132,827,897	-	132,827,897
		1,183,183,384	-	1,183,183,384	1,784,885,914	-	1,784,885,914
Current Liabilities							
Trade and Other Payables	B	1,051,670,358	(78,538,216)	973,132,142	588,776,345	(196,974,266)	391,802,079
Other Non Financial Liabilities	B	-	78,538,216	78,538,216	-	196,974,266	196,944,266
Dividend Payable		26,674,704	-	26,674,704	26,674,704	-	26,674,704
Interest Bearing Loans and Borrowings		1,006,936,643	-	1,006,936,643	2,517,171,065	-	2,517,171,065
		2,085,281,705	-	2,085,281,705	3,132,622,114	-	3,132,622,114
Total Equity and Liabilities		8,222,511,876	(26,788,014)	8,195,723,862	11,483,128,217	(26,788,014)	11,456,340,204

*Based on Sri Lanka Accounting Standards ("SLAS") as at 31 March 2012.

**Based on Sri Lanka Accounting Standards comprising LKAS and SLFRS ("SLFRS") as at 31 March 2012.

For the Year ended 31st March 2013

	Note	Company			Group		
		LKAS* Remeasurement/	SLFRS**	LKAS* Remeasurement/	SLFRS**		
		2012	Reclassification	2012	2012	Reclassification	2012
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue		2,178,913,382	-	2,178,913,382	6,956,110,450	-	6,956,110,450
Cost of Sales		(1,153,064,148)	-	(1,153,064,148)	(3,663,718,584)	-	(3,663,718,584)
Gross Profit		1,025,849,234	-	1,025,849,234	3,292,391,866	-	3,292,391,866
Other Income and Gains	D	2,233,703,279	(295,799,321)	1,937,903,958	303,853,770	(295,799,320)	8,054,450
Distribution Expenses	C	(752,516,664)	(4,420,051)	(756,936,715)	(858,971,903)	(4,420,050)	(863,391,953)
Administrative Expenses		(292,886,489)	-	(292,886,489)	(399,056,337)	-	(399,056,337)
Other Operating expenses	D	(80,764,229)	80,764,229	-	(80,764,229)	80,764,229	-
Finance Cost	D	(148,385,304)	(686,256,346)	(834,641,650)	(328,119,956)	(686,256,346)	(1,014,376,302)
Finance Income		272,525	190,770,016	191,042,541	859,411	190,770,016	191,629,427
Share of Associate Company's Profit		-	-	-	81,405,573	-	81,405,573
Net Profit Before Tax		1,985,272,352	(714,941,472)	1,270,330,880	2,011,598,195	(714,941,472)	1,296,656,723
Income Tax Expense		(15,716,481)	-	(15,716,481)	(53,374,783)	-	(53,374,783)
Net Profit for the Year		1,969,555,871	(714,941,472)	1,254,614,399	1,958,223,412	(714,941,472)	1,243,281,940

Notes to the reconciliation of equity as at 1 April 2011, 31 March 2012 and total comprehensive income for the year ended 31 March 2012
A Intangible Assets

On adoption of SLFRS, Company has corrected the classification of intangible assets work in progress previously accounted under property plant and equipment

B Non Financial Assets/ Non Financial Liabilities

On adoption of SLFRS, the non financial assets/liabilities which have been recorded under trade and other receivables/payables have been categorised under other non financial assets/liabilities

C Other Assets

SLFRS requires total lease payments under operating leases be recognized as an expense on a straight line basis over the lease term.

D Other Financial Assets

On adoption of SLFRS, The trading investments portfolio is classified as investments fair value through profit or loss and measured at fair value. The resultant change in fair value, dividend income and Net Gain from trading of investment is recognised in the statement of income as finance income or finance cost. Other financial assets recorded under other receivables have been reclassified under other financial assets.

E Retained Earnings

The net effect of adoption of SLFRS as of the transition date of 01 April 2011 is recorded through "Retained Earnings"

*Based on Sri Lanka Accounting Standards ("SLAS") as at 31 March 2012

**Based on Sri Lanka Accounting Standards comprising LKAS and SLFRS ("SLFRS") as at 31 March 2012

Notes to the Financial Statements

For the Year ended 31st March 2013

3. PROPERTY, PLANT & EQUIPMENT - COMPANY

3.1 Gross Carrying Amounts

	Balance As At 01.04.2011 Rs.	Additions / Transfers Rs.	Disposals/ Transfers Rs.	Balance As At 31.03.2012 Rs.	Additions / Transfers Rs.	Increase / / (Decrease) in Revaluation Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2013 Rs.
At Cost or Valuation								
Land	379,584,562	-	(3,600,000)	375,984,562	149,907,150	144,065,438	-	669,957,150
Building	301,412,952	18,946,176	(1,940,500)	318,418,628	29,546,800	95,561,574	(46,599,877)	396,927,125
Water Supply Scheme	295,687	-	-	295,687	-	-	-	295,687
Lab Equipment	3,462,658	1,819,370	-	5,282,028	313,480	-	-	5,595,509
Motor Vehicles	61,403,035	34,042,629	2,278,500	97,724,164	1,256,856	-	(1,785,035)	97,195,985
Electricity Distribution	8,080,645	5,679,980	-	13,760,625	-	-	(604,500)	13,156,125
Office Equipment	127,391,222	27,448,848	(2,453,250)	152,386,820	22,533,056	-	(103,000)	174,816,876
Communication Equipment	7,802,598	-	-	7,802,598	-	-	-	7,802,598
Furniture & Fittings	56,496,468	20,274,411	(92,700)	76,678,179	53,074,571	-	-	129,752,750
Tools & Implements	54,416,999	5,802,772	(82,500)	60,137,271	5,453,939	-	-	65,591,209
Other Equipment	25,677,931	4,059,248	-	29,737,179	6,898,150	-	-	36,635,329
Factory Equipment	23,257,991	-	-	23,257,991	-	-	-	23,257,991
Construction Equipment	2,236,047	-	-	2,236,047	-	-	-	2,236,047
Plant and Machinery	693,237,346	46,459,224	(1,041,626)	738,654,944	84,836,866	-	-	823,491,810
Plant and Machinery								
Polishing Plant	62,295,726	-	-	62,295,726	-	-	-	62,295,726
Household Item Heavy	33,690	-	-	33,690	-	-	-	33,690
Household Item Light	2,740,311	1,306,851	-	4,047,161	376,380	-	-	4,423,541
Showroom Fixtures & Fittings	248,857,285	8,329,169	-	257,186,454	46,094,026	-	-	303,280,480
Stores Buildings on								
Lease hold Land	3,965,135	-	-	3,965,135	-	-	-	3,965,135
	2,062,648,288	174,168,678	(6,932,076)	2,229,884,890	400,291,273	239,627,012	(49,092,412)	2,820,710,763
Assets on Finance Leases								
Plant & Machinery	-	-	-	-	11,500,000	-	-	11,500,000
Motor vehicles	18,856,152	-	(2,533,500)	16,322,652	-	-	-	16,322,652
	18,856,152	-	(2,533,500)	16,322,652	11,500,000	-	-	27,822,652
	2,081,504,440	174,168,678	(9,465,576)	2,246,207,542	411,791,273	239,627,012	(49,092,412)	2,848,533,415

	Balance As At 01.04.2011 Rs.	Additions / Transfers Rs.	Disposals/ Transfers Rs.	Balance As At 31.03.2012 Rs.	Additions / Transfers Rs.	Increase / / (Decrease) in Revaluation Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2013 Rs.
In the Course of Construction								
Capital Work in Progress	111,669,930	191,489,240	(174,168,678)	128,990,492	667,745,205	-	(223,558,303)	573,177,394
Total Gross Carrying Amount	2,193,174,370	365,657,918	(183,634,254)	2,375,198,034	1,079,536,478	239,627,012	(272,650,715)	3,421,710,809

3.2 Depreciation

	Balance As at 01.04.2011 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2013 Rs.
At Cost or valuation								
Land	-	-	-	-	-	-	-	-
Building	34,783,395	12,075,215	(258,733)	46,599,877	15,198,236	(46,599,877)	-	15,198,235
Water Supply Scheme	165,671	11,827	-	177,498	11,827	-	-	189,325
Lab Equipment	2,970,651	248,610	-	3,219,261	535,285	-	-	3,754,546
Motor Vehicles	24,395,443	14,150,154	2,067,375	40,612,972	15,037,846	-	(1,785,035)	53,865,782
Electricity Distribution	4,064,077	323,226	-	4,387,303	528,608	-	-	4,915,911
Office Equipment	97,934,828	10,736,598	(1,901,269)	106,770,157	12,601,983	-	(75,963)	119,296,178
Communication Equipment	6,659,841	560,213	-	7,220,054	555,803	-	-	7,775,857
Furniture & Fittings	22,159,650	9,684,748	(43,260)	31,801,138	17,150,198	-	-	48,951,336
Tools & Implements	49,436,865	5,228,999	(82,500)	54,583,364	5,358,860	-	-	59,942,224
Other Equipment	16,818,906	3,477,032	-	20,295,938	4,305,582	-	-	24,601,520
Factory Equipment	23,251,861	1,226	-	23,253,087	1,226	-	-	23,254,313
Construction Equipment	2,236,047	-	-	2,236,047	-	-	-	2,236,047
Plant and Machinery	611,665,965	14,101,498	(1,041,626)	624,725,837	20,602,348	-	-	645,328,185
Plant and Machinery Polishing Plant	55,667,623	2,836,748	-	58,504,371	2,187,382	-	-	60,691,753
Household Item Heavy	33,690	-	-	33,690	-	-	-	33,690
Household Item Light	2,078,348	724,286	-	2,802,634	791,395	-	-	3,594,029

Notes to the Financial Statements

	Balance As at 01.04.2011 Rs.	Charge for the Year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Charge for the Year Rs.	Transfers to revaluation Reserve Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2013 Rs.
Showroom Fixtures & Fittings	58,806,251	19,886,680	-	78,692,931	19,841,633	-	-	98,534,564
Stores Buildings on Lease hold Land	2,775,600	396,514	-	3,172,114	396,514	-	-	3,568,628
	1,015,904,712	94,443,574	(1,260,013)	1,109,088,273	115,104,726	(46,599,877)	(1,860,998)	1,175,732,124
Assets on Finance Leases								
Motor vehicles	3,838,458	3,264,530	(2,322,375)	4,780,613	3,264,530	-	-	8,045,144
	3,838,458	3,264,530	(2,322,375)	4,780,613	3,264,530	-	-	8,045,144
Total Value of Depreciation	1,019,743,170	97,708,104	(3,582,388)	1,113,868,886	118,369,255	(46,599,877)	(1,860,998)	1,183,777,267

3.3 Net Book Values of Property Plant and Equipments

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
At Cost or Valuation			
Freehold Land	669,957,150	375,984,562	379,584,562
Buildings	381,728,890	271,818,752	266,629,557
Water Supply Scheme	106,362	118,189	130,016
Lab Equipment	1,840,963	2,062,767	492,007
Motor Vehicles	43,330,203	57,111,192	37,007,592
Electricity Distribution	8,240,214	9,373,322	4,016,568
Office Equipment	55,520,698	45,616,663	29,456,394
Communication Equipment	26,741	582,544	1,142,757
Furniture and Fittings	80,801,414	44,877,041	34,336,818
Tools and Implements	5,648,985	5,553,907	4,980,134
Other Equipment	12,033,809	9,441,241	8,859,025
Factory Equipment	3,678	4,904	6,130

	2013	2012	As at 1 April
	Rs.	Rs.	2011
			Rs.
Construction Equipment	-	-	-
Plant and Machinery	178,163,625	113,929,107	81,571,381
Plant and Machinery -Polishing Plant	1,603,973	3,791,355	6,628,103
Household Item - Heavy	-	-	-
Household Item - Light	829,512	1,244,527	661,963
Showroom Fixtures and Fittings	204,745,916	178,493,523	190,051,034
Stores Buildings on Lease hold Land	396,507	793,021	1,189,535
	1,644,978,639	1,120,796,617	1,046,743,576
Assets on Finance Leases			
Plant & Machinery	11,500,000	-	-
Motor Vehicles	8,277,508	11,542,039	15,017,694
	1,664,756,147	1,132,338,656	1,061,761,270
In the Course of Construction	573,177,394	128,990,492	111,669,930
	2,237,933,541	1,261,329,148	1,173,431,200

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.

