

promises **kept**

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Annual Report 2016/17](#)

promises **kept**

Lanka Walltiles has always been a company with the passion, energy and endurance to grow. We have invested deeply into progressive strategies, cutting edge technologies and unmatched talent to become who we are today; a dynamic and fast growing manufacturing company with a vision to expand into new markets in the years ahead. The year under review saw many exciting activities, including a focus on product improvement, the establishment of two new showrooms and the launch of a new advertising campaign.

This report records another excellent performance from your company, as we continue to keep our promise of unmatched value creation for every stakeholder, now and into the future.

Vision

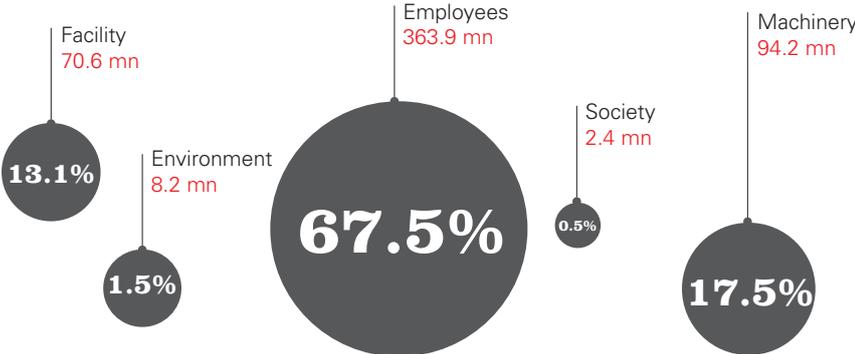
To be a leading producer of wall and floor coverings and related products for local and international markets

Mission

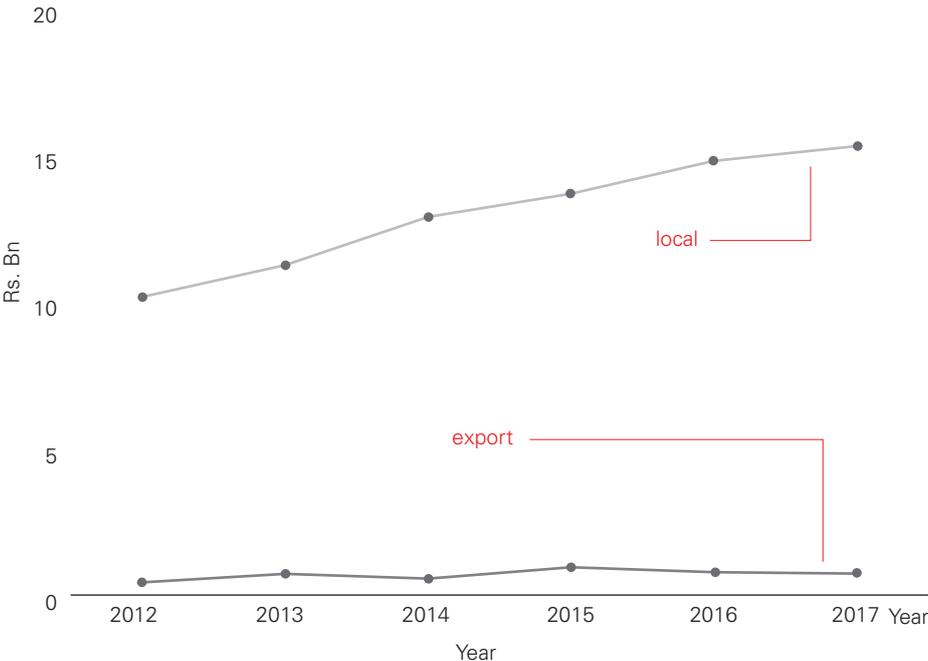
The production and marketing of exceptional quality products at optimum affordability

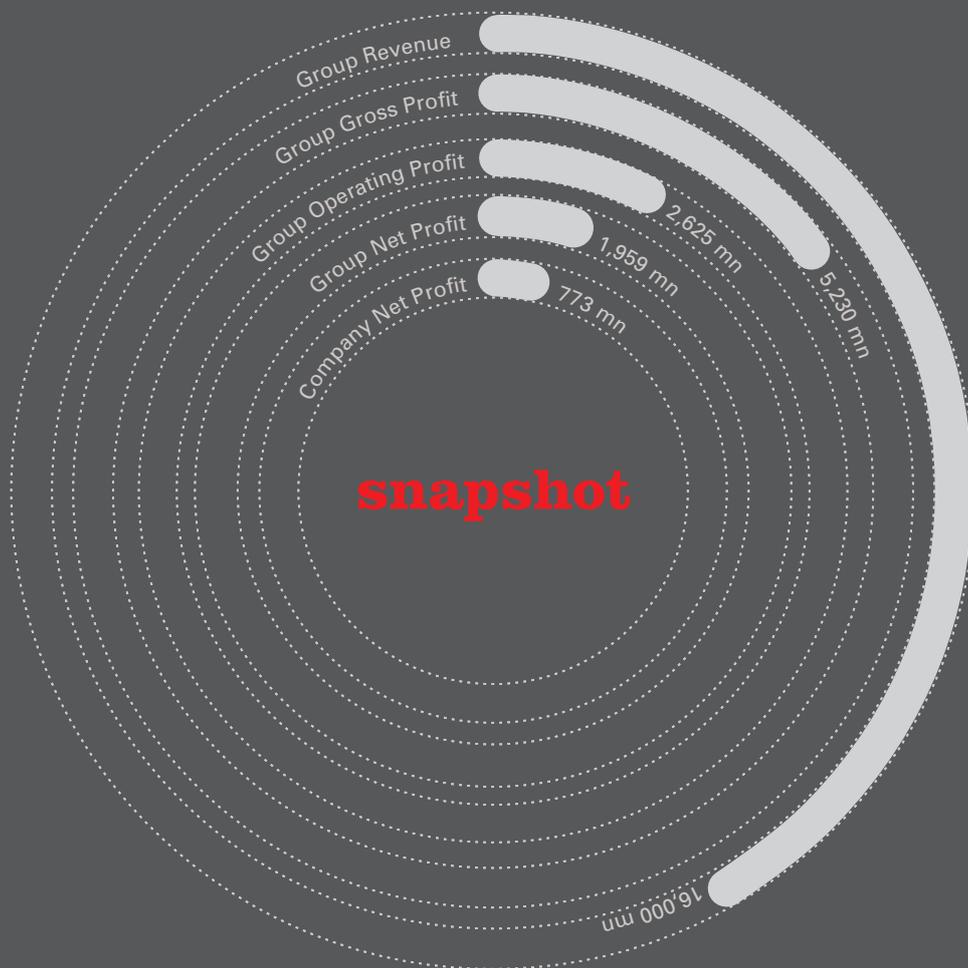
financial highlights

Investments in different aspects



Revenue - Group





17.6%

ROCE - Group

2.7 bn

Increase in total assets - Group

1.6 bn

increase in total equity - Group

79%

Retention rate - Group

1.5 mn

Profit per employee - Company

Rs. 179.90

Net assets per ordinary share - Group





leadership & governance

“ The Group - consisting of the Tile and Associated Products Manufacture Sector, the Aluminium Sector, the Plantations Sector, and the Packaging Sector - performed as per expectations in the year with a revenue growth of 3% amounting to Rs. 16.0 Bn compared to the Rs. 15.5 Bn in the previous year.”

chairman's statement

Throughout the year, LWPLC has worked to consolidate our position as the leading manufacturer of Wall Tiles in the Sri Lankan market place.

Dear Shareholder,

It is with pleasure that I present to you the annual report and financial statements of Lanka Walltiles PLC (LWPLC) for the year ended 31st March 2017. The Company's performance continued its upward trend with the management focusing their efforts on managing costs and withstanding the challenges of changing consumer demand, increasing imports of finished products, and the negative impact from macroeconomic factors.

Throughout the year, LWPLC has worked to consolidate our position as the leading manufacturer of Wall Tiles in the Sri Lankan market place.

The Company continues to report on its sustainability activities using the Global Reporting Initiative (GRI) G4 guidelines as our framework for reporting progress.

Macroeconomic Environment

The growth of the Sri Lankan economy at the rate of 4.4% was slower than expected in 2016 compared to 4.8% realised in 2015. The unfavourable weather conditions and the sluggish global economic recovery together with increasing and high inflation levels contributed to this slowdown. Consumption expenditure recorded only a modest growth of 4.1% in nominal terms in 2016 compared to the 10.3% growth recorded in the previous year. The external sector of the economy also declined by 9.6% in nominal terms in 2016 due to weak external demand reflecting the continuing fall in Sri Lanka's share of global exports. The depreciation of the Sri Lankan rupee by 3.83% against the US dollar in 2016 was mainly due to outflows of foreign holdings from the government securities market during the year and the increased spending on imports.

Performance of the Group

The Group - consisting of the Tile and Associated Products Manufacture Sector, the Aluminium Sector, the Plantations Sector, and the Packaging Sector - performed as per expectations in the year with a revenue growth of 3% amounting to Rs. 16.0 Bn compared to the Rs. 15.5 Bn in the previous year. This was mainly attributed to the increase in local sales of tiles by 3.4% to Rs. 15.3 Bn compared to the Rs. 14.8 Bn recorded in the previous year. The profit after tax of the Group also increased recording a growth of 8.1% amounting to Rs. 1.96 Bn compared to the 25% (Rs. 1.81 Bn) growth achieved in the previous year. The fundamental reason for the decline in growth was the lower than expected performance of Lanka Tiles PLC in 2016/17.

Operational Excellence

The Group continued to maintain its focus on achieving operational excellence. In the year under review initiatives aimed at cost management, process efficiency improvements, product innovations, and product quality enhancements were strengthened to enable the Group to achieve competitive advantage in the market place and pursue a strategy of being a modern and relevant brand to our customers.

Investments

The Company continued to upgrade the factory in Meepe to maintain manufacturing facilities at optimal levels while catering to the increasing demand for our products. In the year under

The Group continues to maintain its focus on achieving operational excellence.

review the Company invested Rs. 22 Mn to modernise the rectification plant, Rs. 17 Mn to increase the storage of the ball clay yard, and Rs. 4.4 Mn towards purchasing a new single roller roto colour printing machine. In addition, LWPLC also made investments amounting to Rs. 8.2 Mn towards the Company’s sustainability initiatives aimed at protecting the environment, ensuring human rights, and in projects directed at community development.