Class of Asset	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2013	Net Carrying Amount 2012	Net Carrying Amount as at 1 April 2011
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	254,830,730	-	254,830,730	104,923,580	104,923,580
Building	199,986,603	(84,683,706)	115,302,897	92,682,073	99,499,665
	454,817,333	(84,683,706)	370,133,627	197,605,653	204,423,245

Notes to the Financial Statements

- 3.5** During the period, the company acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 843,873,674/- (2012 - Rs. 191,439,798/-)
- 3.6** Property, Plant and Equipments includes fully depreciated assets having a gross carrying amount of Rs. 836,048,964/- (2012 Rs. 794,112,884/-, 2011 - Rs. 755,533,676)
- 3.7** **Property, Plant and Equipments - Group**
Gross Carrying Amounts

	Balance As at 1.04.2011 Rs.	Additions through acquisition of subsidiary Rs.	Additions/ Transfers Rs.	Reclassified/ Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Additions through acquisition of subsidiary Rs.	Additions/ Transfers Rs.	Increase/ (Decrease) Revaluation Rs.	Reclassified/ Disposals/ Transfers Rs.	Disposals through subsidiary Rs.	Balance As at 31.03.2013 Rs.
At Cost or Valuation											
Freehold Land	488,261,387	5,512,400	7,809,100	(3,600,000)	497,982,887	-	167,335,486	150,021,113	-	-	815,339,486
Leasehold Land	-	-	-	-	-	71,954,082	-	-	-	(71,954,082)	-
Buildings	1,089,796,508	24,000,000	117,853,123	(1,940,500)	1,229,709,131	270,785,834	80,265,334	318,300,344	(137,243,871)	(270,785,834)	1,491,030,938
Water Supply Scheme	295,687	-	-	-	295,687	-	-	-	-	-	295,687
Lab Equipment	13,027,458	-	2,236,944	-	15,264,403	-	4,613,140	-	-	-	19,877,543
Motor Vehicles	88,380,439	2,080,000	41,838,529	18,667,875	150,966,843	18,722,121	6,753,677	-	(1,222,315)	(18,722,121)	156,498,205
Electricity Distribution	8,080,645	-	5,679,980	-	13,760,625	-	-	-	(604,500)	-	13,156,125
Office Equipment	145,909,374	-	31,676,803	(2,453,250)	175,132,927	116,355,245	29,216,312	-	(857,150)	(119,753,932)	200,093,402
Communication Equipment	9,617,050	-	94,299	-	9,711,349	-	41,100	-	-	-	9,752,449
Furniture and Fittings	169,088,720	250,000	53,045,687	(92,700)	222,291,707	11,994,937	64,688,267	-	-	(12,287,647)	286,687,264
Tools & Implements	73,340,053	84,000	6,597,097	(82,500)	79,938,651	-	6,113,685	-	29,680	-	86,082,015
Other Equipment	33,511,041	-	4,838,032	-	38,349,073	-	7,359,993	-	(29,680)	-	45,679,385
Factory Equipment	25,636,831	-	113,395	-	25,750,226	-	107,024	-	-	-	25,857,250
Moulds	126,298,332	-	590,618	-	126,888,950	-	1,203,326	-	-	-	128,092,276
Construction Equipment	22,195,078	-	32,681,731	-	54,876,809	-	368,520	-	-	-	55,245,329
Plant and Machinery	2,979,506,044	8,432,500	340,163,984	(1,041,626)	3,327,060,902	-	285,399,939	-	4,092,792	-	3,616,553,633
Plant and Machinery Polishing Plant	62,295,726	-	-	-	62,295,726	-	-	-	-	-	62,295,726
Household Item - Heavy	7,395,330	-	890,705	-	8,286,034	-	1,105,380	-	-	-	9,391,414
Household Item - Light	6,057,944	-	1,545,850	-	7,603,794	-	481,132	-	-	-	8,084,926
Showroom Fixtures & Fittings	261,302,981	-	8,329,169	-	269,632,150	-	47,746,889	-	-	-	317,379,039
Stores Buildings on Lease hold Land	22,260,335	-	74,547,664	-	96,807,999	-	-	26,181,486	(12,819,350)	-	110,170,135
	5,632,256,963	40,358,900	730,532,710	9,457,299	6,412,605,872	489,812,219	702,799,203	494,502,943	(148,654,394)	(493,503,616)	7,457,562,227

	Balance As at 1.04.2011 Rs.	Additions through acquisition of subsidiary Rs.	Additions/ Transfers Rs.	Reclassified/ Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Additions through acquisition of subsidiary Rs.	Additions/ Transfers Rs.	Increase/ (Decrease) Revaluation Rs.	Reclassified/ Disposals/ Transfers Rs.	Disposals through subsidiary Rs.	Balance As at 31.03.2013 Rs.
Assets on Finance Leases											
Plant & Machinery	-	-	-	-	-	-	11,500,000	-	-	-	11,500,000
Furniture and Fittings	12,653,596	-	-	-	12,653,596	-	-	-	-	-	12,653,596
Construction and Other Equipment	5,329,148	-	-	-	5,329,148	-	-	-	-	-	5,329,148
Motor vehicles	35,286,886	8,077,768	1,846,916	(18,922,875)	26,288,695	-	13,312,457	-	(562,720)	-	39,038,432
	53,269,630	8,077,768	1,846,916	(18,922,875)	44,271,439	-	24,812,457	-	(562,720)	-	68,521,176
	5,685,526,593	48,436,668	732,379,626	(9,465,576)	6,456,877,311	489,812,219	727,611,660	494,502,943	(149,217,114)	(493,503,616)	7,526,083,403
In the Course of Construction											
Capital Work in Progress	516,894,268	-	282,863,128	(596,693,475)	203,063,920	-	919,069,274	-	(471,921,019)	-	650,212,175
Total Gross											
Carrying Amount	6,202,420,861	48,436,668	1,015,242,754	(606,159,051)	6,659,941,231	489,812,219	1,646,680,934	494,502,943	(621,138,133)	493,503,616	8,176,295,578

Notes to the Financial Statements

3.8 Depreciation

	Balance As at 1.04.2011 Rs.	Addition through acquisition of subsidiary Rs.	Charge for the year Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2012 Rs.	Addition through acquisition of subsidiary Rs.	Charge for the Year Rs.	Transfer to Revaluation Reserves Rs.	Disposals/ Transfers Rs.	Disposals through subsidiary Rs.	Balance As at 31.03.2013 Rs.
At Cost or Valuation											
Building	94,956,226	-	38,689,541	(258,733)	133,387,034	28,623,146	58,177,598	(131,621,080)	(433,424)	(39,253,230)	48,880,044
Water Supply Scheme	165,671	-	11,827	-	177,498	-	11,827	-	-	-	189,325
Lab Equipment	8,400,929	-	2,168,530	-	10,569,459	-	2,884,426	-	-	-	13,453,885
Motor Vehicles	40,261,800	1,869,778	20,127,906	14,594,183	76,853,667	2,449,585	27,371,546	-	(1,624,460)	(6,975,376)	98,074,962
Electricity Distribution	4,064,077	-	323,226	-	4,387,303	-	528,608	-	-	-	4,915,911
Office Equipment	105,653,531	-	13,423,481	(1,901,269)	117,175,743	80,786,680	26,015,752	-	(830,113)	(90,137,763)	133,010,300
Communication Equipment	7,017,001	-	746,017	-	7,763,018	-	717,816	-	-	-	8,480,834
Furniture & Fittings	88,158,961	250,000	25,450,134	(43,260)	113,815,836	8,740,801	38,876,764	-	-	(9,547,705)	151,885,696
Tools & Implements	68,068,590	84,000	5,894,953	(82,500)	73,965,043	-	5,680,961	-	-	-	79,646,004
Other Equipment	19,476,325	-	4,623,566	-	24,099,891	-	5,488,511	-	-	-	29,588,402
Factory Equipment	24,286,286	-	241,312	-	24,527,598	-	217,390	-	-	-	24,744,988
Construction Equipment	16,567,735	-	6,040,495	-	22,608,230	-	7,731,331	-	-	-	30,339,561
Plant and Machinery	1,330,095,625	8,432,500	212,259,302	(1,041,626)	1,549,745,802	-	235,737,392	-	95,549	-	1,785,578,743
Moulds	30,478,192	-	15,110,467	-	45,588,660	-	15,188,158	-	-	-	60,776,818
Plant and Machinery Polishing Plant	55,667,623	-	2,836,748	-	58,504,371	-	2,187,382	-	-	-	60,691,753
Household Item - Heavy	5,742,435	-	1,426,509	-	7,168,944	-	179,144	-	-	-	7,348,088
Household Item - Light	5,280,962	-	884,079	-	6,165,041	-	946,123	-	-	-	7,111,164
Showroom Fixtures & Fittings	59,917,083	-	20,642,921	-	80,560,005	-	20,597,875	-	-	-	101,157,880
Stores Buildings on Lease hold Land	8,264,160	-	7,727,304	-	15,991,464	-	3,184,748	(12,819,350)	-	-	6,356,862
	1,972,523,213	10,636,278	378,628,318	11,266,795	2,373,054,607	120,600,212	451,723,352	(144,440,430)	(2,792,448)	(145,914,074)	2,652,231,219
Assets on Finance Leases											
Furniture and Fittings	949,020	-	1,265,360	-	2,214,380	-	1,265,360	-	-	-	3,479,740
Construction and Other Equipment	621,734	-	1,065,830	-	1,687,564	-	1,065,830	-	-	-	2,753,394
Motor vehicles	13,390,379	3,010,830	7,056,444	(14,849,183)	8,608,469	-	7,030,453	-	(160,575)	-	15,478,348
	14,961,133	3,010,830	9,387,634	(14,849,183)	12,510,413	-	9,361,642	-	(160,575)	-	21,711,480
Total Value of Depreciation	1,987,484,345	13,648,108	388,015,952	(3,582,388)	2,385,565,020	120,600,212	461,084,994	(144,440,430)	(2,953,023)	(145,914,074)	2,673,942,700

3.9 Net Book Values of Property Plant and Equipments

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
At Cost or Valuation			
Land	815,339,486	497,982,887	488,261,387
Building	1,442,150,894	1,096,322,097	994,840,282
Water Supply Scheme	106,362	118,189	130,016
Lab Equipment	6,423,658	4,694,943	4,626,529
Motor Vehicles	58,423,243	74,113,176	48,118,639
Electricity Distribution	8,240,214	9,373,322	4,016,568
Office Equipment	67,083,103	57,957,184	40,255,843
Communication Equipment	1,271,615	1,948,331	2,600,049
Furniture and Fittings	134,801,568	108,475,872	80,929,759
Tools and Implements	6,436,011	5,973,608	5,271,464
Other Equipment	16,090,983	14,249,182	14,034,716
Factory Equipment	1,112,262	1,222,628	1,350,545
Mould	67,315,458	81,300,290	95,820,139
Construction Equipment	24,905,768	32,268,579	5,627,343
Plant and Machinery	1,830,974,890	1,777,315,100	1,649,410,419
Plant and Machinery - Polishing Plant	1,603,973	3,791,355	6,628,103
Household Item - Heavy	2,043,326	1,117,090	1,652,895
Household Item - Light	973,762	1,438,754	776,982
Showroom Fixtures and Fittings	216,221,159	189,072,145	201,385,898
Stores Buildings on Leasehold Land	103,813,273	80,816,535	13,996,174
	4,805,331,008	4,039,551,268	3,659,733,750
Assets on Finance Leases			
Plant & Machinery	11,500,000	-	
Furniture and Fittings	9,173,856	10,439,216	11,704,576
Construction and Other Equipment	2,575,754	3,641,584	4,707,414
Motor vehicles	23,560,084	17,680,226	21,896,507
	46,809,695	31,761,026	38,308,497
In the Course of Construction	650,212,175	203,063,920	516,894,268
	5,502,352,878	4,274,376,214	4,214,936,515

Notes to the Financial Statements

- 3.10** 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 taxes 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.

Class of Asset	Cost	Cumulative Depreciation if assets were carried at cost	Net Carrying Amount 2013	Net Carrying Amount 2012	Net Carrying Amount 1st April 2011
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	326,442,888	-	326,442,888	159,107,402	159,107,402
Building	496,022,550	164,763,249	331,259,301	270,834,868	287,465,157
	822,465,438	164,763,249	657,702,189	429,942,270	446,572,559

- 3.11** During the Period year, the group acquired Property, Plant & Equipment for cash to the aggregate value of Rs. 1,149,342,955/- (2012 - Rs. 416,891,123/-)
- 3.12** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.1,274,233,064/- (2012 Rs. 810,677,252/-, 2011 - Rs. 808,954,038/-)

4. INVESTMENTS IN SUBSIDIARIES

	Holding As at 1 April			Cost	Directors' Valuation	Cost	Directors' Valuation	Cost	Directors' Valuation
	2013 %	2012 %	2011 %	2013 Rs.	2013 Rs.	2012 Rs.	2012 Rs.	as at 1 April 2011 Rs.	2011 Rs.
Non-Quoted									
Royal Ceramics Distributors (Pvt) Limited	100%	100%	100%	500,000	-	500,000	-	500,000	-
Royal Porcelain (Pvt) Limited	100%	100%	100%	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Rocell Bathware Limited	100%	100%	100%	929,999,930	929,999,930	929,999,930	929,999,930	929,999,930	929,999,930
Ever Paint and Chemical Industries (Pvt) Ltd	100%	100%	0%	70,400,000	70,400,000	70,400,000	70,400,000	-	-
Total Non-Quoted Investments in Subsidiaries				1,500,899,930	1,500,399,930	1,500,899,930	1,500,399,930	1,430,499,930	1,429,999,930
Total Gross Carrying Value of Investments				1,500,899,930	-	1,500,899,930	-	1,430,499,930	-
Provision for decline in value				(500,000)	-	(500,000)	-	(500,000)	-
Total Gross Carrying Value of Investments in Subsidiaries				1,500,399,930	1,500,399,930	1,500,399,930	1,500,399,930	1,429,999,930	1,429,999,930

Investment in Asia Siyaka Commodities PLC

During the year the Group has acquired 51% of ownership interest in Asia Siyaka Commodities PLC and the same has been disposed in full during the year (note 23, 27)