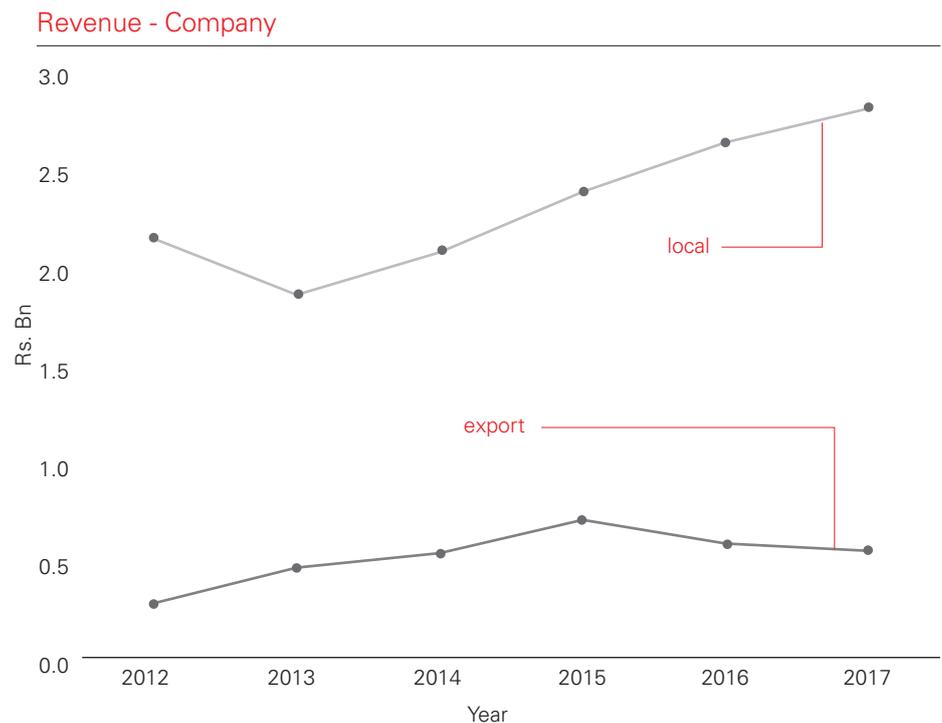
Shareholder Returns

The Company paid Rs. 2.00 per share as interim dividends to our shareholders on 11th November followed by the final dividend of Rs. 5.50 per share on 7th March 2017.

LWPLC’s shares were traded at the Colombo Stock Exchange during 2017, where the lowest traded price per share was Rs. 92.00 recorded on 23rd March 2017, while the highest traded price per share was Rs. 119.90 on 17th May 2016. As at 31st March 2017, the share price of the LWPLC stood at Rs. 93.00.

Sustainable Business Practices

LWPLC aims to balance its two-fold objectives of profitability and philanthropic triple bottom line aspirations. Towards meeting these objectives, the Company has developed measures and processes that allow for protecting the environment, meeting customer and employee expectations, and contributing to the development of the wider community while ensuring that we continue to be a profitable enterprise.



Chairman's Statement



Corporate Governance

Good corporate governance principles are in place to ensure that the Group conducts its business in a transparent and ethical manner. The Board of Directors continues to be committed to upholding the highest standards of governance throughout the Group, while all group companies adhere to the Code of Best Practice on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange. The Group also encourages the voluntarily adoption of international principles and standards by group companies to further strengthen our commitment to good corporate governance practices.

Future Outlook

The Group will continue to be challenged by the continued ups and downs expected in the macroeconomic environment in the year ahead, while some stability is expected with the improved performance of the construction sector. However, the Company and the Group will have to continue with its focussed strategies aimed at improving market share, increasing manufacturing efficiencies and reducing

cost structures. The Group also plans to focus on brand enhancement in the coming year with the aim of repositioning the 'Lankatiles' brand as a high-end modern brand that caters to the customers of today. We believe that our core competencies together with our sound business practices will endeavour to lead the Group to a more rewarding and sustainable future.

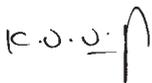
A strategic initiative still in its infant stage is the restructuring of the Group in the next 2-3 years to optimise costs while creating long term value to all stakeholders.

Acknowledgements

Having been appointed as the Chairman of LWPLC only on 15th March 2017, I take this opportunity to thank my predecessor for his guidance and leadership in steering LWPLC and the Group to great achievements over the years. I also take this opportunity to welcome Mr. A M Weerasinghe who joined the Board of Directors of the Company as the Deputy Chairman on 15th March 2017.

A strategic initiative still in its infant stage is the restructuring of the Group in the next 2-3 years to optimise costs while creating long term value to all stakeholders.

While thanking all Board members for their direction of the Company and the Group, I also look forward to working with them in the future. On behalf of the Board of Directors, I wish to thank the Managing Director, the Senior Management and the entire staff of LWPLC for their commitment and tireless efforts to meeting the Company's goals. I also thank all our valued customers, dealers, distributors, regulators, and shareholders for their continued support and for the trust placed in the Company and the Group.



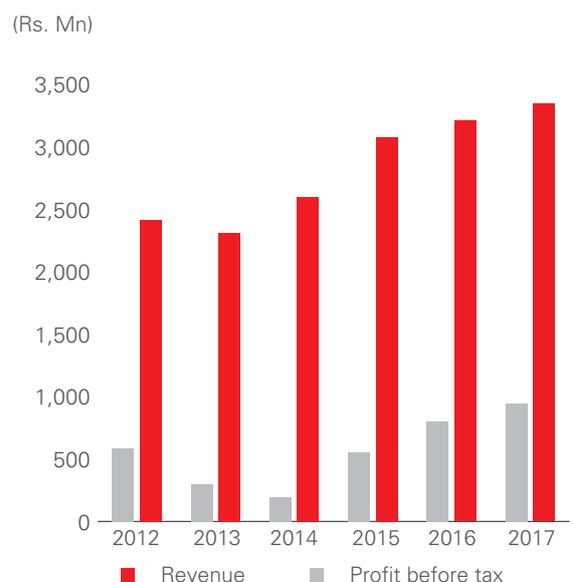
Dhammika Perera
Chairman

26th May 2017

managing director's message

The Company showed a commendable performance for the year under review. The company revenue grew by 4% to Rs. 3.34 Bn while the company profit after tax grew by 20% to Rs. 772 Mn.

Lanka Walltiles Company Revenue



Lanka Walltiles PLC (LWPLC) was fortunate to have experienced another year of growth and profitability amidst the slowdown experienced in the Sri Lankan economy a result of the unfavourable weather conditions, depreciation of the rupee, increasing inflation, a subdued external sector performance leading to a fall in consumer spending.

Group Performance Review

The Group revenue amounted to Rs. 16.00 Bn for year under review compared to Rs. 15.54 Bn in the previous year, while the Group profit before tax was Rs. 2.62 Bn compared to Rs. 2.49 Bn in the previous year.

The Tile and Associated products manufacturing sector revenue amounted to Rs. 8.84 Bn in the year under review compared to Rs. 9.20 Bn in the previous year, while the profit before tax in the year under review was Rs. 2.16 Bn compared to Rs. 2.11 Bn in the previous year.

The Aluminum sector revenue amounted to Rs. 2.82 Bn in the year under review compared to Rs. 2.19 Bn in the previous year, while the profit before tax in the year under review was Rs. 365 Mn compared to Rs. 249 Mn in the previous year.

The Plantation sector revenue amounted to Rs. 1.87 Bn in the year under review compared to Rs. 1.81 Bn in the previous year, while the loss before tax in the year under review was Rs. 31 Mn compared to loss before tax of Rs. 83 Mn in the previous year.

The Packaging sector revenue amounted to Rs. 2.56 Bn in the year under review compared to Rs. 2.45 Bn in the previous year, while the profit before tax in the year under review was Rs. 128 Mn compared to Rs. 218 Mn in the previous year.

Identified Key Challenges of the Company

A critical challenge for the Company is the supply and availability of raw materials. The primary raw material is obtained from mining which is highly regulated in Sri Lanka. Further, the limited geographical expanse of the country also limits the mineral deposits, which is further exacerbated by the expanding urbanisation of country resulting in towns being developed in the areas that were once clear and free to be mined.



Escalating production costs and increasing production efficiencies continue to be an industry-wide challenge to compete against lower cost imports.

The dynamic changes in consumer demand is an emerging challenge that could cause long term repercussions for the Company in terms of remaining competitive in the market place. Today, the increasing popularity of high-rise apartments in Sri Lanka has resulted in an increase in demand for tiles that absorbs natural light. Further, surface solution products are becoming a trendy lifestyle choice rather than a commodity product. Hence, the demand for new and modern designs constantly changes to align with the current fashionable trends that make tile designs and sizes obsolete overnight.

Creating a new brand positioning to consolidate the Company's status as pioneers in the tile industry with its modern and trendy outlook is another challenge that LWPLC must overcome in the short to medium term.

Balancing environmental concerns and being socially responsible while running a profitable business is another key challenge identified by the Company.

Review of Operations of LWPLC

Performance

The Company showed a commendable performance for the year under review. The Company revenue grew by 4% to Rs. 3.34 Bn while the Company profit after tax grew by 20% to Rs. 772 Mn. The Company's operations were based on implementing focused strategies towards resolving the challenges identified above.

Manufacturing

LWPLC continued with our efficient manufacturing practices and cost reduction strategies aimed at reducing production costs and ultimately product costs to customers. As an innovative approach, we implemented the Total Productive Maintenance (TPM) system, which takes a holistic view to equipment maintenance that strives to achieve perfect production without any breakdowns, defective products, short production stops or even production slowdowns.

LWPLC also continued with its efficient manufacturing methodologies and implemented cost reduction strategies aimed at reducing production costs to compete with low cost imported tiles and also to pass on cost reductions to customers.

Managing Director's Message

Our marketing activities were geared towards expanding market share and building our brand position as a modern premium brand, targeting both the high-end and Generation Y segments.

In recognition of the quality of the Company's products and the brand recognition in international markets, LWPLC received the Silver award at the National Exporter's Awards 2016.

Sourcing

The Company allocated resources towards research to identify alternative sources of raw materials, explore ways to use existing raw materials to manufacture higher volumes of products, and to identify new materials that could be used in the manufacture of tiles.

Marketing

Our marketing activities were geared towards expanding market share and building our brand position as a modern premium brand, targeting both the high-end and Generation Y segments. Our marketing team was also successful in promoting our products to target customer segments, thereby increasing our sales volume and customer base leading to enhanced returns.

The Company's marketing team also implemented some brand awareness campaigns in the year under review and plan for more targeted brand building activities in the coming year.

Performance of our network of sales channels was also enhanced in the year under review assisted by the channel revenue optimisation initiatives implemented by the Company in the previous year.

To meet customer expectations for new and modern products designs, the Company increased focus on product innovation and development activities, including upgrades to existing product technicalities and designs.

Responsible Stewardship

Being a responsible business entity, the Company has always followed a path geared towards implementing sustainable business practices to create long term value to our stakeholders. Our business operations promote responsible use of scarce resources, reducing our carbon footprint, treating people with dignity and ensuring their rights and freedom, and helping the communities that surround our business operations to enhance their livelihoods. We have voluntarily obtained internationally recognised certifications





such as ISO 9001, ISO 14001 and the Green Label certificate to assist us in our endeavour to apply triple bottom line principles to manage our business operations.

We also pay special attention to our employees, key stakeholders who are responsible for driving our business strategies on the ground. We offer them a safe working environment, help them to build their careers, provide them with training and development opportunities and ensure their well-being.

Future Outlook

In the medium to longer terms, the Company will continue to focus on increasing our market share by providing the right product mix at the right price and at the right quality. We will implement cost management strategies to optimise production costs, and search for new raw material suppliers in international markets to meet our quality and competitive pricing requirements. We will continue our endeavor to

meet customer needs and ensure their satisfaction, working towards building long term relationships. Plans are also in place to further add value to our products to be able to compete with the wide variety of imported finished products.

Appreciations

I take this opportunity to express my sincere appreciation to all employees who work tirelessly to deliver results and achieve success for the Company. My gratitude to our customers, dealers, distributors, bankers, suppliers and other stakeholders for their continued support and commitment towards the Company's sustainable business success. I would also like to thank the Chairman and my colleagues on the Board for their unstinted support throughout the years. Finally, I thank our shareholders for their confidence in the management and the Company to meet their expectations.

J A P M Jayasekera
Managing Director

26th May 2017

directors' profiles

Mr. Dhammika Perera

Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality & Hydropower generation. He has three decades of experience in building formidable business through unmatched strategic foresight.