5. INVESTMENTS IN ASSOCIATES

5.1 Company

	Holding		Cost	Directors' Valuation	Cost	Directors' Valuation
	2013 %	2012 %	2013 Rs.	2013 Rs.	2012 Rs.	2012 Rs.
Quoted Investments						
L. B. Finance PLC	25.98%	25.85%	2,491,864,224	2,491,864,224	2,477,617,177	2,477,617,177
Unquoted Investments						
Delmage Limited	20%	20%	624,535,345	624,535,345	624,535,345	624,535,345
			3,116,399,569	3,116,399,569	3,102,152,522	3,102,152,522

5.2 Group

	Holding		Carrying Value	Directors' Valuation	Carrying Value	Directors' Valuation
	2013 %	2012 %	2013 Rs.	2013 Rs.	2012 Rs.	2012 Rs.
Quoted Investments						
L. B. Finance PLC	25.98%	25.85%	2,900,044,985	2,900,044,985	2,524,388,870	2,524,388,870
Unquoted Investments						
Delmage Limited (Formerly known as Lewis Brown & Company Limited)	20%	20%	526,435,164	526,435,164	622,418,288	622,418,288
			3,426,480,149	3,426,480,149	3,146,807,158	3,146,807,158

Market value of LB Finance PLC as at 31 March 2013 is Rs. 2,388,055,001/- (2012 - Rs. 2,415,152,067)

Notes to the Financial Statements

5.3 Summarised Financial Information of Associates

	L.B. Finance PLC		Delmage Limited		Total	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Group share of;						
Revenue	2,896,680,180	188,556,118	917,851,622	1,142,689,806	3,814,531,802	1,331,245,925
Operating expenses	(2,455,777,913)	(141,784,425)	(947,828,094)	(1,109,844,640)	(3,403,606,007)	(1,251,629,066)
Finance expenses	-	-	(66,006,651)	(34,962,223)	(66,006,651)	(34,962,223)
Profit for the year	440,902,267	46,771,693	(95,983,123)	(2,117,057)	344,919,144	44,654,636
Group share of;						
Total assets	14,087,098,659	11,022,027,603	979,718,757	1,024,533,450	15,066,817,416	12,046,561,052
Total liabilities	(12,702,728,044)	(10,021,399,592)	(695,115,975)	(643,947,545)	(13,414,599,030)	(10,665,347,137)
Net assets	1,384,370,615	1,000,628,611	284,602,782	380,585,905	1,652,218,386	1,381,213,916
Goodwill	1,515,674,370	1,523,760,859	241,832,382	241,832,382	1,774,261,763	1,765,593,242
	2,900,044,985	2,524,388,870	526,435,164	622,418,288	3,426,480,149	3,146,807,158
Contingent liabilities	104,937,623	35,800,363	265,750,003	144,750,003	370,687,623	180,550,363
Capital and other commitments	1,118,332,877	583,528,789	-	-	1,118,332,877	583,528,789

5.4 Movement in Investments in Associates

	2013 Rs	2012 Rs	2013 Rs	2012 Rs	2013 Rs	2012 Rs
As at the beginning of the year	2,524,388,870	297,498,843	622,418,288	-	3,146,807,158	297,498,843
Disposal of shares during the year	-	(71,283,912)	-	-	-	(71,283,912)
Investment made during the year	14,247,047	2,251,402,245	-	624,535,345	14,247,047	2,875,937,590
Share of results of associates net of dividends	360,337,521	46,771,693	(95,983,123)	(2,117,057)	264,354,397	44,654,636
Share of Associates Company Net Asset	1,071,547	-	-	-	1,071,547	-
At the end of the year	2,900,044,985	2,524,388,869	526,435,164	622,418,288	3,426,480,149	3,146,807,157

6. INTANGIBLE ASSETS

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
6.1 Software work in progress						
Balance at beginning of the year	76,822,489	51,201,974	35,314,492	76,822,489	51,201,974	35,314,492
Incurred during the year	34,230,895	25,620,515	15,887,482	34,230,895	25,620,515	15,887,482
Balance at the end of the year	111,053,384	76,822,489	51,201,974	111,053,384	76,822,489	51,201,974
6.2 Goodwill						
Balance at the beginning of the year	-	-	-	71,866,701	-	-
Goodwill arising on acquisition	-	-	-	96,524,136	71,866,701	-
Amount reversed on disposal of subsidiaries	-	-	-	(96,524,136)	-	-
Balance at the end of the year	-	-	-	71,866,701	71,866,701	-
Total intangible assets	111,053,384	76,822,489	51,201,974	182,920,085	148,689,190	51,201,974

Notes to the Financial Statements

7. OTHER NON FINANCIAL ASSETS

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Receivables- others	67,148,019	55,183,648	81,790,810	123,840,045	110,664,504	141,887,041
Advances and prepayments	110,523,628	109,295,846	36,720,328	269,318,217	217,019,106	95,971,336
	177,671,646	164,479,494	118,511,138	393,158,262	327,683,611	237,858,377

8. INVENTORIES

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Raw Materials	159,911,189	180,421,657	135,067,705	444,477,352	448,770,959	321,120,110
Construction Consumables	9,327,708	6,214,646	4,192,884	9,327,708	6,214,646	4,192,884
Spares & Consumables	160,805,859	152,726,315	144,853,784	383,408,636	369,851,276	319,990,873
Accessories	-	-	-	130,112,107	149,213,996	80,304,395
Work in Progress	26,155,649	11,919,536	11,283,642	122,712,634	60,362,389	52,281,346
Finished Goods	275,176,261	195,239,339	189,643,355	1,085,319,042	888,766,725	614,587,904
Goods in Transit	2,716,105	1,752,250	2,400,568	29,693,935	8,410,356	18,480,100
	634,092,770	548,273,743	487,441,938	2,205,051,414	1,931,590,347	1,410,957,612
Less : Provision for Obsolete & Slow Moving Stock	(13,301,565)	(10,192,871)	(25,912,720)	(25,371,937)	(14,534,670)	(30,254,519)
	620,791,205	538,080,872	461,529,218	2,179,679,477	1,917,055,677	1,380,703,093

9. TRADE AND OTHER RECEIVABLES

9.1 Company

	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Trade Debtors (Note 9.1.2)	269,169,312	135,065,459	138,162,918
Receivables - Other (Note 9.1.3)	302,822,410	37,544,018	11,072,906
- Subsidiaries (Note 9.1.1)	202,022,299	289,903,871	273,247,006
	774,014,021	462,513,347	422,482,830
9.1.1 Amount due from Subsidiaries			
Rocell Bathware Ltd	-	138,054,568	265,847,830
Royal Ceramics Distributors (Pvt) Ltd	-	7,551,344	7,399,176
Ever Paint and Chemical Industries (Pvt) Ltd	202,022,299	144,297,959	-
	202,022,299	289,903,871	273,247,006

9.1.2 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2013, the ageing analysis of trade receivables is as follows:

	Total Rs.	Neither past due nor Impaired Rs.	Past due but not impaired		
			Less than 3 months Rs.	3-12 Months Rs.	More than 1 Year Rs.
Trade debtors	269,169,312	191,645,767	59,799,527	17,417,397	306,620
	269,169,312	191,645,767	59,799,527	17,417,397	306,620

9.1.3 Receivables - Other include Rs. 276,754,432/- Receivable on disposal of Asia Siyaka Commodities PLC on 28 March 2013.

Notes to the Financial Statements

9.2 Group

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Trade Debtors (Note 9.2.1)	876,910,041	475,895,023	375,126,280
Provision for Bad and Doubtful Debts (Note 9.2.2)	(11,286,943)	(1,321,491)	-
	865,623,098	474,573,532	375,126,280
Receivables - Other (Note 9.2.3)	309,602,876	40,084,334	12,026,859
	1,175,225,974	514,657,866	387,153,139

9.2.1 Trade receivables are non interest bearing and on 30 to 45 days credit terms. As at 31 March 2013, the ageing analysis of trade receivables is as follows:

	Total Rs.	Neither past due nor impaired Rs.	Past due but not impaired		
			Less than 3 Month Rs.	3 to 12 Moth Rs.	More than One Year Rs.
Trade Debtors	876,910,041	594,517,492	189,080,036	81,013,530	12,298,983
	876,910,041	594,517,492	189,080,036	81,013,530	12,298,983

9.2.2 Allowances for Doubtful Debts

As at 31 March 2013, Trade Receivable of an initial value of Rs. 11,286,943/- (2012 - Rs. 1,321,491/-) were impaired and fully provided for. The movement of the allowance for doubtful debt is given below.

	2013 Rs.	2012 Rs.
Balance at the beginning of the year	1,321,491	-
Amount provided during the year	9,965,452	1,321,491
Balance at the end of the year	11,286,943	1,321,491

9.2.3 Receivables - Other include Rs. 276,754,432/- Receivable on disposal of Asia Siyaka Commodities PLC on 28 March 2013.

10. OTHER FINANCIAL ASSETS

10.1 Non Current - Company/Group

Available for Sale Financial Investments - Non-Quoted

	Cost	Director Valuation	Cost	Director Valuation	Cost	Director Valuation
	2013 Rs.	2013 Rs.	2012 Rs.	2012 Rs.	As at 1 April 2011 Rs.	As at 1 April 2011 Rs.
Rocell Ceramics Limited	196,396,497	196,396,496	192,395,446	192,395,446	183,961,983	183,961,983
Rocell Property Limited	73,506	73,506	-	-	-	-
	196,470,003	196,470,003	192,395,446	192,395,446	183,961,983	183,961,983

10.2 Current - Company/Group

Investments Fair Value Through Profit or Loss-Quoted

	No. of Shares			Carrying Value		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Lanka Tiles PLC	2,397	2,397	2,397	166,591	156,045	314,247
Lanka Walltile PLC	2,100	2,100	2,100	117,390	147,000	357,000
L. B. Finance PLC	-	-	3,818,694	-	-	668,653,319
The Fortress Resorts PLC	336,100	14,012,450	13,676,350	5,041,500	241,014,140	343,276,385
Hayleys PLC	-	370,000	3,495,633	-	133,200,000	1,335,681,369
ACL Cables PLC	-	19,600	19,600	-	1,226,960	1,842,400
John Keells Hotels PLC	-	75	2,000,000	-	945	34,400,000
Aitken Spence PLC	225,000	225,000	225,000	26,910,000	25,357,500	36,517,500
Tokyo Cement PLC	-	263,500	13,500	-	7,114,500	594,000

Notes to the Financial Statements

10.2 Current - Company/Group (Contd.)

	No. of Shares		As at 1 April	Carrying Value		As at 1 April
	2013	2012	2011	2013	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
The Lanka Hospital Corporation PLC	45,519	475,800	475,800	1,593,165	15,511,080	21,315,840
Laugfs Gas PLC	-	-	587,300	-	-	26,076,120
Free Lanka Capital Holding PLC	-	-	5,320,000	-	-	25,129,020
Pan Asia Banking Corporation PLC	6,177,271	4,902,182	1,906,600	117,368,149	115,201,277	97,808,580
Central Finance Company PLC	-	-	30,100	-	-	38,338,370
Access Engineering PLC	2,000,000	2,000,000	-	39,400,000	53,400,000	-
Softlogic Finance PLC	1,042,200	1,042,200	-	26,576,100	28,868,940	-
Citrus Leisure PLC	2,768,276	1,497,100	-	53,427,727	44,763,290	-
Citrus Leisure PLC-Warrant 2015	10	10	-	25	77	-
Serendib Hotels PLC	16,000	3,905,500	-	379,200	96,856,400	-
Ascot Holdings PLC	30,000	-	-	4,719,000	-	-
Colombo Land and Development Company PLC	-	182,900	-	-	7,133,100	-
Ceylon Guardian PLC	-	66,752	-	-	15,419,711	-
Citrus Waskaduwa PLC	1,400,145	1,400,145	-	7,420,769	13,301,377	-
	-	-	-	283,119,616	798,672,342	2,630,304,150
Non-Quoted						
MBSL Insurance Company Limited	4,666,667	2,000,000	-	8,666,667	6,000,000	-
	-	-	-	8,666,667	6,000,000	-
	-	-	-	291,786,283	804,672,342	2,630,304,150

10.2 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 financial 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.

10.3 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 31 March	Total	Level 1	Level 2	Level 3
		Rs.	Rs.	Rs.	Rs.
Investments fair value through profit or loss	2013	291,786,282	283,119,615	-	8,666,667
Investments fair value through profit or loss	2012	804,672,342	798,672,342	-	6,000,000
Investments fair value through profit or loss	2011	2,630,304,150	2,630,304,150	-	-

Movement in Level 3 of Fair Value Hierarchy

	Balance as at	Additions	Disposals	Balance as at
	01 April 2012	Rs.	Rs.	31 March 2013
	Rs.			Rs.
Investment in Non Quoted Shares				
MBSL Insurance Company Limited	6,000,000	2,666,667	-	8,666,667
	6,000,000	2,666,667	-	8,666,667

Notes to the Financial Statements

11. STATED CAPITAL - COMPANY/GROUP

	2013		2012		2011	
	Number	Rs.	Number	Rs.	Number	Rs.
Balance as at 01 April	110,789,384	1,368,673,373	110,789,384	1,368,673,373	55,394,692	814,726,453
Issue of shares via capitalisation of reserves	-	-	-	-	55,394,692	553,946,920
Balance as at 31 March	110,789,384	1,368,673,373	110,789,384	1,368,673,373	110,789,384	1,368,673,373

Based on the resolution dated 30 December 2010, passed by the Board of Directors of the Company it was decided to capitalise reserves for the issue of 55,394,692 fully paid ordinary shares of Rs. 10/- each to the holders of ordinary shares of the Company as at end of trading on 10 January 2011, in the proportion of one new ordinary share for everyone existing ordinary share. Accordingly, a sum of Rs. 350,423,938/- out of the funds standing to credit of the Company's revaluation reserve and a sum of Rs. 203,522,982/- from revenue reserves have been capitalised during the year ended 31 March 2011.

12. RESERVES

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012	As at 1 April 2011
Summary						
Revaluation Reserve (Note 12.1)	213,634,264	-	-	513,494,300	100,734,594	100,734,594
Available for Sale Reserve (Note 12.2)	-	-	-	1,071,547	-	-
	213,634,264	-	-	514,565,847	100,734,594	100,734,594

12.1 Revaluation Reserve

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012	As at 1 April 2011
On: Property, Plant and Equipment						
As at 1 April	-	-	365,714,239	100,734,594	100,734,594	-
Revaluation of surplus during the year	239,627,012	-	-	497,589,762	-	466,448,833
Realised Surplus on Disposal Transferred to Retained Earnings	-	-	(15,290,301)	-	-	(15,290,301)
Capitalisation of Reserves	-	-	(350,423,938)	-	-	(350,423,938)
Tax effect of Items Transferred from Equity	(25,992,748)	-	-	(84,830,056)	-	-
As at 31 March	213,634,264	-	-	513,494,300	100,734,594	100,734,594

"The above revaluation surplus consists of net surplus resulting from the revaluation of property plant and equipment as described in Note 3.4 and 3.10. The unrealised amount cannot be distributed to shareholders."

12.2 Available for Sale Reserve

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012	As at 1 April 2011
As at 1st April	-	-	-	-	-	-
Transferred during the year	-	-	-	1,488,260	-	-
Tax effect of items Transferred from Equity	-	-	-	(416,713)	-	-
As at 31st March	-	-	-	1,071,547	-	-

13. INTEREST BEARING LOANS AND BORROWINGS - COMPANY

	2013 Amount Repayable Within 1 Year Rs.	2013 Amount Repayable After 1 Year Rs.	2013 Total Rs.	2012 Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Finance Leases (Note 13.1)	5,780,350	13,848,145	19,628,494	3,076,565	8,455,689	11,532,253	2,925,336	11,532,253	14,457,589
Long Term Loans (Note 13.2)	567,815,523	1,065,888,695	1,633,704,218	383,688,336	1,001,176,432	1,384,864,768	156,176,373	307,366,768	463,543,141
Short Term loans (Note 13.3)	227,310,837	-	227,310,837	146,751,566	-	146,751,566	136,951,545	-	136,951,545
Bank Overdraft (Note 17.2)	248,539,583	-	248,539,583	473,420,177	-	473,420,177	191,162,599	-	191,162,599
	1,049,446,293	1,079,736,840	2,129,183,133	1,006,936,643	1,009,632,121	2,016,568,764	487,215,853	318,899,021	806,114,874

13.1 Finance Leases

	As At 01.04.2011 Rs.	New Leases Obtained Rs.	Repayments Rs.	As At 31.03.2012 Rs.	New Leases Obtained Rs.	Repayments Rs.	As At 31.03.2013 Rs.
Commercial Bank of Ceylon PLC	15,813,917	-	(3,798,100)	12,015,817	15,705,489	(3,830,922)	23,890,384
LB Finance PLC	3,498,608	-	(1,049,616)	2,448,992	-	(1,049,616)	1,399,376
	19,312,525	-	(4,847,716)	14,464,809	15,705,489	(4,880,538)	25,289,760
Gross Liability	19,312,525	-	-	14,464,809	-	-	25,289,760
Finance Charges Allocated to Future Periods	(4,854,936)	-	-	(2,932,556)	-	-	(5,661,266)
Net liability	14,457,589	-	-	11,532,253	-	-	19,628,494
Payable within 1 year	2,925,336	-	-	3,076,565	-	-	5,780,350
Payable after 1 year before 5 years	11,532,253	-	-	8,455,689	-	-	13,848,144
	14,457,589	-	-	11,532,253	-	-	19,628,494

Security : Assets Leased

Notes to the Financial Statements

13.2 Long Term Loans

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2013 Rs.
Commercial Bank of Ceylon PLC	382,803,104	1,120,000,000	(151,138,336)	1,351,664,768	325,000,000	(487,588,814)	1,189,075,955
Hatton National Bank PLC	61,573,370	-	(28,373,370)	33,200,000	-	(20,040,000)	13,160,000
Hongkong and Shanghai Bank Corporation Limited	19,166,667	-	(19,166,667)	-	436,857,567	(5,389,304)	431,468,263
	463,543,141	1,120,000,000	(198,678,373)	1,384,864,768	761,857,567	(513,018,118)	1,633,704,218
Payable within 1 year	156,176,373	-	-	383,688,336	-	-	567,815,523
Payable after 1 year before 5 year	307,366,768	-	-	1,001,176,432	-	-	1,065,888,695
	463,543,141	-	-	1,384,864,768	-	-	1,633,704,218

Details of the Long Term Loans;

Details of the Long Term Loans of the company are given in note no 13.8

13.3 Short Term Loans

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2013 Rs.
Commercial Bank of Ceylon PLC	114,682,072	337,575,137	(320,017,081)	132,240,128	390,047,191	(358,278,031)	164,009,287
Seylan Bank PLC	12,715,000	17,611,000	(19,132,000)	11,194,000	7,697,000	(18,891,000)	-
Hongkong and Shanghai Bank Corporation Limited	9,554,473	56,822,004	(63,059,039)	3,317,438	118,440,674	(116,211,591)	5,546,522
MCB Bank Limited	-	-	-	-	85,028,260	(27,273,232)	57,755,028
	136,951,545	412,008,141	(402,208,120)	146,751,566	601,213,125	(520,653,854)	227,310,837

For the Year ended 31st March 2013

13.4 Interest Bearing Liabilities - Group

	2013		2012		2012		2011		2011
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	Repayable	Repayable	2013	Repayable	Repayable	2012	Repayable	Repayable	2011
	Within 1 Year	After 1 Year	Total	Within 1 Year	After 1 Year	Total	Within 1 Year	After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Finance Leases & Hire Purchases (13.5)	13,786,411	29,871,328	43,657,739	9,133,670	20,895,011	30,028,681	9,337,673	26,215,777	35,553,450
Long Term Loans (13.6)	808,212,415	1,556,357,269	2,364,569,684	673,222,056	1,561,890,905	2,235,112,961	424,248,854	968,733,879	1,392,982,733
Short Term loans (13.7)	765,369,645	-	765,369,645	493,416,699	-	493,416,699	462,445,488	-	462,445,488
Bank Overdraft (17.2)	990,853,031	-	990,853,031	1,341,398,640	-	1,341,398,640	574,954,525	-	574,954,525
	2,578,221,502	1,586,228,597	4,164,450,099	2,517,171,065	1,582,785,916	4,099,956,981	1,470,986,540	994,949,656	2,465,936,196

13.5 Finance Leases

	As At	New Leases/			New Leases/			As At
	01.04.2011	On Acquisition	Hire Purchases	Repayments	As At	Hire Purchases	Repayments	31.03.2013
	Rs.	of Subsidiary	Obtained	Rs.	31.03.2012	Obtained	Rs.	Rs.
		Rs.	Rs.		Rs.	Rs.		
Commercial Bank of Ceylon limited	43,713,301	-	-	(13,003,501)	30,709,800	34,842,741	(12,597,480)	52,955,061
LB Finance PLC	3,498,608	-	-	(1,049,616)	2,448,992	-	(1,049,616)	1,399,376
People Leasing Co PLC	-	3,228,568	512,000	(1,757,256)	1,983,312	-	(1,523,766)	459,546
People Leasing Finance PLC	-	2,938,983	1,185,075	(1,610,791)	2,513,267	-	(1,292,856)	1,220,411
	47,211,909	6,167,551	1,697,075	(17,421,164)	37,655,371	34,842,741	(16,463,718)	56,034,394
Gross Liability	47,211,909				37,655,371			56,034,394
Finance Charges Allocated to Future Periods	(11,658,459)	-	-	-	(7,626,690)	-	-	(12,376,655)
Net liability	35,553,450	-	-	-	30,028,681	-	-	43,657,739
Payable within 1 year	9,337,673	-	-	-	9,133,670	-	-	13,786,411
Payable after 1 year before 5 years	26,215,777	-	-	-	20,895,011	-	-	29,871,328
	35,553,450	-	-	-	30,028,681	-	-	43,657,739

Security : Assets Leased

Terms of Payment : 24 - 48 Installments

Notes to the Financial Statements

13.6 Long Term Loans

	As At 01.04.2011 Rs.	On Acquisition of Subsidiary Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2012 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2013 Rs.
Commercial Bank of Ceylon PLC	962,187,984	-	1,203,378,859	(343,069,056)	1,822,497,787	502,600,000	(670,231,534)	1,654,866,254
Hatton National Bank PLC	370,068,082	-	2,760,463	(110,213,370)	262,615,175	-	(116,880,000)	145,735,175
DFCC Bank PLC	41,560,000	6,686,937	108,440,000	(6,686,937)	150,000,000	-	(17,500,007)	132,499,993
HSBC Limited	19,166,667	0	-	(19,166,667)	0	436,857,567	(5,389,304)	431,468,263
	1,392,982,733	6,686,937	1,314,579,322	(479,136,030)	2,235,112,962	939,457,567	(810,000,845)	2,364,569,685
Payable within 1 year	424,248,854	-	-	-	673,222,056	-	-	808,212,415
Payable after 1 year	968,733,879	-	-	-	1,561,890,905	-	-	1,556,357,269
	1,392,982,733	-	-	-	2,235,112,961	-	-	2,364,569,684

Details of long term loans;

Details of the long term loans of the Group are given in Note No.13.8

13.7 Short term Loans

	As At 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2012 Rs.	Loans Obtained Rs.	Repayments Rs.	As At 31.03.2013 Rs.
Commercial Bank of Ceylon PLC	180,165,238	744,007,772	(666,317,924)	257,855,086	1,010,832,777	(807,576,182)	461,111,680
Seylan Bank PLC	36,569,000	43,052,000	(60,659,000)	18,962,000	19,091,000	(35,715,000)	2,338,000
Hatton National Bank PLC	-	21,737,000	(20,867,000)	870,000	2,895,000	(870,000)	2,895,000
MCB Bank	-	-	-	-	85,028,260	(27,273,232)	57,755,028
DFCC Bank PLC	-	-	-	-	69,547,316	(51,852,363)	17,694,953
Standard Chartered Bank Limited	216,536,685	900,544,402	(904,668,912)	212,412,175	963,557,730	(957,941,443)	218,028,462
Bank of Ceylon	4,716,288	4,596,538	(9,312,826)	-	-	-	-
HSBC Limited	24,458,277	85,181,941	(106,322,780)	3,317,438	122,534,991	(120,305,907)	5,546,521
	462,445,488	1,799,119,653	(1,768,148,442)	493,416,698	2,273,487,074	(2,001,534,128)	765,369,645

13.8 Interest Bearing Loans and Borrowings

Details of the Long Term Loans;

Lender	Approved Facility	Repayment Terms	Security	Security Amount
Company: Royal Ceramics Lanka PLC				
Hatton National Bank PLC	Rs 100 Million	59 equal monthly installments of Rs 1.67 Mn each & final installment of Rs 1.47 Mn	Primary Floating Mortgage bond over plant & machinery & land at Eheliyagoda	100 Mn
Commercial Bank of Ceylon PLC	Rs 185 Million	65 equal monthly installments with one year grace period from August 2008	Tripartite agreement between the Company, Bank and the Share broker Over 10.5 Mn Shares of LB Finance PLC	60 Mn
			Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery & the machinery to be imported.	60Mn
Commercial Bank of Ceylon PLC	Rs 300 Million	48 equal monthly installment commencing from January 2011	Tripartite Agreement with company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC	300Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	300Mn
Commercial Bank of Ceylon PLC	Rs. 500 Million	60 equal monthly installment commencing from February 2012. 59 equal monthly installment of Rs 8,335,000 each and final installment of Rs. 8,235,000	Tripartite Agreement with company, share broker & the Bank over 10.50 Mn shares of LB Finance PLC	500Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	500Mn
Commercial Bank of Ceylon PLC	Rs. 620 Million	47 equal monthly installment commencing from 2/1/2012 of Rs 12,916,000.00 each and a final installment of Rs 12,948,000.00	Simple deposit of 100,001 (20.01% stake) of Lewis Brown & Company	620Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	620Mn
Commercial Bank of Ceylon PLC	Rs 200 Million	59 equal monthly installment commencing from October 2012	Simple deposit of 132.6Mn shares of Asia Siyaka Commodities PLC	200Mn
			Corporate guarantee of Royal Porcelain (Pvt) Ltd	200Mn