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

Mr A M Weerasinghe

Deputy Chairman

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

Mr. J A P M Jayasekera

Managing Director

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited and a Director of Lanka Ceramics PLC. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited and the Chairman of Centre for Technical Excellence in Ceramics (CENTEC).

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

Mr. T de Zoysa

Director

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of "Deshabandu" by His Excellency the President of Sri Lanka in recognition of his services to the country and was the recipient of "The Order of the Rising Sun. Gold Rays with Neck Ribbon" conferred by His Majesty the Emperor of Japan.

In addition to being the Chairman of the Supervisory Board and Advisor to the Al-Futtaim Group of Companies in Sri Lanka, he chairs Carsons Cumberbatch PLC, Associated CEAT (Pvt) Ltd., Amaya Hotels and Resorts USA (Radisson), AMW Capital Leasing and Finance PLC, Jetwing Zinc Journey Lanka (Pvt) Ltd and HelpAge Sri Lanka, Trinity Steel (Pvt) Ltd., and CG Corp Global Sri Lanka.

He is also the Vice Chairman of CEAT Kelani Holdings (Pvt) Ltd., Orient Insurance Ltd. and serves on the boards of several listed and private companies which include John Keells PLC, Taj Lanka Hotels PLC, TAL Hotels and Resorts Ltd, Lanka Walltiles PLC, Nawaloka Hospitals PLC, Dutch Lanka Trailer Manufacturers (Tata Group), Associated Electrical Corporation Ltd., Inoac Polymer Lanka (Pvt) Ltd., Cinnovation INC., GVR Lanka (Pvt) Ltd and Varun Beverages Lanka (Pvt) Ltd (Pepsi).

Mr. Tilak de Zoysa is a past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK) and served as Member of the Monetary Board of Sri Lanka (2003-2009).

Dr. S Selliah

Director

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

He currently holds the position of Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospitals Pvt Ltd. He is a Director of Lanka Tiles PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, HNB Assurance PLC, ACL Cables PLC, Horana Plantation PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited. Dr. Selliah is the Chairman of JAT Holdings Pvt Ltd, Cleanco Lanka Pvt Ltd. Dr. Selliah serves on the Audit Committee, Investment committee, Risk committee, Strategic planning committee, Related Party Transaction committee and Remuneration Committee of some of the companies listed above.

Mr. T G Thoradeniya

Director

Mr. Tharana Thoradeniya has over two decades of Senior Management experience in multi-industry scenarios. He sits on the Boards of several public quoted and privately held companies in Sri Lanka, including Pan Asia Banking Corporation PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Hayleys Fibre PLC, Delmege Ltd, Unidil Packaging Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd., and several others. He is a Group Director of Royal Ceramics Lanka PLC and CEO/Director of Rocell Bathware Ltd. Mr. Tharana has been credited as a proven business innovator across industries. A marketer by profession, Tharana was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

Mr. K D G Gunaratne

Director

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

He currently holds the position of Chairman, Lanka Hotels & Residences (Pvt) Ltd. and Urban Investment & Development Company (Pvt) Ltd.

Ms. A M L Page

Director

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

Ms. Page has been employed at several institutions in Sri Lanka and overseas.

Mr. R N Somaratne

Director

Mr. R Nandajith Somaratne currently serves as a Director of Hayleys Fabrics PLC, a subsidiary of Hayleys PLC; Royal Porcelain (Pvt) Ltd and Ever Paint & Chemical Industries (Pvt) Ltd, fully owned subsidiaries of Royal Ceramics Lanka PLC. He is currently working as the General Manager (Manufacturing) for Royal Ceramics Group which includes Lanka Walltiles PLC and Lanka Tiles PLC.

He has served in Ansell Lanka (Pvt) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr. Nandajith Somaratne counts more than 24 years' experience in the Ceramic industry and manufacturing field.

He holds an MBA from the University of Colombo, Post Graduate Diploma in Industrial Engineering from NIBM and BSc. degree (Physical Science) from the University of Peradeniya.

Mr. J D Nihal Kekulawala

Director

Nihal Kekulawala counts over thirty years in the banking profession. He has held senior positions at the Hatton National Bank (HNB) and played a strategic role in the diversification of HNB from Commercial Banking to Investment Banking, venture capital, stock broking and life/general insurance.

Mr. Kekulawala has served as the lead consultant and was responsible for setting up a Commercial Banking Operation in the Solomon Islands. He was appointed as the inaugural CEO of the bank. He presently serves on the Board of several public companies.

Mr. Kekulawala is a Fellow of the Institute of Chartered Accountants UK and Sri Lanka, Fellow of the Chartered Institute of Bankers in England and has an MBA from the University of Manchester.

senior management

1. Mr. Mahendra Jayasekera - Managing Director
2. Mr. Nandajith Somaratne - Director/ Group General Manager Manufacturing
3. Mr. Shirley Mahendra - General Manager (Marketing)
4. Mr. Tyrell Roche - General Manager (Finance)
5. Mr. Nihal Kumarasinghe - Assistant General Manager (Technical)
6. Mr. Upul Weerasinghe - Group Engineering Manager
7. Ms. Nathalie Kehrli - Head of Design
8. Mr. Prasad Keerthiratna - Group IT Manager







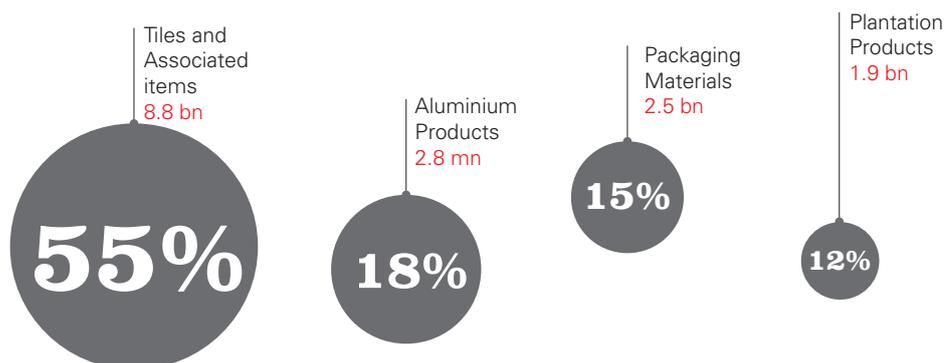
management discussion & analysis

“ The Sri Lankan economic growth in 2016 was 4.4% in real terms compared to the growth of 4.8% achieved in 2015. The main influencers of this slowdown were the increasing inflation rate, changes in taxation regimes, high interest rates, and increasing exchange rates.”

management discussion & analysis

The Sri Lankan economic growth in 2016 was 4.4% in real terms compared to the growth of 4.8% achieved in 2015.

Operational Highlights

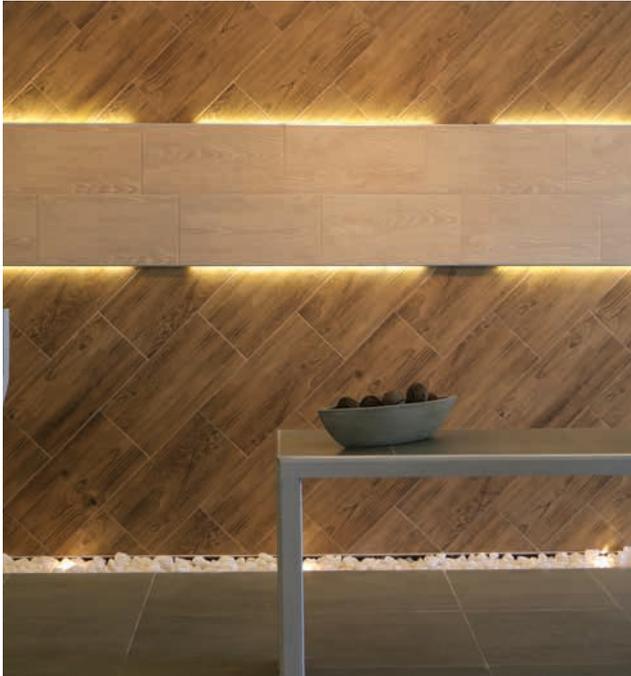


Lanka Walltiles PLC (LWPLC) has achieved reasonable results in the backdrop of a challenging operating environment. In the year under review the Company was beset with scarcity of raw materials, increasing popularity of imported low cost tiles, and the sluggish economic performance. These unfavourable external factors resulted in a lower than expected performance by the Company, which was however, maintained mainly due to the trust and brand loyalty displayed by our stakeholders, mainly customers.

OPERATING ENVIRONMENT

The Sri Lankan economic growth in 2016 was 4.4% in real terms compared to the growth of 4.8% achieved in 2015. The main influencers of this slowdown were the increasing inflation rate, changes in taxation regimes, high interest rates, and increasing exchange rates. The year-on-year CCPI inflation was 4.5% by end December 2016, while the new VAT regimes also affected the prices of products. In addition, the Average Weighted Prime Lending Rate (AWPR) increased to 11.52% by end December 2016 from 7.53% as at end December 2015. Similarly, the Average Weighted Lending Rate (AWLR) also increased to 13.2% by end December 2016 from 11% as at end December 2015. The Sri Lankan rupee too depreciated by 3.83% against the US dollar in 2016 mainly due to outflows of foreign holdings from the government





With all sectors demonstrating sizable improvements, group turnover grew by 3% to reach Rs. 16 Bn for the year under review.

securities market during the year, and the increased spending on imports. These factors in turn resulted in a slowdown in consumption expenditure during 2016 which recorded only a modest growth of 4.1% in nominal terms compared to the 10.3% growth achieved in 2015.

However, in contrast to the previous year, and notwithstanding the slowdown witnessed in the economy, the construction sector was boosted in 2016 leading to a growth of 15% in comparison to the 2.7% contraction witnessed in 2015. The factors attributed to this growth is the recommencement of government infrastructure activities and the subsequent surge in private sector construction activities, particularly the growth of large scale construction projects and increased development of condominium apartments.

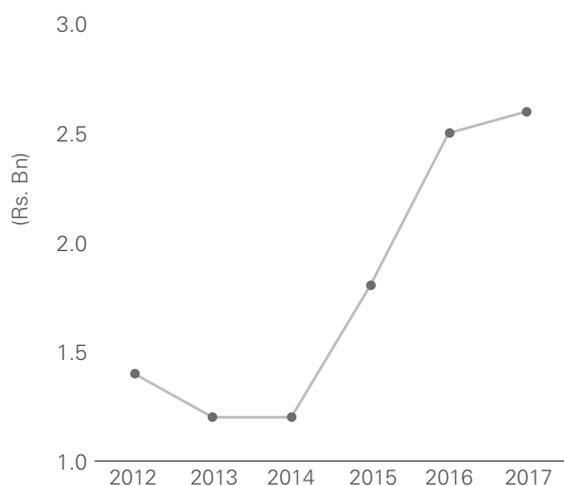
The credit granted by Licensed Commercial Banks (LCBs) to the private sector for construction activities also significantly increased by 26.9% in 2016 further to the 36.1% growth recorded in 2015. With the development in housing construction activities, the credit granted by LCBs for personal housing construction activities also increased by 27.1% in 2016.

The growth of the construction industry in 2016 will cascade down to increased demand for the Company's products in light of being a manufacturer and retailer of floor tiles in Sri Lanka.

FINANCIAL PERFORMANCE

The overall performance of LWPLC was below targets in the year under review. This was mainly a result of the increased competition from low cost imports from China and India and the reduced export sales of the Company. However, the cost reduction strategies, together with increasing efficiencies in manufacturing operations and getting the Company's sourcing strategy right, resulted in the Company maintaining its growth momentum.