Notes to the Financial Statements

Lender	Approved Facility	Repayment Terms	Security	Security Amount
Commercial Bank of Ceylon PLC	Rs 175 Million	48 equal monthly installment commencing from October 2012	174.9Mn in mortgage over properties at Baddegadaramulla, Meegoda, No 101, Nawala Road, Nawala and No 472, Highlevel Road Kottawa	175Mn
Commercial Bank of Ceylon PLC	Rs 41 Million	48 equal monthly installment commencing from October 2012	Corporate guarantee of Royal Porcelain (Pvt) Ltd Primary mortgage bond for 41Mn over the Polishing line	175Mn 41Mn
HSBC Bank	USD 4 Million	60 equal monthly installments of USD 66,666.66 with six month grace period from February 2013	Corporate guarantee of Royal Porcelain (Pvt) Ltd Pari-Pasu Concurrent Primary Mortgage Bond (between HNB & HSBC) over the manufacturing plant in Eheliyagoda of Royal Ceramics Lanka PLC.	41Mn USD 4 Mn
Company : Royal Porcelain (Pvt) Ltd				
Commercial Bank of Ceylon PLC	Rs. 55 Million	60 equal monthly installments commencing from April 2008	Primary Mortgage bond over 2 Ball Mills & Batch Feeder. Corporate guarantee of Royal Ceramics Lanka PLC	Rs 55 Mn
Commercial Bank of Ceylon PLC	Rs 14 Million	60 equal monthly installments commencing from April 2008	Primary mortgage bond over Dedusting System & vacuum Cleaner Corporate guarantee of Royal Ceramics Lanka PLC	Rs 14 Mn Rs 14 Mn
Commercial Bank of Ceylon PLC	Rs 15 Million	60 equal monthly installments commencing from June 2008	Corporate guarantee of Royal Ceramics Lanka PLC	Rs 15 Mn
Commercial Bank of Ceylon PLC	Rs 150 Mn	48 equal monthly installments with three months grace period commencing from May-2009	Corporate guarantee of Royal Ceramics Lanka PLC	Rs 150 Mn
Commercial Bank of Ceylon PLC	Rs 100 Mn	59 equal monthly installments with three months grace period commencing from first drawn	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein	Rs 100 Mn Rs 100 Mn

Lender	Approved Facility	Repayment Terms	Security	Security Amount
Commercial Bank of Ceylon PLC	Rs 280Mn	59 equal monthly installments of Rs 4.67 Mn each & final installment of Rs 4.47 Mn commencing from November 2011	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 280Mn
Hatton National Bank PLC	Rs. 75Mn	60 equal monthly installments with twelve months grace period commencing from the last disbursement or five months from first disbursement	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein.	Rs 75Mn Rs. 75Mn
DFCC Bank PLC	Rs 150Mn	60 equal monthly installments with Eighteen months grace period commencing from October - 2012	Corporate Guarantee from Royal Ceramics Lanka PLC Pari-Pasu Concurrent Registered Primary Floating Mortgage Bond (between HNB & DFCC) over the factory premises of RPL in Horana together with existing machinery therein.	Rs 150Mn Rs 150Mn
Commercial Bank of Ceylon PLC	Rs. 80Mn	59 equal monthly installments with three months grace period commencing from December - 2011	Corporate Guarantee from Royal Ceramics Lanka PLC	Rs 80Mn
Commercial Bank of Ceylon PLC	Rs 56 Mn	59 equal monthly installments of Rs 935,000.00 each and a final payment installment of Rs 835,000.00	Primary mortgage of Rs 56Mn to be executed over Line Sorting Palertizer Machine Corporate Guarantee from Royal Ceramics Lanka PLC	
Commercial Bank of Ceylon PLC	Rs 67Mn	59 equal monthly installments of Rs 1,100,000 each and a final installment of Rs 2,100,000.00	Primary mortgage of Rs 67Mn to be executed over Tile Printing Machine Corporate Guarantee from Royal Ceramics Lanka PLC	

Notes to the Financial Statements

Lender	Approved Facility	Repayment Terms	Security	Security Amount
Company : Rocell Bathware Limited				
Commercial Bank of Ceylon PLC	Rs. 150 Million	66 installments with grace period of 15 months commencing from December 2008	Primary concurrent mortgage bond with HNB over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs. 150Mn
Hatton National Bank PLC	Rs. 300 Million	66 installments with grace period of 15 months commencing from July 2008	Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn
			Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs.300 Mn
Hatton National Bank PLC	Rs 150 Million	66 installment with grace period of 15 months commencing from March 2009	Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 300 Mn
			Concurrent Mortgage bond with Commercial bank over Lease hold property at Templeburg Industrial Estate, Panagoda, Building & machinery	Rs 150 Mn
			Corporate guarantee of Royal Ceramics Lanka PLC	Rs. 150 Mn
Company: Ever Paint and Chemical Industries (Pvt) Ltd				
Commercial Bank of Ceylon PLC	Rs 100 Million	59 equal installments of Rs 1.65 Mn and a final installment of Rs 2.65 Mn	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	
			Corporate guarantee of Royal Ceramics Lanka PLC	Rs 100 Mn

14. RETIREMENT BENEFIT OBLIGATIONS

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Retirement Benefit Obligation as at the beginning of the year	104,916,609	80,212,662	61,260,542	132,827,897	100,788,774	76,911,968
Interest Cost	10,491,661	8,021,266	-	13,305,365	10,078,877	-
Current Service cost	11,061,688	11,427,205	21,248,690	23,386,338	13,789,053	26,519,833
Benefits Paid	(2,935,073)	(3,107,094)	(2,296,570)	(12,125,061)	(4,137,630)	(2,643,026)
Actuarial (Gain)/Loss	597,124	8,362,570	-	402,589	11,053,741	-
On acquisition of Subsidiary	-	-	-	36,679,782	1,255,082	-
Disposal of Subsidiary	-	-	-	(37,204,379)	-	-
Retirement Benefit Obligation as at the end of the year	124,132,009	104,916,609	80,212,662	157,272,531	132,827,897	100,788,775

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 2013 and as at 31st March 2012. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2013	2012	2011
Discount rate assumed (%)	10% p.a	10% p.a	10% p.a
Salary increase (%)	10% p.a	10% p.a	10% p.a
Staff Turn Over	10% p.a	10% p.a	10% to 15% p.a

The demographic assumption underlying the valuation is retirement age -Males 55 years, females 50 years for the above 3 years.

15. TRADE AND OTHER PAYABLES

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Trade Creditors	80,590,909	51,716,683	30,007,801	273,704,650	185,293,678	158,216,427
Payables - Other	114,907,168	95,117,112	78,741,145	127,251,855	119,117,149	94,818,017
Sundry Creditors Including Accrued Expenses	84,486,334	77,397,768	314,950,495	145,142,767	87,391,252	323,152,285
Payables to Related Parties (Note 15.1)	598,001,952	748,900,579	914,473,868	-	-	-
	877,986,364	973,132,142	1,338,173,309	546,099,272	391,802,079	576,186,729

Notes to the Financial Statements

15.1 Payables to Related Parties

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Royal Porcelain (Pvt) Ltd	451,910,160	748,900,579	914,473,868			
Rocell Bathware Ltd	146,091,793					
	598,001,952	748,900,579	914,473,868			

16. OTHER NON FINANCIAL LIABILITIES

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Provision	44,748,758	37,952,966	29,415,544	68,414,787	55,757,047	42,147,895
Advances	16,338,890	20,845,777	15,066,971	75,242,156	59,867,043	39,320,306
Other	29,025,452	19,739,473	20,994,987	115,791,567	81,350,175	72,503,381
	90,113,100	78,538,216	65,477,502	259,448,510	196,974,266	153,971,582

17. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

	Company			Group		
	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Components of Cash and Cash Equivalents						
17.1 Favorable Cash & Cash Equivalent Balances						
Cash & Bank Balances	178,036,925	85,876,048	46,992,243	240,537,592	121,273,927	61,167,881
17.2 Unfavorable Cash & Cash Equivalent Balances						
Bank Overdraft	(248,539,583)	(473,420,177)	(191,162,599)	(990,853,031)	(1,341,398,639)	(574,954,525)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(70,502,658)	(387,544,129)	(144,170,356)	(750,315,439)	(1,220,124,712)	(513,786,644)

18. REVENUE

18.1 Summary

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Sales - Export	120,426,930	119,200,432	268,609,404	211,175,907
- Local	2,428,428,728	2,301,713,264	8,189,948,271	7,545,521,062
Gross	2,548,855,658	2,420,913,695	8,458,557,675	7,756,696,969
Less: Sales Taxes - Value Added Tax	(252,561,122)	(242,000,313)	(847,153,714)	(800,586,519)
Revenue	2,296,294,536	2,178,913,382	7,611,403,961	6,956,110,450
18.2 Goods and Services Analysis				
Sale of Goods	2,296,294,536	2,178,913,382	7,611,403,961	6,956,110,450

The revenue of the Group/Company is entirely consist of revenue generated from sale of Goods.

19. OTHER INCOME AND GAINS

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Income from Investments with Related Parties - Non Quoted	1,380,564,746	1,800,000,000	-	-
Service Fee Income - Related Parties	3,999,996	132,000,000	-	-
Rent income - related Parties	4,493,572	53,572	-	-
Profit/(Loss) on Disposal of Property, Plant & Equipment	850,552	4,031,474	(215,311)	4,031,474
Sundry Income	5,672,397	1,818,912	8,892,459	4,022,975
	1,395,581,262	1,937,903,958	8,677,148	8,054,450

Notes to the Financial Statements

20. FINANCE COST AND INCOME

20.1 Finance Cost

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Interest Expense on Overdrafts	53,939,231	18,731,699	158,833,128	71,085,226
Interest Expense on Loans & Borrowings	227,216,112	127,731,221	397,254,895	250,803,170
Finance Charges on Lease Liabilities	1,476,778	1,922,384	5,392,341	6,231,560
Net loss on Financial Assets at fair value through profit or loss	81,921,951	686,256,346	81,921,951	686,256,346
	364,554,072	834,641,650	643,402,315	1,014,376,302

20.2 Finance Income

Interest Income	955,031	272,525	1,438,291	859,411
Dividend on Long Term and Current Investment	13,398,487	26,733,210	13,398,487	26,733,210
Profit on Disposal of Financial Assets at fair value through profit or loss	15,411,385	164,036,806	15,411,385	164,036,806
	29,764,903	191,042,541	30,248,163	191,629,427

21. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Stated after Charging /Crediting				
Included in Cost of Sales				
Depreciation	35,923,101	26,913,301	316,923,534	288,390,322
Employee Benefits including the following	207,385,381	200,818,405	516,706,255	470,237,653
- Defined Benefit Plan Costs -Gratuity	6,049,294	17,132,229	13,376,991	24,622,964
- Defined Contribution Plan Costs - EPF & ETF	15,316,496	13,337,565	37,298,866	33,179,694
Export duty rebate	(2,088,567)	(1,242,696)	(7,545,300)	(2,102,405)
Included in Administrative Expenses				
Depreciation	21,946,693	21,385,391	21,964,633	21,403,331
Employee Benefits including the following	137,479,863	120,981,876	161,069,344	123,531,780
- Defined Benefit Plan Costs -Gratuity	9,845,298	5,821,459	9,996,406	5,752,518
- Defined Contribution Plan Costs - EPF & ETF	14,835,641	11,996,494	15,792,715	12,270,675

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Loss on translation of foreign currency	(5,624,868)	4,730,265	(11,642,376)	8,907,806
Included in Selling and Distribution Costs				
Depreciation	59,811,118	49,360,862	93,286,987	78,222,299
Damage Stocks net of insurance claims received	6,193,095	3,061,780	13,222,971	8,022,556
Sales Promotion	118,359,353	71,533,873	146,501,955	78,288,490
Employee Benefits including the following	159,478,837	191,381,053	210,755,158	191,698,472
- Defined Benefit Plan Costs -Gratuity	6,255,931	4,857,353	6,277,285	4,546,189
- Defined Contribution Plan Costs - EPF & ETF	12,505,616	10,504,929	13,196,506	11,184,325

22. INCOME TAX EXPENSE

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
22.1 The major components of income tax expense for the years ended 31 March are as follows :				
Statement of Income				
Current Income Tax				
Current Income Tax charge	181,128	8,637,592	16,683,506	85,939,216
Under/(Over) Provision of current taxes in respect of prior years	4,452,564	-	4,447,787	-
Share of Associate Company Income Tax	-	-	230,458,506	
	4,633,692	8,637,592	251,589,799	85,939,216
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 22.5)	(72,357,980)	7,078,889	(148,336,723)	(32,564,433)
Income tax expense reported in the income statement	(67,724,288)	15,716,481	103,253,076	53,374,783
Statement of Comprehensive Income				
Deferred Income Tax related to items charged or credited directly to comprehensive income :				
Net gain on revaluation of buildings	25,992,748		84,830,056	
Income tax expense reported in comprehensive income	25,992,748		84,830,056	

Notes to the Financial Statements

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

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Accounting Profit (Profit before Taxation)	918,762,420	1,270,330,880	1,739,252,273	1,296,656,722
Share of results of associates	-	-	(559,373,190)	(81,405,573)
	918,762,420	1,270,330,880	1,179,879,082	1,215,251,149
Exempt Profit	(1,409,374,619)	(2,095,799,321)	(3,089,635,841)	(2,039,147,293)
Non deductible expenses	325,663,299	1,005,983,254	336,520,940	1,010,746,790
Deductible expenses	(184,731,625)	(148,993,601)	(207,685,813)	(153,433,286)
Interest Income	955,031	272,525	1,438,291	859,411
Rent Income	4,480,179	40,179	4,480,179	40,179
Taxable Income	(344,245,315)	31,833,916	(1,775,003,161)	34,310,896
Income Tax on Profit of the local sales @ 28%	181,128	8,430,664	16,683,506	8,465,228
Income Tax on Profit of the export sales @ 12%	-	206,929	-	206,929
Income Tax on Profit @ 10%	-	-	-	235,354
Current and Deferred Tax share of Associates	-	-	214,454,047	36,750,937
Charge/(Reversal) of Deferred Tax (Note 22.5)	(72,357,980)	7,078,888	(132,332,263)	7,716,335
Adjustment of taxes in respect of prior years	4,452,564	-	4,447,787	-
	(67,724,288)	15,716,481	103,253,077	53,374,783