Profit after tax - Group



management discussion & analysis

The Company's revenue grew by 4.23% to Rs. 3.35 Bn in the year under review



The Company's revenue grew by 4.23% to Rs. 3.35 Bn in the year under review compared to 4.27% of Rs. 3.21 Bn achieved in the previous year. This was mainly due to the marginal growth in domestic sales volumes despite the lower than expected performance of the Company. The growth in gross profit margin was 15% amounting to a gross profit of Rs. 1.33 Bn in the year under review compared to 24% gross profit margin growth realised in the previous year. This increase in gross profit margin is mainly attributed to cost efficiency measures adopted by LWPLC over the years. Further, the Company profitability also increased by 20% in the year under review compared to the 24% achieved in the previous year.

The overall Group performance was slightly higher than expected. The Group revenue increased by 3% in the year under review compared to the 7% growth achieved in the previous year. The main contributors to this growth was from the aluminium sector. Further, the profit before tax of the group was Rs. 2.62 Bn in the year under review compared to Rs. 2.49 Bn in the previous year, while profit after tax increased to Rs. 1.96 Bn in the year under review compared to Rs. 1.81 Bn earned in the previous year. The group earnings per share increased to Rs. 25.52 in the year under review compared to Rs. 24.39 achieved in the previous year.

Period ended	31.03.2017 Rs. '000	31.03.2016 Rs. '000		31.03.2017 Rs. '000	31.03.2016 Rs. '000
Revenue			Profit before tax		
Tiles & associated items	8,842,949	9,199,625	Tiles & associated items	2,163,707	2,109,428
Aluminium products	2,824,409	2,160,187	Aluminium products	364,642	249,447
Plantation products	1,868,405	1,805,415	Plantation products	(31,413)	(83,471)
Packing materials	2,464,387	2,379,961	Packing materials	128,301	217,662
Consolidated revenue	16,000,150	15,545,188	Consolidated profit before tax	2,625,236	2,493,066

The improvements made to the franchise network delivered good results for the year, and helped relieve the pressure on the dealer network and spearheaded the move.

The Company borrowings further decreased by Rs. 338 Mn during the year to reach Rs. 963 Mn as at 31st March 2017. This resulted in a reduced interest expenditure by 6 %, showing signs of improved cash flow and debt management by the Company. The Group borrowings increased by Rs. 986 Mn during the year to stand at Rs. 4.8 Bn as at 31st March 2017. The Group's total asset base stood at Rs. 22.3 Bn in the year under review compared to Rs. 19.6 Bn in the previous year. Resultantly, the Group's net asset value per share also increased to Rs. 179.90 in the year under review compared to Rs. 159.07 in the previous year.

OPERATIONAL PERFORMANCE

LWPLC has since inception been providing the discerning Sri Lankan consumer with high quality tiles. In the year under review, the Company's focus areas for achieving operational excellence were directed at increasing operational efficiencies, enhancing the brand status, upgrading and improving our showroom and distribution network, and increasing customer satisfaction levels.

Export Market Operations

LWPLC's export sales volumes continued to decline in the year under review, mainly due to the low-cost products available from India and China. Overall, the export sales volumes decreased by 8.1% in the year under review compared to the 14.5% decrease realised in the previous year.

While, export sales amounts to only 10% of total sales volumes of the Company, the volume drop had a negative impact on the Company's targeted sales volumes during the year under review. The reduction in exports in the last two years also has long ranging impacts to the Company's bottom line and expansion plans in the future. However, LWPLC

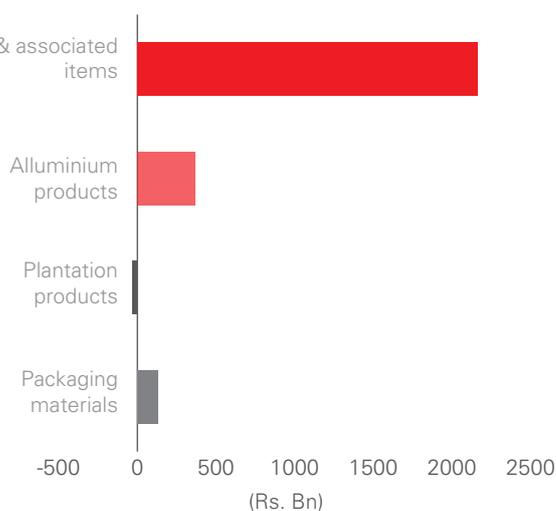
plans to capitalise on its brand recognition as a manufacturer and retailer of high quality tiles in the foreign market place to regain and improve its export sales market share in the medium to longer terms. This belief is reinforced by the Silver Award received by the Company for its quality of exports at the National Exporter's Award 2016.

Manufacturing Operations

The Company's manufacturing facilities operated at optimum levels with over 95% capacity utilisation throughout the year under review. Resultantly, the Company was able to achieve a high level of stocks to cater to the growing demand of customers.

The Company continued with the expansion and modernisation plans for its manufacturing facilities in Meepe, resulting in a total investment of Rs. 43.4 Mn during the year under review. Of this, the major proportion was invested to set-up a rectification plant for the rectification process of large format tiles. The balance investment was used to expand the ball clay storage facility and purchase a single roller roto colour printing machine. These upgrades and enhancements to the manufacturing facility will not only result in cost saving for the Company in the longer term, but will also enable LWPLC to cater to the changing consumer demand for tile styles, sizes and designs.

Profit before tax - Segments



management discussion & analysis



Popular Products/Brands



As an innovative approach to further improve efficiency in manufacturing processes, LWPLC implemented the Total Productive Maintenance (TPM) programme during the year under review. This approach which takes a holistic view

to equipment maintenance and strives to achieve perfect production without any breakdowns, defective products, short production stops or even production slowdowns was well received by employees. The TPM programme will enable LWPLC to become more efficient and effective in the medium to longer terms, while motivating employees towards achieving the objectives of TPM while creating a culture geared for optimal manufacturing operations.

Product Range and Innovative Designs

LWPLC has an extensive range of wall tiles in alluring colours, textures, designs and sizes to cater to our customers' discerning tastes. The Company offers glazed ceramic wall coverings in eight main eight main sizes catering to both local and foreign markets. During the year under review, the Company introduced eight new design series which includes 38 products.

In line with the Companies value proposition to offer best quality, latest design products at competitive prices to our consumers, LWPLC has a dedicated internal design team to ensure latest consumer and fashion trends are incorporated into our tile designs. Accordingly, the Company invested Rs. 5 Mn towards modernising and upgrading the equipment and providing training and development to the 10-member design team.

වාඩි දායක ආයතනි වැඩි ගන්න ආයතනි දාක ගන්න දාක ගන්න දවසක්

ලංකාවේ පළමු වරට රයිල් සාර්විකයන්ගේ සංගමයක් ආරම්භ කළ ලංකාරයිල්ස් වෙතින් පවත් අනුත් මුහුණුවරක් වැඩිකරගත් - ලංකාරයිල්ස් රයිලර්ස් හේලි වාසි කතා බස. මෙය රයිල් සාර්විකයන්ගේ සංගමයේ රයිල් මුහුණු මුහුණු පත් වී අනුත් හේලිල් ගත කතා බස කරන්න, දැනුවත් කරන්න, දැනුවත් වෙන්න කළීම් අවස්ථාවකි. වරම්කාන් කොමි, මිමිට සතුට වීමේදීය ගෙනෙන විශේෂාංග රැකේ.

මෙම වැඩසටහන 2016 ඔක්තෝබර් 1 වන දා සිට නොවැම්බර් 13 වන දා දක්වා අදාළ 3 කින් ක්‍රියාත්මක වේ.

රයිල් සාර්වික මාසයක, පහත කාලයේ දිනවල මෙ.ව. 9.00 සිට ප.ව. 4.00 දක්වා මිනි වූයේදී ඇති ලංකාරයිල්ස් ප්‍රවර්ණකාරක වෙත පිට ගන්න.

දිනය	ප්‍රදර්ශනාගාර	දුරකතන අංක
01/10/16	සාවිල (ප්‍රධාන සාර්විකයා)	011-5548660
02/10/16	කඩුවෙල	011-2487791
03/10/16	වත්තල	011-2948355
04/10/16	කඩවත	011-2969993
05/10/16	ගම්පහ	033-2231810
06/10/16	මිහුළුවකොඩි	011-2294945
07/10/16	ආ-ඇළ	011-2244885
08/10/16	මීගමුව	031-2234162
09/10/16	වෙල්ලපිටුව	031-2255444
10/10/16	කලාවත	032-2223661
11/10/16	වාරිකපොළ	037-2268077
12/10/16	කුරුමිපොළ	037-2056130
1/10/163	වරකපොළ	035-2267506
14/10/16	හිරිපිටුව	033-3723881

වඩි වර්ධන කලා මාසී ප්‍රදර්ශන ඇති ප්‍රවර්ණකාරක අවසරය.

Research and Development

LWPLC also has an in-house research and development laboratory with 5 members. During the year under review, research and development activities were focussed on testing of new materials to be used in the manufacture of new products to the market.

Marketing and Brand Development Activities

The key focus of the Company’s marketing activities revolved around building the brand positioning for the ‘Lankatiles’ brand. Currently associated with only the middle market segment, LWPLC is now aiming to garner a standing as a high quality modern surface solutions provider to the high-end

market segment. As an initial step to achieve this objective, the Company invested Rs. 37.3 Mn on merchandising, product development, and modernising of showrooms.

Catering to the strategic focus on customer satisfaction, LWPLC also invested in new digital marketing methodologies and improved its social media presence. Accordingly, the Company installed intelligent screens in the Nawala showroom and increased promotional and advertising activities on social media networks such as Facebook. Further, measures to increase customer convenience were also introduced, including online and social media ordering and a mobile app that can be used by customers for product ordering and tracking.



In the year under review, focused seasonal advertising campaigns was the strategy adopted by the Company. Accordingly, two main advertising campaigns were carried out for the Christmas Season during November/December 2016 and for the Avurudhu Season during March/April 2017, with the themes “Gifting a Room with Lanka Walltiles” and “The New is New” respectively. These campaigns appeared in print media, as television commercials, and were also uploaded on social media.

Distribution Network

LWPLC continues to strengthen the distribution network of own showrooms and franchise showrooms as a means of serving our customers more conveniently. During the year under review, the Company added two new franchise showrooms in Kalutara and Matara, and upgraded and modernised the showrooms in Aluthgama, Kegalle, Peradeniya, Warakapola, and Wariyapola. As at the end of the year under review, the Company had 40 franchise showrooms and two direct-owned and operated showrooms located islandwide.

management discussion & analysis



LTPLC also continued its drive to strengthen the operational model of the distribution network by completing the restructuring of the distribution network model during the year under review. In addition, a distributor automation process system to connect distributors to the central ERP system of the Company was also rolled out during the year under review allowing distributors to real time access to information such as product availability, delivery times, etc.

Future Outlook

The year under review was a challenging one for the Company’s operational and financial growth. However, with the expected increase in demand mainly from the increased growth in the construction industry, LWPLC is poised to capitalise on the opportunities of the market place and garner a more favourable growth in the coming year. Accordingly, the Company has plans to invest in expansion of manufacturing facilities, plans to further strengthen marketing activities and customer service efforts, expand its digital footprint look for new overseas markets for increased export sales.