22.3 Deferred Tax Assets

Statement of Financial Position

	Group		As at 1 April 2011 Rs.
	2013 Rs.	2012 Rs.	
At the beginning of the year			
Charge/(Reversal) during the year	19,057,694		
At the end of the year	19,057,694		
The closing net deferred tax assets relate to the following;			
Capital allowances for tax purposes	11,455,324		
Defined Benefit Obligation	7,602,370		
	19,057,694		

22.4 Deferred Tax Liability

	Company			Group		
	2013	2012	As at 1st April 2011 Rs.	2013 Rs.	2012 Rs.	As at 1st April 2011 Rs.
Statement of financial position						
At the beginning of the year	68,634,654	61,555,765	82,272,745	69,272,102	61,555,765	82,272,745
Recognized in profit or loss	(72,357,980)	-	-	(67,035,151)	-	-
Recognized in other comprehensive Income	25,992,748	7,078,889	(20,716,981)	38,590,638	7,716,337	(20,716,981)
At the end of the year	22,269,422	68,634,654	61,555,764	40,827,588	69,272,102	61,555,764
The closing net deferred tax liability relate to the following;						
Capital allowances for tax purposes	144,662,728	97,171,972	83529878	164,157,175	97,935,506	83,529,878
Defined Benefit Obligation	(33,763,906)	(28,537,318)	(21974113)	(34,700,187)	(28,663,405)	(21,974,113)
Unutilised tax losses	(88,629,400)	-	-	(88,629,400)	-	-
	22,269,422	68,634,654	61,555,765	40,827,588	69,272,101	61,555,765
22.5 Statement of Income						
Deferred tax expense/(reversal) arising from;						
Capital allowances for tax purposes	21,498,008	13,642,094	(19,203,889)	(30,063,711)	14,405,629	(19,203,889)
Defined Benefit Obligation	(5,226,588)	(6,563,205)	(1,513,092)	(13,639,152)	(6,689,293)	(1,513,092)
Unutilised tax losses	(88,629,400)	-	-	(88,629,400)	-	-
	(72,357,980)	7,078,889	(20,716,981)	(132,332,263)	7,716,336	(20,716,981)
Share of Associate Company Deferred Tax	-	-	-	(16,004,460)	(40,280,769)	-
Total Deffered Tax Charge/(Reversal) for the year	(72,357,980)	7,078,889	(20,716,981)	(148,336,723)	(32,564,433)	(20,716,981)

Deferred tax has been computed at 28% for all standard rate companies and at 12% for export sale business other than Rocell Bathware Limited 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.

Notes to the Financial Statements

23. DISCONTINUED OPERATION

The Company has disposed its 51% stake of Asia Siyaka Commodities PLC on 28th of March 2013 at Rs. 369,005,910. The result of Asia Siyaka Commodities PLC for the year, together with the gain/(loss) on disposal of such ownership interest are presented below.

	Company Rs.
Total Sales Proceeds	369,005,910
Carrying Value of Investment	(337,620,000)
Net Profit from Discontinued Operation	31,385,910
Result of Discontinued Operation	
Revenue	459,711,478
Expenses	(323,951,946)
Result from operating activities	135,759,532
Taxation	[16,979,415]
Result from operating activities after tax	118,780,117
Loss on disposal of subsidiary	[27,661,948]
Net Profit for the Year	91,118,169
Earning per share from discontinued operation	0.82
Cash flows from/(Used in) discontinued operation	
Net Cash used in Operating Activities	(407,289)
Net Cash Used in Investing Activities	(4,145,514)
Net Cash from Financing Activities	-
Net Cash flows for the year	(4,552,803)
Effect of disposal on the financial position of the Group	
Cash in hand and at bank	32,661,154
Trade and Other Receivables	1,123,000,735
Other Investments	6,704,000
Inventories	2,010,189
Intangible Assets	1,013,731
Property, Plant and equipment	347,589,542
Client Finance Facility	(386,879,097)
Bank Overdraft	(25,954,539)
Trade and Other payables	(457,420,197)
Income Tax Payable	(6,190,079)
Deferred Tax Liability	(10,813,956)
Retirement benefit Obligation	(37,204,379)
Total Net Assets	588,517,103
Net Assets Disposed (51% stake)	300,143,722
Goodwill	96,524,136
	396,667,858
Loss on disposal of subsidiaries	[27,661,948]
	369,005,910
Total Sales Proceeds*	92,251,478
Cash and cash equivalents of subsidiary disposed	(6,706,615)
Net Cash In flow	85,544,863

*Out of the disposal value of Rs. 369,005,910/-, Rs. 276,754,432/- has been received subsequent to 31 March 2013.

24. EARNINGS PER SHARE

24.1 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.

24.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

Amount Used as the Numerator:	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Net Profit for the year attributable to equity holders of the parent from continuing operations	986,486,708	1,254,614,399	1,635,999,196	1,243,281,940
Net Profit for the year attributable to equity holders of the parent from discontinued operations	31,385,910	-	34,385,911	-
	1,017,872,618	1,254,614,399	1,670,385,108	1,243,281,940

	2013	2012	2013	2012
Number of Ordinary Shares Used as the Denominator:	Number	Number	Number	Number
Weighted Average number of Ordinary Shares in issue Applicable to basic Earnings Per Share	110,789,384	110,789,384	110,789,384	110,789,384

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

25. DIVIDEND PER SHARE

	Company & Group	
	2013 Rs.	2012 Rs.
2nd Interim Dividend for 2010/2011 : Rs. 1.00 per share	-	110,789,384
Final Dividend for 2010/2011 : Rs. 1.00 per share	-	110,789,384
1st Interim Dividends for 2011/12: Rs. 2.00 per share	-	221,578,768
1st Interim Dividends for 2012/13: Rs. 2.00 per share	221,578,768	-
Total Gross Dividends	221,578,768	443,157,536
No of shares	110,789,384	110,789,384
Total Dividend per Share	2.00	4.00

Notes to the Financial Statements

26. 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 following reportable segments::

- Tiles - Paints - Other
- Sanitary ware - Finance
- Brokering and related warehousing (discontinued)

The following tables present revenue and profit and certain assets and liability information regarding the Group'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		Sanitaryware		Paints	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Revenue						
Sales to external customers	6,453,857,547	5,915,060,905	1,081,906,770	897,368,049	75,639,644	143,681,496
Total Revenue	6,453,857,547	5,915,060,905	1,081,906,770	897,368,049	75,639,644	143,681,496
Results						
Gross Profit	2,917,383,024	2,969,887,347	421,479,251	287,627,990	2,738,082	34,876,529
Other Income	10,860,801	6,912,976	(680,853)	508,260	1,497,200	633,214
Distribution Expenses	(1,027,761,795)	(817,367,592)	(47,939,245)	(20,286,690)	(39,058,447)	(25,737,671)
Administration Expenses	(408,548,363)	(374,216,292)	(21,970,625)	(18,441,360)	(11,965,797)	(6,398,686)
Finance Costs	(600,205,320)	(977,191,737)	(40,703,133)	(35,404,260)	(2,493,862)	(1,780,305)
Finance Income	110,792,985	191,505,984	-	-	19,925	123,443
Share of Associate Company's Profit						

Brokering & Related Warehousing (Discontinued)		Finance		Other		Total segments		Elimination of Inter Segment		Consolidated	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
459,711,478						8,071,115,438	6,956,110,450	(459,711,478)		7,611,403,961	6,956,110,450
459,711,478								(459,711,478)	-	7,611,403,961	6,956,110,450
451,969,680						3,793,570,037	3,292,391,866	(451,969,680)		3,341,600,357	3,292,391,866
2,666,014						14,343,162	8,054,450	(5,666,014)		8,677,148	8,054,450
(21,686,926)						(1,136,446,411)	(863,391,953)	21,686,926		(1,114,759,486)	(863,391,953)
(237,057,027)						(679,541,812)	(399,056,338)	237,057,027		(442,484,785)	(399,056,338)
(64,585,628)						(707,987,943)	(1,014,376,302)	64,585,628		(643,402,315)	(1,014,376,302)
1,453,419						112,266,329	191,629,427	(82,018,165)		30,248,163	191,629,427
		654,238,404	69,016,343	(94,865,213)	12,389,230	559,373,190	81,405,573			559,373,190	81,405,573

Notes to the Financial Statements

26. SEGMENT INFORMATION AND REVENUE (Contd.)

	Tiles		Sanitaryware		Paints	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Profit Before Tax	1,002,521,331	999,530,686	310,185,395	214,003,940	(49,262,898)	1,716,524
Tax Expense	133,021,400	(15,716,481)	(12,253,009)	-	(9,567,421)	(907,365)
Net Profit for the year from continuing operations	1,135,542,732	983,814,205	297,932,386	214,003,940	(58,830,319)	809,159
profit after tax from discontinued operations	31,385,910					
Net Profit for the year	1,166,928,642	983,814,205	297,932,386	214,003,940	(58,830,319)	809,159
Assets and Liabilities						
Segment Assets	12,472,192,374	10,885,312,242	2,453,616,089	2,183,165,609	304,538,122	180,552,301
Total Assets	12,472,192,374	10,885,312,242	2,453,616,089	2,183,165,609	304,538,122	180,552,301
Segment Liabilities	4,868,495,212	4,559,503,483	377,903,095	485,606,046	364,025,984	181,209,845
Total Liabilities	4,868,495,212	4,559,503,483	377,903,095	485,606,046	364,025,984	181,209,845
Other Segment Information						
Property, Plant & Equipment acquired on cash	1,037,934,665	402,987,650	28,442,365	20,005,097	78,520,378	19,518,891
Depreciation	330,711,998	289,725,977	98,080,815	94,977,641	6,224,168	3,312,334
Provisions and employee benefit liabilities during the year	28,063,318	33,757,551	1,135,900	1,396,391	451,414	(232,270)

Brokering & Related Warehousing (Discontinued)		Finance		Other		Total segments		Elimination of Inter Segment		Consolidated	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
132,759,532		654,238,404	69,016,343	(94,865,213)	12,389,230	1,955,576,551	1,296,656,723	(216,324,278)		1,739,252,273	1,296,656,722
(16,979,415)		(213,336,137)	(22,244,650)	(1,117,910)	(14,506,287)	(120,232,491)	(53,374,783)	16,979,415		(103,253,076)	(53,374,783)
115,780,117		440,902,267	46,771,693	(95,983,123)	(2,117,057)	1,835,344,060	1,243,281,940	(199,344,864)		1,635,999,197	1,243,281,940
				91,118,169		122,504,079	-	(31,385,910)		91,118,169	
115,780,117	-	451,416,101	46,771,693	(4,864,955)	(2,117,057)	1,957,848,139	1,243,281,940	(230,730,774)	-	1,727,117,365	1,243,281,940
1,512,979,351						16,743,325,935	13,249,030,152	(3,126,077,196)	(1,792,689,949)	13,617,248,739	11,456,340,203
1,512,979,351						16,743,325,935	13,249,030,152	(3,126,077,196)	(1,792,689,949)	13,617,248,739	11,456,340,203
924,462,248						6,534,886,539	5,226,319,374	(1,319,107,565)	(308,811,346)	5,215,778,973	4,917,508,028
924,462,248						6,534,886,539	5,226,319,374	(1,319,107,565)	(308,811,346)	5,215,778,973	4,917,508,028
4,445,547						1,149,342,955		(4,445,547)		1,144,897,408	442,511,638
26,068,013						461,084,994		(26,068,013)		435,016,981	388,015,952
7,443,660						37,094,292		(7,443,660)		29,650,632	34,921,672

Notes to the Financial Statements

26. SEGMENT INFORMATION AND REVENUE (Contd.)

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

	2013 Rs.	2012 Rs.
Reconciliation of Revenue		
Segment Revenue	8,071,115,438	6,956,110,450
Revenue of discontinued segment	(459,711,478)	-
Group Revenue	7,611,403,961	6,956,110,450
Reconciliation of Finance Costs		
Segment Finance Costs	(707,987,943)	(1,014,376,302)
Finance Costs of discontinued segment	64,585,628	-
Group Finance Costs	(643,402,315)	(1,014,376,302)
Reconciliation of Income Tax Expense		
Segment Income Tax Expense	(120,232,491)	(53,374,783)
Income Tax Expense of discontinued segment	16,979,415	-
Group Income Tax Expense	(103,253,076)	(53,374,783)
Reconciliation of Net Profit for the year from continuing operations		
Segment Net Profit for the year from continuing operations	1,835,344,060	1,243,281,940
Net Profit for the year from continuing operations of discontinued segment	(115,780,117)	-
Inter-segment dividend income (elimination)	(80,564,747)	-
Inter-segment service fee income (elimination)	(3,000,000)	-
Group Net Profit for the year from continuing operations	1,635,999,196	1,243,281,940

	2013 Rs.	2012 Rs.
Reconciliation of Net Profit for the year		
Segment Net Profit for the year	1,957,848,139	1,243,281,940
Net Profit of discontinued segment	(115,780,117)	-
Gain from sale of discontinued operations	(31,385,910)	-
Inter-segment dividend income (elimination)	(80,564,747)	-
Inter-segment service fee income (elimination)	(3,000,000)	-
Group Net Profit for the year	1,727,117,365	1,243,281,940
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	16,743,325,935	13,249,030,152
assets of discontinued operations	(1,512,979,351)	-
Investment in subsidiaries (elimination)	(1,528,533,239)	(1,528,533,239)
Inter company balances (elimination)	(394,645,318)	(308,811,346)
Share of associate company's accumulated profit net of dividend received (elimination)	310,080,711	44,654,636
Group assets	13,617,248,739	11,456,340,203
Reconciliation of Liabilities		
Segment Liabilities	6,534,886,539	5,226,319,374
Liabilities of discontinued operations	(1,212,835,630)	-
Minority interest of discontinued operations	288,373,382	-
Inter company balances (elimination)	(394,645,318)	(308,811,346)
Group Liabilities	5,215,778,973	4,917,508,028

Notes to the Financial Statements

27. BUSINESS COMBINATIONS

On 1 April 2012, the company has acquired 51% of the voting shares of Asia Siyaka Commodities PLC incorporated and domiciled in Sri Lanka. At the date of the acquisition Asia Siyaka Commodities PLC held 100% equity holding of Asia Siyaka Warehousing (Pvt) Ltd. The Group acts as Tea Brokers, Rubber Brokers, Produce Brokers, Auctioneers, Appraisers, Valuers, Commission Agents and General Agents.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Asia Siyaka Commodities PLC together with its subsidiaries. as at the date of acquisition were;

	Fair Value as at 01.04. 2012 Rs.
Assets	
Property, Plant & Equipment	369,212,008
Inventories	2,638,447
Short Term Investment	7,881,390
Trade Debtors	253,969,527
Loan, Advance & Receivables	518,611,904
Cash in hand and at bank	17,721,884
	1,170,035,160
Liabilities	
Retirement Benefit Liability	(36,679,782)
Trade and Other Payables	(367,237,947)
Deferred Tax Liability	(14,679,802)
Bank Overdraft	(278,700,640)
	(697,298,171)
Total identifiable net assets at fair value	472,736,989
Net Assets Acquired (51% stake)	(241,095,864)
Goodwill arising on acquisition	(96,524,136)
Purchase consideration paid	(337,620,000)
Cash and cash equivalents of subsidiary acquired	11,259,421
Net Cash Out flow on Acquisition of subsidiary	(326,360,579)

28. CONTINGENT LIABILITIES

Companies within the group issued corporate guarantees in favour of Royal Ceramics Lanka PLC, Royal Porcelain (Pvt) Ltd, Rocell Bathware Ltd and Ever Paint and Chemical Industries (Pvt) Ltd guaranteeing loans, interest and other charges of the loans as stated in note 13.8.

29. 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	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Contracted but not provided for	115,731,690	310,533,395	254,370,715	368,317,767
	115,731,690	310,533,395	254,370,715	368,317,767

No provision has been made in these Financial Statements in this regard as at 31st March 2013

30. EVENTS AFTER THE REPORTING PERIOD

The company acquired 76.11% stake in Lanka Ceramic PLC at a total consideration of Rs2,774,064,708. On 06th May 2013. Other than the above there have been no material events occurring after the reporting period that require adjustment or disclosure in the financial statements

31. ASSETS PLEDGED

The group has pledged its assets as security for the interest bearing loans and borrowings obtained as stated in note 13.8.

Notes to the Financial Statements

32. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

32.1 Transactions with the Related Entities

Nature of Transaction	Company/Group Parent			Subsidiaries			Company Associates and other		
	As at 1 April		As at 1 April 2011	As at 1 April		As at 1 April 2011	As at 1 April		As at 1 April 2011
	2013	2012		2013	2012		2013	2012	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Statement of income									
Sale of Goods/Services	-	-	-	16,920,066	35,188,725	-	3,107,881	5,131,058	-
Purchase of Goods/Services	-	-	-	(26,658,332)	(40,887,391)	-	(1,081,798)	(1,375,370)	-
Dividend Income	-	-	-	1,300,000,000	1,800,000,000	-	80,564,746	10,162,929	-
Dividend Payment	(113,005,200)	(226,010,400)	-	-	-	-	-	-	-
Service Charges	-	-	-	4,142,781	150,857,143	-	-	-	-
Investments made by the Company	-	-	-	337,620,000	-	-	14,247,047	2,804,653,878	-
Others	-	21,700	-	(7,695,280)	-	-	-	-	-
Reimbursement of Expenses	-	-	-	433,308,841	-	-	-	-	-
Net of funds Transfers	-	-	-	(1,654,144,957)	(1,762,928,323)	-	-	-	-
Statement of Financial Position									
Balance outstanding as at end of the year									
Lease Creditors	-	-	-	-	-	-	(1,399,488)	(2,449,104)	(872,384)
Trade Debtors	-	-	-	-	-	-	607,691	654,064	-
Other Receivables	-	21,700	666,664	-	-	-	-	-	-
Net Due to Related Parties	-	-	-	(395,979,654)	(459,054,205)	(638,620,082)	-	-	-

Refer note 13.8 for guarantees within inter companies

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 and Asia Siyaka Commodities PLC. Company disposed its interest in Asia Siyaka Commodities PLC on 28/3/2013

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.

32.2 Transactions with Key Management Personnel (*)

32.2.1 Compensation to Key Management Personnel

Nature of Transaction	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Short term Employee Benefits - Executive Directors	39,886,704	29,446,560	39,886,704	29,446,560
- Non Executive Directors	7,075,000	6,800,000	7,075,000	6,800,000
Post Employment Benefits - Executive Directors	7,288,211	5,643,927	7,288,211	5,643,924
	53,542,415	41,890,487	54,249,915	41,890,484

32.2.2 Transactions, arrangements and agreement involving key management personnel

	Company		Group	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Rent Expenses	5,880,536	4,473,388	5,880,536	4,473,388
Transport Expenses	1,318,051	803,555	1,318,051	803,555
Sales	1,148,411	-	3,097,868	-

(*) Key management personnel include the Board of Directors of the Company and Directors in subsidiary companies.

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

a) Statement of Income	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Sale of Goods/Services	19,892,213	30,233,993	86,471,976	59,565,461
Purchase of Goods/Services	(13,108,429)	(15,201,170)	(13,855,050)	(27,019,775)
Dividend Income	10,286,508	15,006,528	10,286,508	15,006,528
Reimbursement of expenses	4,001,051	8,433,463	4,001,051	8,433,463

Notes to the Financial Statements

	Company			Group		
	2013 Rs	2012 Rs	As at 1 April 2011 Rs	2013 Rs	2012 Rs	As at 1 April 2011 Rs.
b) Statement of Financial Position						
Balance outstanding as at end of the year						
Cash and Cash equivalents	11,442,821	10,735,177	8,114,064	11,722,354	10,778,938	8,114,064
Trade Debtors	7,432,474	6,555,138	1,369,154	17,884,570	24,907,184	1,369,154
Investments	196,396,496	192,395,446	183,961,983	196,396,496	192,395,446	183,961,983
Term Loan	-	-	-	132,499,993	150,000,000	-

** 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, Vallibel Lanka (Pvt) Ltd, Pan Asia Bank PLC, Sampath Bank PLC, Rocell Ceramics Ltd, Hayleys PLC, Renuka Hotels PLC, Culture Club Resorts (Pvt) Ltd, Hotel Services Ceylon PLC, Orit Apparels Lanka (Pvt) Ltd.,Country Energy (Pvt) Ltd.,Kelani Valley Plantations PLC, N Sports (Pvt) Ltd, Aitken Spence Hotel Management (Pvt) Ltd, Dipped Product PLC, DFCC Bank, Vallibel Lanka Holding (Pvt) Ltd. Haycarbs PLC, Aitken Spence PLC, Douglas & Sons Ltd, The Fortress Resorts PLC.

33. 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;

Notes to the Financial Statements

33. 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
2013	100 (1%)	Rs. 19.25 Mn	100 (1%)	Rs. 40 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
2013	5%	Rs. 19 Mn	5%	Rs. 20 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. 283,119,616/-. A change in 5% of the ASPI could have an impact on approximately Rs. 20 million 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 debtor balances are backed by Bank guarantees. Hence the Group evaluate the concentration of risk with respect to trade receivable 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 9.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand Rs	Less than 3 months Rs	3 to 12 months Rs	1 to 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	4,670,651,381
Trade and other payables	-	546,099,273	-	-	273,704,650
	990,853,031	1,317,906,205	815,448,184	2,092,543,236	5,216,750,656

Notes to the Financial Statements

34. 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.

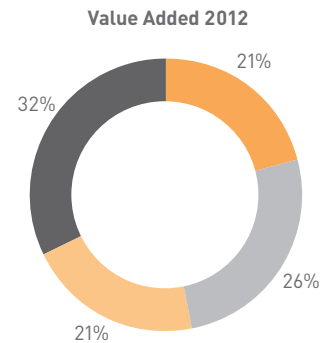
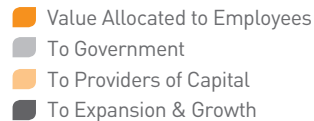
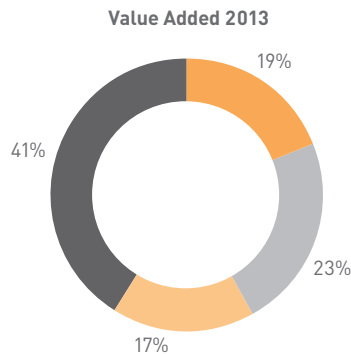
No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

The Company/Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company/Group includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents.

	Company			Group		
	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Interest Bearing Borrowings	2,129,183,133	2,016,568,764	806,114,874	4,164,450,099	4,099,956,981	2,465,936,196
Trade and Other payables	877,986,364	973,132,142	1,338,173,309	546,099,273	391,802,079	576,186,729
Less: Cash and Cash Equivalents	(178,036,925)	(85,876,048)	(46,992,243)	(240,537,592)	(121,273,927)	(61,167,881)
Net Debt	2,829,132,573	2,903,824,858	2,097,295,940	4,470,011,780	4,370,485,133	2,980,955,043
Equity	5,937,186,887	4,927,258,773	4,115,801,910	8,401,469,768	6,538,832,175	5,738,707,771
Total Capital	5,937,186,887	4,927,258,773	4,115,801,910	8,401,469,768	6,538,832,175	5,738,707,771
Gearing ratio	32%	37%	34%	35%	40%	34%

Group Value Added Statement

	2013		2012	
	Rs. '000		Rs. '000	
Turnover	8,458,558		7,756,697	
Finance & Other Income	38,925		199,684	
Share of Associate Company's Profit	559,373		81,406	
Profit After Tax from Discontinued Operations	91,118		-	
	9,147,974		8,037,786	
Less: Cost of Material & Services bought in	(4,473,859)		(4,306,322)	
	4,674,118		3,731,464	
Value Allocated to Employees				
Salaries & Wages and Other Benefits	888,531	19%	785,468	21%
To Government				
Income Tax	103,253		53,375	
VAT/TT/NBT	989,384	23%	933,203	26%
To Providers of Capital				
Dividends	221,579		443,158	
Finance Cost	561,480	17%	328,120	21%
To Expansion & Growth				
Retained in Business	1,448,806	41%	800,124	32%
Depreciation	461,085		388,016	
	4,674,118	100%	3,731,464	100%



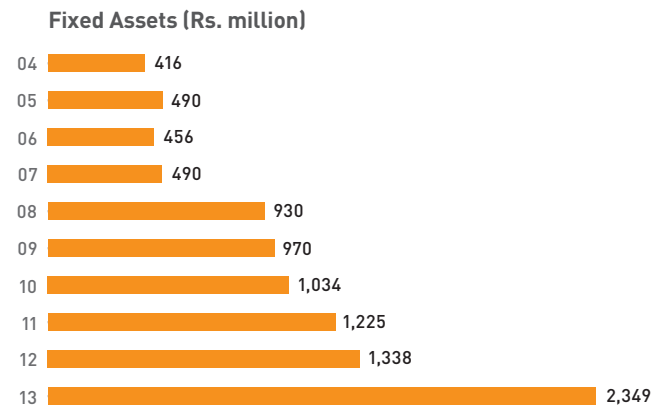
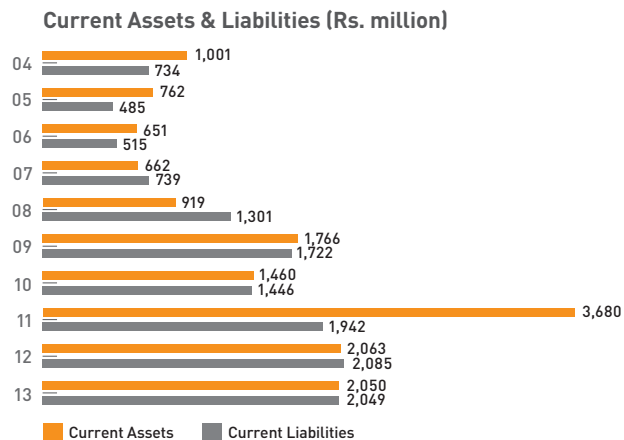
Ten Year Summary - Company