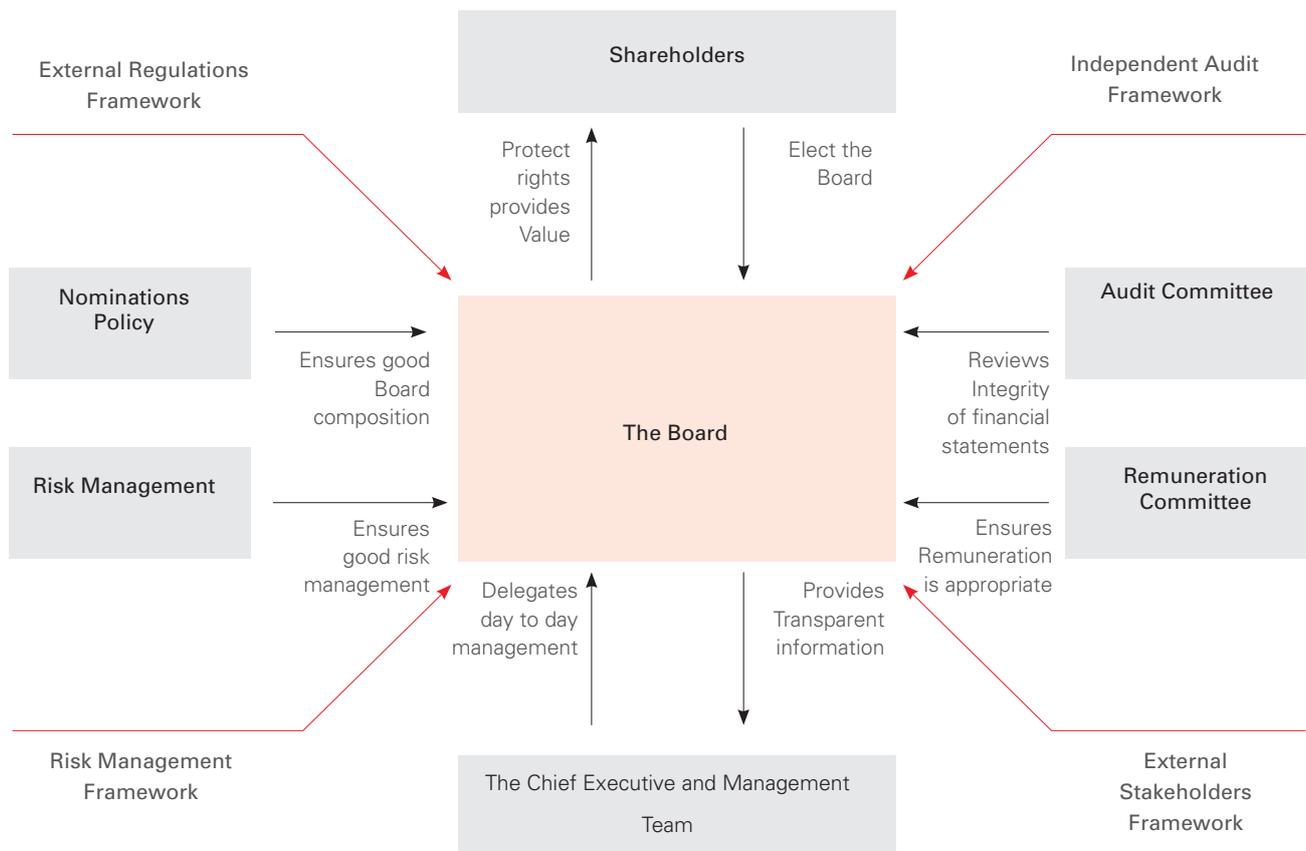
corporate governance

The Board of Directors of Lanka Walltiles PLC is committed in upholding the highest standards of integrity and transparency in its governance of the Company and its subsidiaries. The Board is guided by the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka in conjunction with the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. The Board is responsible for protecting the rights and interests of shareholders and are accountable to them for the overall management of the Company.

In this report the Company shares its Corporate Governance framework, compliance to Corporate Governance codes and gives the board statement of compliance. This is presented to the shareholders to ensure that their rights are protected while the business is being run to create value for them.

Corporate Governance Framework

The Corporate Governance framework to accomplish the Corporate Governance objective of Lanka Walltiles PLC is given below.



corporate governance

The Annual Report of the Company provides a balanced and understandable assessment of the Company which is in addition to the accounts of the management and financial reviews, Director's report and responsibility structures.

Governance Principle	Lanka Walltiles Adherence	Compliance Status
A. Directors		
A.1 - The Board		
Frequency of Board Meetings	<p>The Board met on a monthly basis in the year under review. The Board's Audit and Remuneration sub committees met on 4 occasions.</p> <p>Board meeting attendance:</p> <p>Dhammika Perera - (Chairman) - 01/01</p> <p>A M Weerasinghe - (Deputy Chairman) - 01/01</p> <p>J A P M Jayasekera - (Managing Director) - 12/12</p> <p>T de Zoysa - (Director) - 11/12</p> <p>Dr. S.Selliah - (Director) - 11/12</p> <p>T G Thoradeniya - (Director) - 11/12</p> <p>K D G Gunaratne - (Director) - 10/12</p> <p>A M L Page - (Director) - 10/12</p> <p>M W R N Somaratne - (Director) - 12/12</p> <p>J. D. N Kekulawala - (Director) - 05/07</p>	Compliant
Responsibility of the Board	<p>The Board is responsible for:</p> <ol style="list-style-type: none"> The formulation and implementation of a sound business strategy. Monitoring compliance of governance, laws and regulations. Overseeing systems of internal control and risk management. Approving annual budgets and strategic plans. Appointing and reviewing the performance of the Managing Director. Approving any change in the Group's business portfolio and sanctioning major investments and disinvestments in accordance with parameters set. Ensuring that effective remuneration, reward and recognition policies are in place to motivate employees to meet Company objectives. Submitting themselves for re-election at regular intervals and at least once every three years. 	Compliant
Compliance with applicable law	The Board ensured in the year under review that the Company adhered to all applicable laws, rules and regulations.	Compliant

Governance Principle	Lanka Walltiles Adherence	Compliance Status
Company Secretary	The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant individually to Directors and collectively to the Board.	Compliant
Independent judgment	The Board members are required to divulge all functions with the Company, refrain from matters of self interest and to bring independent judgement to the decision making process.	Compliant
Dedication of adequate time and effort	Board members attend all Board meetings in person and need to be prepared to engage in decision making matters which may entail an adequate amount of time and effort spent.	Compliant
Appropriate training for Directors	All Directors have considerable experience in managing Companies and the Ceramic Industry. Relevant training opportunities are made available to all Directors locally and internationally to further enhance their knowledge and expertise.	Compliant
A2 - Chairman and CEO		
Division of responsibilities between the Chairman and CEO	There is a clear division of responsibility at the head of the Company. This is between the Board (Chairman) and the executive responsibility of overseeing the Company's business (Managing Director). No single individual has liberal powers with regard to decision making.	Compliant
A.3 - Role of the Chairman		
Prepare good corporate governance and facilitate effective discharge of Board functions	The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.	Compliant
A.4 - Financial Acumen		
Availability of sufficient financial acumen and knowledge.	The Board includes Directors, who possess the necessary knowledge and competence to offer the Board guidance on financial matters. The Managing Director is a Chartered Accountant.	Compliant

corporate governance

Governance Principle	Lanka Walltiles Adherence	Compliance Status
A.5 - Board Balance		
The Board should have an adequate number of Directors with a balance of executive and non-executive Directors of sufficient calibre along with independent Directors.	<p>The Board comprises of 10 executive and non-executive Directors.</p> <p>Directors' status is as follows:</p> <p>Dharmika Perera - (Chairman) - Non Executive</p> <p>A M Weerasinghe - (Deputy Chairman) - Non Executive</p> <p>J A P M Jayasekera - (Managing Director) - Executive</p> <p>Dr. S.Selliah - (Director) - Non Executive - Independent</p> <p>T de Zoysa (Director) - Non Executive - Independent</p> <p>T G Thoradeniya - (Director) - Non Executive</p> <p>K D G Gunaratne - (Director) - Non Executive - Independent</p> <p>A M L Page - (Director) - Non Executive - Independent</p> <p>M W R N Somaratne - (Director) - Non Executive</p> <p>J. D. N Kekulawala- (Director) - Non Executive - Independent</p> <p>The Board of Directors are of the opinion that the period of services as a Board members exceeding 9 years rendered by Mr. T de Zoysa does not compromise his independence and objectivity in discharging his functions as a Director.</p> <p>Dr. S Selliah, Ms. A M L Page and Mr K D G Gunaratne are also Directors of Lanka Tiles PLC. However, after taking into consideration the fact that they are not actively involved in the Management of Lanka Tiles PLC and furthermore, since they do not directly hold a significant percentage of shares in Lanka Tiles PLC, the Board is of the view that their independence is also not compromised. Accordingly, the Board has determined that Mr. T de Zoysa, Dr. S Selliah, Mr. K D G Gunaratne and Ms. A M L Page are 'independent' Directors as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.</p>	Compliant
A.6 - Supply of Information		
Relevant information and agenda to be circulated in a timely manner to the Board.	The Board papers are circulated a week prior to Board meetings with an adequate briefing on relevant information.	Compliant
A.7 - Appointments to the Board		
Procedure for the appointment and disclosure of new Directors/ Assessment of Board composition	The appointment to the Board is undertaken by the Board itself, taking into consideration the Board composition required and the strategic input required. All Board appointments are informed to the CSE as per the existing regulations.	Compliant
A.8 - Re-election		
Re-election of Directors at regular intervals.	As per the Articles of Association one third of the Directors for the time being shall retire from the office and shall offer themselves for re-election by Shareholders each year.	Compliant

Governance Principle	Lanka Walltiles Adherence	Compliance Status
A.9 - Appraisal of Board Performance		
Boards should periodically appraise their own performance in order to ensure that responsibilities are discharged in a satisfactory manner	The Board regularly evaluates its performance based on achievement of results, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements.	Compliant
A.10 - Disclosure of information with respect to Directors		
Shareholders at all times should be aware of relevant details with respect to Directors.	All Directors have declared their details in pages 16 to 17 as Director profiles.	Compliant
A.11 - Appraisal of Chief Executive Officer		
The Board should be required to assess the performance of the CEO annually.	The CEO is evaluated each year as per the yearly targets that have been agreed on in the annual budget	Compliant
B. Directors' remuneration		
B.1 - Remuneration Procedure		
Formal and transparent procedure for developing policies on remuneration.	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. Its purpose is to assist the Board of Directors in matters relating to compensation of the Company's Directors, Executive Officers and such other employees as determined by the Committee	Compliant
Composition and disclosure of the members of the Remuneration Committee	The Remuneration Report which is in Page 54 of the report addresses all related matters.	Compliant
B.2 - The level and make up of Remuneration		
Levels of Remuneration	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management required to run the Company successfully, while remaining within the industry's remuneration standards	Compliant
B.3 - Disclosure of Remuneration		
Disclosure of Remuneration in the Annual Report	Details of the Remuneration Committee and the statement of remuneration policy are provided in the Annual Report. The aggregate remuneration paid to Executive and Non-executive Directors are disclosed on Page 132 of this Report.	Compliant
C. Relations with Shareholders		
C.1 - Constructive use of the Annual General Meeting		
Boards should use the Annual General Meeting to communicate with shareholders and encourage their participation.	The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with Shareholders.	Compliant

corporate governance

Governance Principle	Lanka Walltiles Adherence	Compliance Status
C.2 - Major Transactions		
Disclosure of major corporate transactions that will materially affect the net asset base.	There have been no transactions during the year under review, which fall within the definition of 'Major Transactions' in terms of the Companies Act.	Compliant
D. Accountability and Audit		
D.1 - Financial Reporting		
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	The Annual Report of the Company provides a balanced and understandable assessment of the Company which is in addition to the accounts of the Management and financial reviews, Director's report and responsibility structures.	Compliant
D.2 - Internal Control		
The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.	The Board has taken necessary steps to ensure the integrity of the Group's accounting, financial reporting and internal control systems and also their review and monitoring on a periodic basis. The systems cover risk management, financial and operational control, ethical conduct, compliance with legal and regulatory requirements and corporate social responsibility are as detailed below.	Compliant
D.3 - Audit Committee		
The Board should establish formal and transparent arrangements in the manner in which they select and apply accounting policies, financial reporting, internal control principles and maintaining an appropriate relationship with the Company's Auditors.	The Audit Committee Report on page 55 of the report addresses this section in full.	Compliant
D.4 - Code of Business Conduct and Ethics		
Companies must adopt a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and promptly disclose any waivers of the Code for Directors or others.	The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission is adopted by the Directors who then ensure that the Company and the employees behave ethically.	Compliant
D.5 - Corporate Governance Disclosures		
Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Adherence to the principles and practices of good Corporate Governance is given in the Corporate Governance report in the Annual Report Pages 29 to 38	Compliant

Governance Principle	Lanka Walltiles Adherence	Compliance Status
E. Shareholders		
E.1 - Shareholder Voting		
Institutional shareholders should be encouraged to ensure their voting intentions are translated into practice.	All institutional shareholders are encouraged to participate and their views are communicated to all concerned.	Compliant
E.2 - Evaluation of Governance Disclosures		
Institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	The Report contains the Company's Corporate Governance process and structure for investor's attention.	Compliant
F. Other Investors		
F.1 - Investing / Divesting Decision		
Individual shareholders, should be encouraged to carry out adequate analysis in investing or divesting decisions.	The Annual Report contains sufficient information to make an informed decision. The report is posted in the Colombo Stock Exchange website with the quarterly reports to facilitate investors and shareholders to make informed decisions.	Compliant
F.2 - Shareholder Voting		
Individual shareholders should be encouraged to participate in the General Meeting of Companies and exercise their voting rights.	All shareholders are encouraged to participate at the Annual General Meeting / Extraordinary General Meeting and cast their votes. AGM's are notified in advance as per the Companies Act and held at an accessible venue to ensure shareholders can participate effectively.	Compliant
G. Sustainability Reporting		
G.1 – Principles of Sustainability Reporting		
Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity and directed to the target stakeholders, usually shareholders, employees, customers, society and government.	Sustainable business practices are a fundamental condition that defines all that the company does. It is an integral component of the Company business activities and drives all its management decisions. It also helps it to utilize its core competencies so as to generate more productive economic opportunities, minimize the impact of its operations on the local environment, while at the same time making a meaningful contribution towards societal change.	Compliant

corporate governance

CSE Listing Rules Compliance

Lanka Walltiles PLC's extent of adherence to corporate governance rules under section 7.10 of continuous listing requirements of the Colombo Stock Exchange is given below.

Governance Principle	Lanka Walltiles Adherence	Compliance Status
a. Non-Executive Directors		
The Board of Directors should include at least two Non - Executive Directors or such number of Non - Executive Directors equivalent to one third of the total number of directors whichever is higher.	Lanka Walltiles PLC has nine Non - Executive Directors out of ten as given in item A5 in the CASL adherence table, which is above the minimum requirement.	Compliant
b. Independent Directors		
Two or 1/3 of Non - Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	The Company has four independent Directors out of nine as given in item A5 in CASL adherence table, which is above the minimum level.	Compliant
c. Disclosure relating to Directors		
The Board shall make a determination annually as to the independence or non-independence of each Non - Executive Director based on such declaration and other information available to the Board and shall set out in the annual report the names of Directors determined to be 'independent'.	The Board has determined the independence of each independent director and has set out and declared the independence as per item A5 in the previous table.	Compliant
d. Criteria for Defining 'Independence'		
The Colombo Stock Exchange identified criteria of independence should be met by the independent Directors of the Company	All directors meet the above criteria and additional explanations are given in Note A5 in Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission corporate governance adherence report.	Compliant
e. Remuneration Committee		
i. Composition of Remuneration Committee		
The Remuneration Committee shall comprise of at least two Non - Executive Directors in which a majority shall be Independent.	As per the Remuneration Committee report given in page 54 the Remuneration Committee comprises of three independent non-executive Directors.	Compliant

Governance Principle	Lanka Walltiles Adherence	Compliance Status
ii. Functions of Remuneration Committee		
The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity to the board of the Listed Entity among other defined functions.	The Remuneration Committee met once for the year and have recommended the remuneration of the CEO and the Senior management of the Company to the Board and the report is published in page 132.	Compliant
iii. Disclosure in the Annual Report		
The annual report should set out the names of Directors in comprising the Remuneration Committee and contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors	The Remuneration Committee report in page 54 as sets out the names of the Directors in the Remuneration Committee report and aggregate remuneration paid to all directors is given in page 132.	Compliant
a. Audit Committee		
i. Composition of the Audit Committee		
The Audit Committee shall comprise of at least two non-executive directors a majority of whom shall be independent.	The Audit Committee comprises of three independent, non – executive Directors.	Compliant
ii. Functions Audit Committee		
Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.	The Audit Committee report in page 55 of the Annual Report explains the function of the Audit Committee which has executed the above function.	Compliant
iii. Disclosure in the Annual Report relating to Audit Committee		
The names of the Directors comprising the Remuneration Committee should be disclosed in the annual report.	The Audit Committee report in page 55 has addressed this requirement.	Compliant

corporate governance

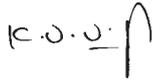
STATEMENT OF COMPLIANCE

From the above mentioned details, it can be concluded that the Company is fully compliant with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka in 2008 and the codes of Colombo Stock Exchange.

Further, the Board confirms that all statutory payments due to the Government, other regulatory institutions and to employees, have been made on time.



J A M P Jayasekera
Managing Director



Dhammika Perera
Chairman

Therefore the Board concludes and declares that the Company is fully compliant to with the Corporate Governance Rules of Institute of Chartered Accountants of Sri Lanka, Securities and the Exchange Commission and has in place a robust Corporate Governance Framework to govern the business forward in the forthcoming financial year.

risk management

Introduction

Risk Management is a critical requirement for any company operating in a competitive market and a changing economy. Recent global and local developments have highlighted the need for a robust, integrated risk management approach across the business. Lanka Walltiles PLC (LWPLC) thus has taken a strategic initiative to identify the areas relevant to the organization and respond to potential risk. The risk management process will enable administration to evaluate strategies existing within the organization to mitigate the risk factors identified, gain comfort over the continuation of the business and ensure the required returns to the stakeholders. This process additionally assists the Company in managing sustainability of growth and profitability. The objective is to improve performance and decision making through identification, evaluation and management of key risks. The responsibility of the Risk Management process lies with the Board of Directors and the process is supervised by the Company's Executive Committee and reviewed by the Audit Committee. A review of the risk management framework and the process of the Company are described below.

Risk Management Framework

The Committee of Sponsoring Organizations of the Tradeway Commission (COSO) defines Enterprise Risk Management (ERM) as a process, effected by the entity's Board of Directors and management and applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite and to provide reasonable assurance regarding the achievement of entity objectives. LWPLC adopted an ERM approach in year 2013, because it provides an integrated approach to the management of the Company's business risk.

A graphical overview of the Company's risk management framework is given below.



Principle	Lanka Walltiles PLC's Adherence	Compliance Status
Risk culture		
A Company has to cultivate an appropriate risk awareness culture for effective ERM practice. A strong endorsement by the Board of Directors and Senior Management of the value of investing time and infrastructure into better understanding the organization's most significant risk exposures is an important and necessary condition that must be in place.	In this regard, the Senior Management and the Board of Directors have a clear understanding of the objectives of ERM relative to traditional approaches to risk management and the CEO embraces the need and provides adequate endorsement of an enterprise wide approach to risk oversight that seeks to obtain a top-down view of major risk exposures. The Board of Directors are also supportive of management's efforts to implement an enterprise wide approach to risk oversight and the Board of Directors sets aside agenda time at each of its meetings to discuss the most significant risks facing the organization. The Senior Management has effective risk management capabilities and competencies.	Compliant

risk management

Principle	Lanka Walltiles PLC's Adherence	Compliance Status
Risk identification		
Robust processes have to be in place in the organization to identify risks, particularly those risks that may be currently unknown, but emerging and should encourage the management to regularly think about risk.	In this regard, the organization has defined and widely communicated to members of management and the Board what it means by the term "risk." The organization has identified a broad range of risks that may arise both internally and externally, including risks that can be controlled or prevented, as well as those over which the organization has no control. The organization engages in identifiable processes to regularly scan the environment in an effort to identify unknown, but potentially emerging risks such as competitor moves, new regulations, changing consumer preferences, etc. Each member of the Board of Directors has provided input into the risk identification process.	Compliant
Risk assessment		
Organization needs methods to prioritise risks that encourages a consistent consideration of both the likelihood of the risk occurring and the impact of the event to the organization, if the risk occurs.	The organization defines a five year time period over which risks should be assessed to ensure consistency in management's evaluations. The organization strives to assess inherent risk of the Company and industry and the organization assesses not only the likelihood of a risk event occurring but also the impact of the risk to the organization. The Board of Directors has concurred with the assessment of the risks completed by management.	Compliant
Articulation of risk appetite		
While determining the organization's appetite for risk taking can be challenging, it is important that the board and Senior Management make some attempt to articulate its overall appetite for risk taking.	The board and management have engaged in discussions to articulate the organization's overall appetite for risk taking. The Board of Directors has concurred with the organization's risk appetite.	Compliant
Risk response		
It is very important to ensure that an appropriate risk response method is implemented, and then to ensure that the response is working as intended. Periodic evaluation of whether identified risk responses are effectively being carried out will ensure an effective ongoing ERM process.	The organization has identified risk owners with responsibility for each of its most significant risks. The organization has evaluated whether the existing response is sufficient to manage the risks to be within the organization's risk appetite. The organization has separately evaluated the potential cost of the risk response relative to the benefit provided by the response towards either reducing the impact or reducing the probability of occurrence of the risk event. The organization's ERM process helps to identify potential overlaps or duplications in risk responses across the enterprise.	Compliant

Principle	Lanka Walltiles PLC's Adherence	Compliance Status
Risk reporting		
As risks are identified and assessed across the organization, processes are needed to facilitate the communication of risk-related information so that an aggregate view of important risks and their related risk responses are provided to Senior Management, the Board, and to critical stakeholders.	The organization has developed and monitors critical risk indicators that are leading in nature, in that they provide some indication that a risk event is more likely to occur in the future. Senior management regularly review management reports that provide the status of critical risks and risk response plans. The Board monthly receives and reviews these reports which provide the status of critical risks and risk response plans.	Compliant
Integration with strategic planning		
Effective ERM can be an important input and consideration into the determination and execution of any organization's strategy. ERM provides critical insights into the portfolio of existing and emerging risk exposures that can contribute to the strategic success of the organization.	The organization has a formal strategic planning process and the strategic plan is updated at least annually. The organization's existing risk profile is an important input for the strategic planning process. Senior management links the top risk exposures to strategic objectives to determine which objectives face the greatest number of risks and to determine which risks impact the greatest number of objectives.	Compliant
Assessment of ERM effectiveness of the risk management process:		
Senior management and the Board of Directors need to view ERM as an evolution, not a point-in-time project to be implemented.	In the organization, the Senior Management regards ERM as an ongoing process rather than just a project and they seek to understand and monitor emerging ERM best practices and adequate resources have been dedicated to support and complete the ERM function, successfully.	Compliant

Risk Management Process

The risk management process has been designed to ensure identification of any situation or circumstance that would adversely affect the achievement of the Company activities and to accept and manage unavoidable risks and to ensure surprise events or situations are minimized. This process is aligned directly to the Company's strategy, annual plans and monitored by the Board which is reviewed by the Audit Committee.