	SLFRS		SLAS							
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Trading Results (Rs. '000)										
Net Turnover	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	703,429
Other Income	1,425,346	2,128,946	1,431,648	876,799	481,761	202,217	200,300	119,820	168,545	69,789
Profit Before Interest	1,283,316	2,104,973	1,540,223	879,642	441,083	356,391	337,323	441,354	285,289	80,937
Interest	(364,554)	(834,642)	(72,735)	(132,419)	(215,386)	(207,114)	(126,998)	(76,291)	(60,309)	(39,523)
Profit After Interest Before Tax	918,762	1,270,331	1,467,487	747,223	225,697	149,276	210,325	365,063	224,980	41,414
Tax Reversal / (Expense)	67,724	(15,716)	(93,663)	(36,611)	(20,011)	(27,310)	(57,511)	(44,048)	(23,093)	7,210
After Tax Profit from Discontinued Operations	31,386	-	-	-	-	-	-	-	-	-
Net Profit	1,017,873	1,254,614	1,373,825	710,612	205,686	121,966	152,814	321,015	201,887	48,624

	SLFRS		SLAS							
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Statement of Financial Position (Rs. '000)										
Stated Capital	1,368,673	1,368,673	1,368,673	814,726	814,726	814,726	814,726	814,726	814,726	814,726
Capital Reserve	213,634	-	-	365,714	367,343	418,388	4,168	4,168	4,168	4,168
Retained Earnings	4,354,879	3,558,585	2,747,129	1,150,357	576,602	430,660	415,134	373,109	121,637	85,935
Shareholders' Funds	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	904,829
Fixed Assets	2,348,987	1,338,152	1,224,633	1,034,176	970,404	929,883	489,995	455,546	490,390	415,689
Investments	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	522,911
Other Financial Assets	196,470	192,395	183,962							
Current Assets	2,049,797	2,062,624	3,679,820	1,460,429	1,766,129	919,250	661,905	650,981	762,052	1,001,260
Current Liabilities	(2,048,728)	(2,085,282)	(1,941,945)	(1,446,404)	(1,722,431)	(1,300,811)	(738,180)	(515,441)	(485,337)	(734,260)
Non Current Liabilities	(1,226,138)	(1,183,183)	(460,667)	(321,345)	(520,319)	(656,568)	(486,596)	(379,047)	(372,093)	(300,771)
	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	904,829

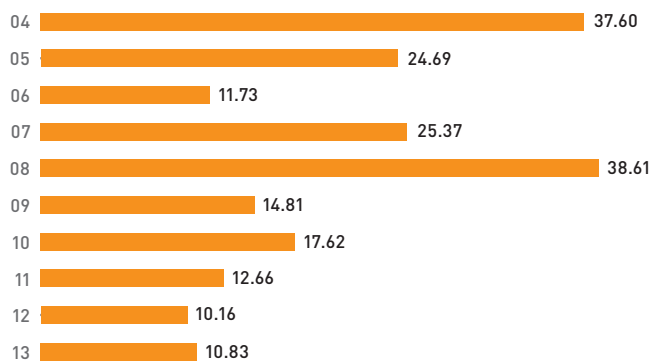
Ratios & Statistics										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Ordinary Dividends (Rs. '000)	221,579	443,158	276,973	138,487	110,789	55,395	110,789	55,395	110,789	55,394
Dividend Per Share (Rs.) *	2.00	4.00	2.50	1.25	1.00	0.50	1.00	0.50	1.00	0.50
Dividend Payout Ratio (%)	22	35	20	19	54	45	72	17	55	114
Earnings Per Share (Rs.) *	9.19	11.32	12.40	6.41	1.86	1.10	1.38	2.90	1.82	0.44
Market Value Per Share - Closing (Rs.)	99.50	115.00	157.00	113.00	27.50	42.50	35.00	34.00	45.00	16.50
Market Value Per Share - Highest (Rs.)	118.50	167.50	335.00	116.50	51.00	45.00	43.00	50.00	57.50	28.20
Price Earnings Ratio (Times)	10.83	10.16	12.66	17.62	14.81	38.61	25.37	11.73	24.69	37.60
Net Assets Per Share (Rs.) *	53.59	44.47	37.15	21.04	15.87	15.02	11.14	10.76	8.49	8.17
Return On Equity (%)	17	25	33	30	12	7	12	27	21	5

* Per Share information have been restated to reflect the present shareholding

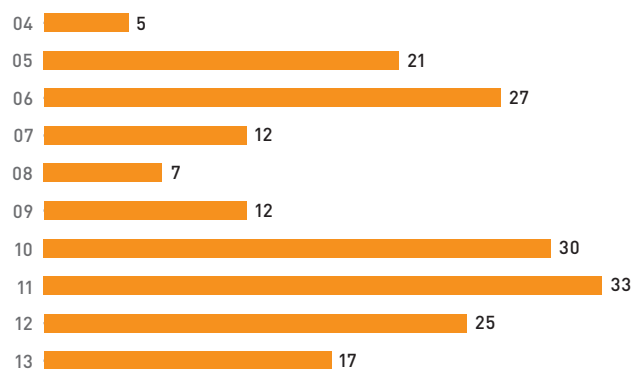


Ten Year Summary - Company

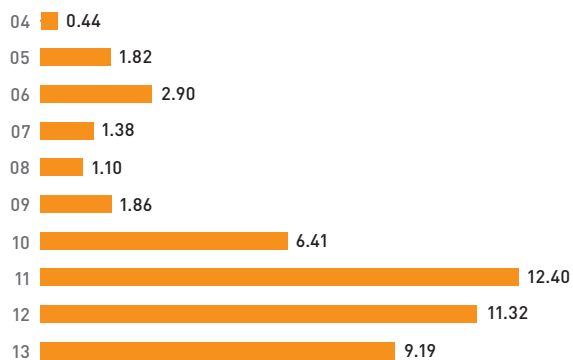
Price Earnings Ratio (Times)



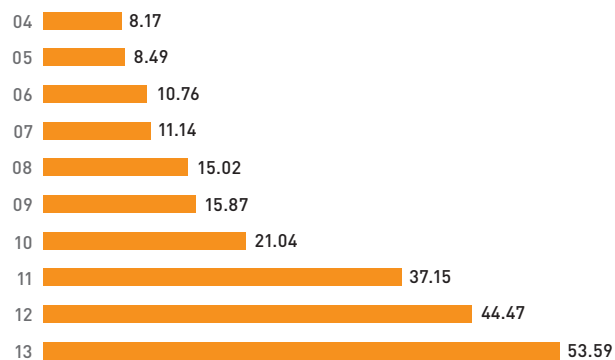
Return On Equity (%)



Earnings Per Share (Rs.) *



Net Assets Per Share (Rs.) *



Share Information

Shareholders

There were 11,610 registered shareholders as at 31st March 2013, distributed as follows.

Number of Shares held	Number of Shareholders	% of number of Shareholders	Number of Shares	% Shareholding
1 - 1,000	10,253	88.31	2,262,061	2.04
1,001 - 10,000	1,087	9.36	3,391,678	3.06
10,001 - 100,000	212	1.83	6,612,334	5.97
100,001 - 1,000,000	51	0.44	14,572,185	13.15
1,000,000 & over	7	0.06	83,951,126	75.78
Total	11,610	100	110,789,384	100

41.38 % of shares were held by public as at 31st March 2013.

Shareholder Category	Number of Shareholders	% of number of Shareholders	Number of shares	% Shareholding
Local Individuals	11,111	95.7	20,379,667	18.39
Local Institutions	360	3.10	87,228,940	78.73
Foreign Individuals	123	1.06	1,059,923	0.96
Foreign Institutions	16	0.14	2,120,854	1.91
Total	11,610	100	110,789,384	100

Share Prices for the year

	2012/2013	2011/2012
Highest during the year	Rs.118.50 (11 th April 2012)	Rs.167.50 (16 th June 2011)
Lowest during the year	Rs.82.90 (28 th August 2012)	Rs.103.00 (15 th February 2012)
As at end of the year	Rs. 99.50	Rs.115.00

Share information

Twenty Major Shareholders

	Name	Number of shares as at 31.3.2013	% of Issued Capital	Number of shares as at 31.3.2012	% of Issued Capital
1	Vallibel One PLC	56,502,600	51.00	56,502,600	51.00
2	Employees Provident Fund	10,483,982	9.46	6,514,100	5.88
3	Mr. A.M. Weerasinghe	7,970,089	7.19	8,584,024	7.75
4	Bank Of Ceylon A/C Ceybank Unit Trust	3,020,909	2.73	2,865,694	2.59
5	Sri Lanka Insurance Corporation Ltd - General Fund	2,730,000	2.46	2,730,000	2.46
6	Sri Lanka Insurance Corporation Ltd - Life Fund	2,183,279	1.97	2,513,800	2.27
7	Aviva NDB Insurance PLC A/C No. 07	1,060,267	0.96	867,408	0.78
8	Mrs. P.N. Bhatt	809,379	0.73	1,158,380	1.05
9	Bank Of Ceylon A/C Ceybank Century Growth Fund	808,420	0.73	815,640	0.74
10	National Savings Bank	747,700	0.68	747,700	0.67
11	Amana Bank Limited	745,000	0.67	76,500	0.07
12	Mr. D.L.B.C. Perera And Mrs. I.V. Kariyakarawana	736,649	0.67	800,000	0.72
13	Mr. R.P.L. Eheliyagoda And Mrs. S.U.R. Eheliyagoda	600,000	0.54	600,000	0.54
14	HSBC Intl Nom Ltd - Ssbt - Russel Institutional Funds PLC	582,405	0.53	716,230	0.65
15	Bank of Ceylon No. 01 Account	562,639	0.51	264,000	0.24
16	Mercantile Investment And Finance PLC	550,000	0.50	550,000	0.50
17	Amaya Leisure PLC	521,600	0.47	521,600	0.47
18	Bank Of Ceylon - No. 02 A/C	443,100	0.40	443,100	0.40
19	MAS Capital (Private) Limited	442,900	0.40	482,400	0.44
20	Kalpitiya Beach Resort PLC	430,800	0.39	430,800	0.39
		91,931,718	82.98	88,183,976	79.61
	Others	18,857,666	17.02	22,605,408	20.39
	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.

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 Addition

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 Third (23rd) Annual General Meeting of Royal Ceramics Lanka PLC will be held at The Victorian, The Kingsbury Hotel, Colombo on Friday the 28th day of June 2013 at 9.30 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 Financial Statements for the year ended 31st March 2013 and the Report of the Auditors thereon.
2. To re-elect Mr. R.B. Thambiayah, who retires by rotation in terms of Articles 85 and 86 of the Articles of Association, as a Director of the Company.
3. To pass the Ordinary Resolution set out below to re-elect Mr. R.N. Asirwatham who is 70 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 70 years of age and that he be and is hereby re-elected as a Director of the Company”.

4. To re-elect Mr. A.A. Page, who retires in terms of Article 92 of the Articles of Association, as a Director of the Company.
5. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors, and to authorise the Directors to determine their remuneration.

6. To authorise the Directors to determine payments for the year 2013/2014 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).

By Order of the Board
ROYAL CERAMICS LANKA PLC

P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

At Colombo
31 May 2013

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 9.30a.m. on 26th June 2013.

Form of Proxy

*I/We.....of
being
 *a shareholder/shareholders of Royal Ceramics Lanka PLC, do hereby appointof
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. R. B. Thambiyah of Colombo or failing him
- Mr. L. T. Samarawickrama of Colombo or failing him
- Mr. T. G. Thoradeniya 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 or failing him
- Mr. A. A. Page

as *my/our proxy to represent *me/us to speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on 28th June 2013 at 9.30 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 31 st March 2013	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. R.B. Thambiyah, who retires by rotation in terms of Articles 85 and 86 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To pass the Ordinary Resolution set out below to re-elect Mr. R.N. Asirwatham who is 70 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 70 years of age and that he be and is hereby re-elected as a Director of the Company"	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. A.A. Page, who retires in terms of Article 92 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorise the Directors to determine payments for the year 2013/2014 for charitable and other purposes as set out in the Companies Donations Act (Cap 147).	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Thirteen.

.....
 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 Members 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, not less than forty eight (48) hours before the appointed time for the meeting.

Corporate Information

Name of the Company

Royal Ceramics Lanka PLC

Legal Form

A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 7 of 2007.

Date of Incorporation

29th August 1990

Company Registration Number

PQ 125

Nature of Business

Manufacture and sale of Porcelain & Ceramic Tiles

Board of Directors

Mr. 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. Thambiyah
Mr. L.T. Samarawickrema
Mr. M.D.S. Goonatileke
Mr. G.A.R.D. Prasanna
Mr. R.N. Asirwatham
Mr. A.A. Page

Head Office and Registered Office

10, R.A. de Mel Mawatha, Colombo 03
Tel : 011 4799400
Fax : 011 4720077
E-mail : ho.gen@rcl.lk
Website : www.roccl.com

Subsidiary Companies

Royal Porcelain [Pvt] Ltd.
Rocell Bathware Ltd.
Royal Ceramics Distributors (Pvt) Ltd.
Ever Paint and Chemical Industries (Pvt) Ltd.
Lanka Ceramic PLC

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
E-mail : pwcs@pwcs.lk

External Auditors

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

Bankers

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Standard Chartered Bank Ltd.
HSBC Ltd.
DFCC Bank PLC
Seylan Bank PLC
Bank of Ceylon
NDB Bank PLC
PABC Bank PLC
Sampath Bank PLC
MCB Bank Ltd.

www.rocelf.com