To facilitate a professional risk management process, a facilitative management structure and a robust management process needs to be in place in the organization.

Lanka Walltiles PLC has the following management structure to facilitate risk management and risk reporting.



risk management

The LWPLC risk management process can be explained by the three lines of defence concept of risk management as given below

	First line	Second line	Third line
Responsibility	<ul style="list-style-type: none"> ➤ Day to day identification, assessment, managing and reporting of all risk within span of control ➤ Ensuring risk exposures stay within limits ➤ Responding appropriately to challenge by the second line of defence ➤ Implementing recommendations by third line of defence 	<ul style="list-style-type: none"> ➤ Clear and well communicated risk policies ➤ Effective control and monitoring systems ➤ Providing assurance that risks are being appropriately managed across the business ➤ Providing robust challenge to first line ➤ Facilitating actions to respond to levels of risk deemed to be beyond or close to tolerance 	<ul style="list-style-type: none"> ➤ Independent assurance and oversight on the effectiveness of : <ul style="list-style-type: none"> - Systems of governance - Risk management - Internal control
Accountability	<ul style="list-style-type: none"> ➤ Executives and Supervisors. 	<ul style="list-style-type: none"> ➤ The Board which include the Managing Director and the Corporate Management team. 	<ul style="list-style-type: none"> ➤ Internal Audit ➤ External Audit ➤ Audit Committee

Principle	Lanka Walltiles PLC's Response	Compliance Status
Business Environment Risk		
Environment risk arises when there are external forces that may affect the viability of the enterprise's business model, including the fundamentals that drive the overall objectives and strategies that define it. Adverse political actions and changing laws may be harmful to the firm's resources and future cash flows in a country in which the firm has invested significantly and is dependent on a significant volume of business.	To counter political and regulation risk the Company brings the relevant issues to the notice of government institutions, persistently monitors them and maintains a close relationship with relevant government institutions and industry associations and chambers. The Company also assists government institutions in formulating new laws and regulations pertaining to the industry and provides information on relevant issues to government institutions. In addition, a legal feasibility evaluation has been made a standard process in order to approve capital projects.	Compliant
Operations Risk		
Operations risk is the risk of inefficiency in executing the firm's business model, satisfying customers and achieving the Company's quality, cost and time performance objectives. Unproductive operations threaten the Company's capacity to produce goods at or below cost levels incurred by competitors.	To counter operations risk, the Company has a strong operational control mechanism where production, quality, cost and efficiency are monitored on a daily basis and improvements on projects are undertaken to increase efficiency. Plant upgrades with new plants and machinery are done annually to be on par with world class manufacturers. In addition, a five year strategic plan has been implemented to enhance capacity and ensure operations run smoothly.	Compliant

Principle	Lanka Walltiles PLC's Response	Compliance Status
Capacity Risk		
Insufficient capacity will pose a hindrance to the Company's ability to meet customer demands or excess capacity threatens the firm's ability to generate competitive profit margins.	Presently the firm has identified that it needs more capacity and therefore a Capacity Expansion Program has been planned for the next five years and reviewed monthly. This includes installation of the new kiln, importing tiles to meet specific demands and implementing the capacity expansion plan to monitor financial and resource requirements.	Compliant
Integrity Risk		
Integrity risk is the risk of management fraud, employee fraud, illegal acts and unauthorized acts, any or all of which could lead to loss of reputation in the marketplace.	To mitigate this risk, the Company conducts a monthly internal audit of transactions undertaken by an independent firm of chartered accountants, to detect and reduce fraud and detail approval processes for official transactions which mitigate the above risk. In addition, quarterly Audit Committee meetings are held to monitor the reporting status coupled with monthly Board meetings which supervise the financial status of the Company and the integrity of employees.	Compliant
Financial Risk		
Exposure to lower returns or the necessity to borrow due to shortfalls in cash or expected cash flows or variances in timing or significant movements in interest rates expose the firm to a number of negative factors. These include higher borrowing costs, lower investment yields or decreased asset values and result in financial helping risk. Movements in prices, rates, indices and such, affect the value of the Company's financial assets and stock price, which may additionally impact its cost of capital and/ or the ability to raise capital	Credit limits and given credit is reviewed through a detailed approval process reducing risk of debt, exports under DA terms are insured using SLECIC and monthly overdue debtors are reported to the Board for necessary action. These actions reduce cash flow risk and all capital projects are financially evaluated to ensure that inflows match with borrowings. Both floating and fixed rate debt is maintained and is structured using loans, share capital and internal fund management to reduce borrowings.	Compliant

Conclusion

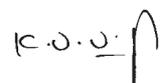
The Board confirms that an effective risk management framework and an adequate ongoing risk management process are in place to minimize all potential risks and its probability of impact to the Company and its business.

The Board assures the reliability of financial statements presented herein which have been done in accordance with applicable accounting standards and regulatory requirements.

The Board declares that it has not found any significant risks that may impact the operation of the business as a going concern.



J A M P Jayasekera
Managing Director



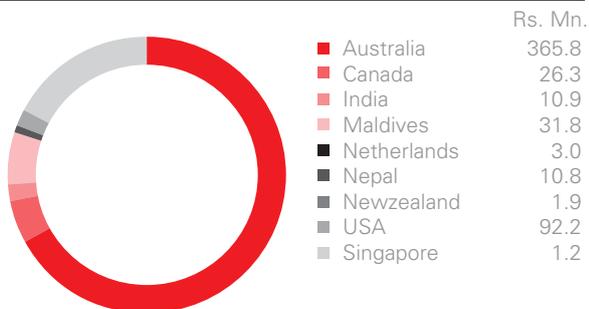
Dhammika Perera
Chairman

sustainability review

The improvements made to the franchise network delivered good results for the year, and helped relieve the pressure on the dealer network and spearheaded the move.



Export Revenue - Company



Lanka Walltiles PLC (LWPLC) as a responsible business enterprise endeavours to take a triple bottom line approach to managing the Company's business operations. Hence, the Company adopts sustainable business practices which are integrated with business strategies and promotes eco-friendly and socially acceptable practices to our stakeholders.

LWPLC is still in its preliminary stage of developing a wholly holistic approach to sustainable business operations. However, as a manufacturing business enterprise, we strive to apply the principles of sustainability in the Company's factory operations. The Company thus, focuses on reducing our carbon footprint and managing our impacts to the environment while developing environmentally friendly products. The Company's commitment to our employees is also a key focus area, and we strive to ensure that labour

practices and human rights as well as employees' welfare is always at the forefront of being the Company's sustainable business practices. Further, as a believer in giving back to the society within which we operate our business, LWPLC has many Corporate Social Responsibility (CSR) programmes to assist in the development and enhancement of livelihood of the communities surrounding our business operations.

Our sustainability efforts are strengthened by the commitment of our employees, suppliers, business partners, and other stakeholders, as well as in the emphasis placed by the Company on adhering to environmental and labour laws and regulations. While we strive to further improve our sustainability efforts, we continue to be ethical and transparent in all our business operations assisted by our corporate governance framework and risk management systems.

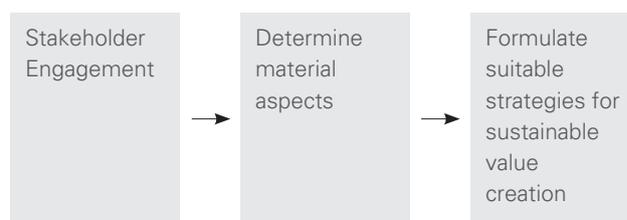
STRATEGY DEVELOPMENT

LWPLC's sustainability development efforts revolve around four strategic pillars - Environmental Management, Workforce Management, Product Stewardship, and Corporate Social Responsibility (CSR).

In support of the Company's sustainability journey, and creating long term value to our stakeholders, we adopt a strategy of developing our sustainable business practices based on the GRI-G4 guidelines for sustainability reporting developed by the Global Reporting Initiative.

Accordingly, key stakeholders are identified, and the Company follows a three-step process whereby we can arrive at the key areas of concern for stakeholders and Company alike.

The results of this process undertaken in the year under review is presented below.



Material Economic Aspects

Stakeholder Group Engagement Mechanism Materiality

Stakeholder Group	Engagement Mechanism	Materiality Assessment	Strategy Development
Shareholders	<ul style="list-style-type: none"> AGM/EGM Quarterly Publications Dividend Announcement Annual Report 	<ul style="list-style-type: none"> Operational Efficiency Consistent long term value creation Ethics and integrity 	<ul style="list-style-type: none"> Sustainable Business Practices to improve overall performance Improving profitability Statutory Compliance and transparent reporting structure
Customers	<ul style="list-style-type: none"> Face to face interactions Customer hotline Customer complaints mechanism Customer surveys Customer satisfaction index 	<ul style="list-style-type: none"> Customer Responsiveness Product Responsibility Marketing and Communications 	<ul style="list-style-type: none"> Innovative Design concepts in tandem with global trends and changing lifestyles Unparalleled customer service Versatile, ergonomic product range Responsible advertising and marketing campaigns High brand visibility and market presence across the country

sustainability review

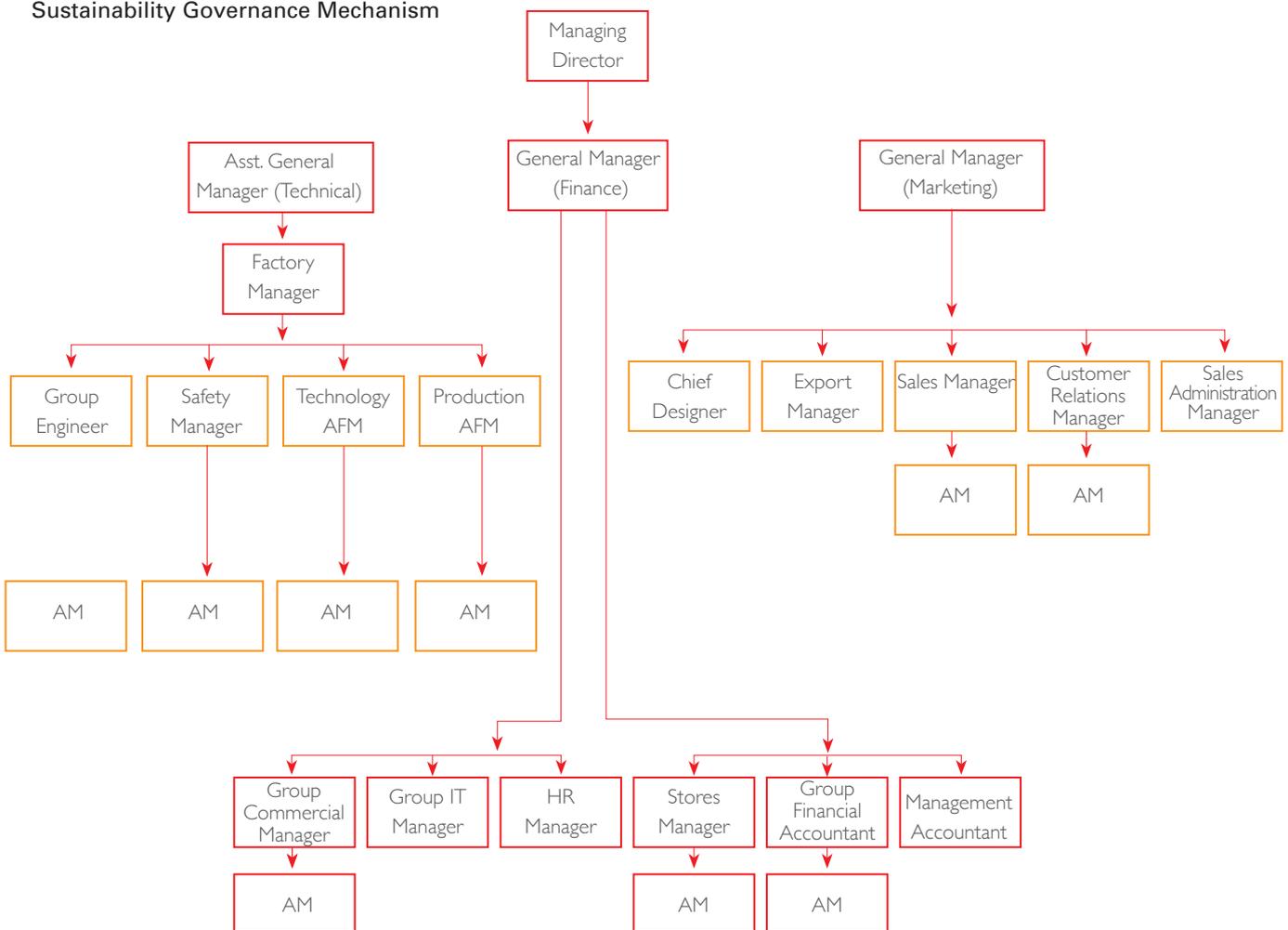
Stakeholder Group	Engagement Mechanism	Materiality Assessment	Strategy Development
Dealers/ Distributors	<ul style="list-style-type: none"> Dealer convention Monthly dealer/ distributor visits 	<ul style="list-style-type: none"> Product Responsibility Marketing and Merchandising 	<ul style="list-style-type: none"> Availability of the product range Adequate merchandising support
Suppliers	<ul style="list-style-type: none"> Supplier visits Bi-weekly meetings Knowledge sharing industrial workshops Participation in industry forums 	<ul style="list-style-type: none"> Stability and continuity of business Enhanced competencies Environmental outlook and approach Environmental track record 	<ul style="list-style-type: none"> Sustainable business practices to improve overall performance Knowledge transfer and skills development to encourage better mining practices
Regulatory Authorities	<ul style="list-style-type: none"> Monthly reporting framework Annual Reporting structure Regular monitoring and audits 	<ul style="list-style-type: none"> Regulatory compliance Contribution towards national development 	<ul style="list-style-type: none"> Good governance practices Creating employment and new business opportunities Greater integration of environmental concerns as part of the day-to-day operations
Community	<ul style="list-style-type: none"> Monthly community meetings Incident hotline to address community complaints Participation in community activities Conducting community welfare programmes 	<ul style="list-style-type: none"> Promote resource efficiency Reduce carbon footprint Uplift community living standards and lifestyles 	<ul style="list-style-type: none"> Sustainable operations that improve energy efficiency at all levels of the business Explore alternative energy solutions Sustainable operations that manage and control the usage of water Mitigation of sound and dust pollution and Control of effluents Promote the efficient use of manufacturing waste

SUSTAINABILITY GOVERNANCE

The overall responsibility for sustainability activities lies with the Managing Director of LWPLC, who oversees the formulation of policies, processes and procedures that drive the Company's sustainability objectives.

Regular reviews are carried out to determine the Company's sustainability progress vis-à-vis pre-determined targets. This process also takes into account the risks and opportunities in the immediate operating environment, which could impact the business or specific stakeholder groups connected to LWPLC.

Sustainability Governance Mechanism



ENVIRONMENTAL MANAGEMENT

Being one of the key pillars of the Company's sustainable business operations, environmental management is implemented at LWPLC using an integrated approach together with our manufacturing process efficiencies. The Company continuously strives to reduce its carbon footprint by reducing pollution and conserving scarce resources. We therefore stringently apply the laws and regulations of the

industry in the Company's operations and also comply with voluntary standards such as ISO 14001, SLS, and the Green Label certification received from the Green Building Council of Sri Lanka during the year under review. LWPLC also has an environmental policy in place that must be adhered to by all employees.

sustainability review

LWPLC sets environmental target and works within a pre-defined framework towards meeting green objectives. These targets are reviewed periodically and open to feedback from employees on further improvements.

During the year under review the following licences were renewed successfully by the Company

- Environmental Protection License for 2017/18.
- License for "Scheduled Waste Management" from CEA, received in February 2017.
- Green Labelled Product Certificate received during 2015/16.
- European Conformity (CE) certificate renewed for 2016/18.

Energy Management

The Company's main source of energy is non-renewable LP gas used during the manufacturing process. Electricity from the national grid is also used during the manufacturing process but is also used in our offices and showrooms. LWPLC strive to minimise the use of energy and thus, continually invests in energy efficient manufacturing processes and equipment.

During the year under review the Company modified the Kiln in the Meepe factory to increase its energy efficiency and resultantly reduce the LP gas consumed per tile manufactured. Other such projects aimed at increasing the energy efficiency of the Company's manufacturing process are being reached and if effective will be implemented in the coming year.

LWPLC has replaced the halogen and sodium lamps in the factory and in our office premises with high efficient fluorescent tube lights and LED lights to reduce the electricity consumption from the national grid.

The Company realised a saving in its energy usage during the year under review mainly attributed to energy conservation and energy efficiency improvements.

Energy Consumption

Type of Energy	Volume	
	2015/16	2016/17
LP Gas	5.0 Mn Kg	5.3 Mn Kg
Electricity	8.7 Mn KWH	8.9 Mn KWH

Controlling Emissions

The main emissions from the manufacturing process is sound and dust. Over the year, the Company has been enhancing our efforts to reduce emission and make our operations more environmentally friendly.

Noise Level Controls

Noise generation is a normal downside of the manufacturing process of the Company. During the year under review, the following measures were implemented to further minimize noise levels during the manufacturing process.

Measure	Investment	Objective	Result 2016/17
Soundproofing of the rectification plant	Rs. 2.6 Mn	Eliminate the noise generated from the cutting machines	Decreased noise pollution by 15%
Innovative modification of the dust suction units	Rs. 5.6 Mn	Reduce the noise levels during the suction process	Decreased noise pollution by 17%

During the year under review, LWPLC was able to reduce noise pollution levels along the industry boundary and inside the main factory building, while maintaining levels well below that stipulated by the Central Environmental Authority.

Noise Levels by Location

Measure	Maximum permissible level (dB) Standard	Results (dB)	
		2015/16	2016/17
Day Time Noise Level	< 55	50.6	48.7
Night Time Noise Level	<45	43.7	42.9

Dust Level Controls

Dust is generated during the manufacturing process and must be controlled from spreading into the environment. LWPLC has in place seven dust collection units located at strategic points in the manufacturing process to control the spread of dust into the atmosphere. During the year under review, the following measures were effected to further increase dust control.

Measure	Investment	Objective	Result 2016/17
Modifications to the dust suction units	Rs. 2.79 Mn	To increase the efficiency	No test results on dust measurement
Installation of new dust suction units	Rs. 2.76 Mn	To eliminate dust generated from the newly installed rectification plant	

In order to identify the success of the Company's dust control procedures, dust output is measured using the ITI system on a regular basis. During the year under review, the Company's was able to reduce its dust output by 30% of the boundary level.

Dust Levels

Measure	Maximum permissible level (µg/m ³) Standard	Results (µg/m ³)	
		2015/16	2016/17
Dust Level	< 100	67	47

Air Pollution Controls

The manufacturing process also emits smoke from the kilns used during the tile heating process. During the year under review, LWPLC as a form of precaution, and to ensure clean air to neighbouring communities, ensured that the stack heights on kiln smoke dischargers were maintain at over 7m height, thus releasing smoke at a higher level to be absorbed into the atmosphere. No toxins are released during this process and the smoke emissions mainly consist of CO and CO₂.

Waste and Effluent Management

The Company endeavours to keep manufacturing waste to a minimum. Tiles that are rejected during the quality control process are either reused in the manufacturing process or recycled for other uses. During the year under review, approximately 2,100 MT of solid waste generated during the manufacturing process in the form of tile grog was recycled and re-used within the manufacturing process of the tile body.

Waste in the form of food, paper, metal, cardboard, glass, and plastic is also generated on a day-to-day basis at the factory. Solid food waste is collected and given to a farm to be used as compost/to feed animals. Other waste is segregated and sold to authorised third parties for proper and safe disposal.

Waste Disposal by Type

Type of Waste	Quantity (Kgs.)	
	2015/16	2016/17
Plastic	1,010	1,660
Polythene	5,055	4,570
Cardboard	11,317	12,430
Scrap Iron	42,534	53,190
E.T.P Waste	-	261,210

Effluents from the manufacturing process is mainly waste water. In total 29,500 cubic meters of waste water was generated during the manufacturing process in the year under review. Since the waste water contains no toxicity, approximately 700 cubic meters is reused, without being treated, in the milling process of raw materials per month. In addition, 2,500 cubic meters of waste water per month is treated in the effluent treatment plant at the factory. The water treated is then tested for conformity with the Central Environmental Authority stipulated values. During the under review, the Company used a total of 2 million liters of treated waste water in the manufacturing process.

sustainability review

Currently approximately 35% of the waste water recycled is reused in the manufacturing process, while the balance 65% is released to the environment. The treated waste water released to the environment is stored in a pond to be used in emergency situations such as fire.

LWPLC is currently researching on viable options and process improvements which will allow for 100% usage of this recycled water in the future.

Quality of Treated Water

Measure	Standard	2015/16	2016/17
BOD	< 30 Mg/L	9	5
COD	< 250 Mgor/L	32	50
TSS	< 50 Mg/L	2	6
PH Value	6.0 – 8.5	7.2	7.7

In addition, solid waste in the form of sludge is also extracted from the effluent treatment process. In the year under review approximately 415 MT was extracted, which was then sold to a roof tiles manufacturer as a raw material in their production process.



Fundamental Principles of Lanka Walltiles PLC's Human Resource Policy

Equality and diversity should be maintained at every stage of the employment process including recruitment, selection, evaluation, promotion, training and development of all employees.

The remuneration and benefits offered by the company to its employees will be competitive, in line with industry standards and will comply with the statutory labour laws of the country.

The Company's non-discriminatory approach will ensure a harassment-free work environment, where no employee will be discriminated against based on age, sex, marital status, religious beliefs or any other status protected by law.

Employment should be at the free will of the employee and no individual will be forced to remain in employment should they not wish to do so.

Child labour will be strictly prohibited.

Freedom of association is considered a right of each individual and the Company will respect the individual's right to be a part of an association or group as long as such a membership does not violate the fundamental rights of any other individual or group.

The Company endorses a zero-accident policy and as such, the health and safety of all employees remains a key priority.

The Company will ensure an active feedback mechanism, based on mutual trust, which will provide the basis of strong communicative culture and an effective platform for solving of grievances. Further, the Company will strictly comply with all conditions stipulated under the collective bargaining agreement and any changes would be subject to the agreement of all parties concerned.

All employees will be evaluated regularly to assess their performance and their capacity for progress within the company.

The results of these evaluations will help identify the training requirements and also highlight an employees' potential for career progression within the organisation.

The Company will provide employees with the required training to enable them to improve their knowledge and skills, and develop leadership skills to enable them to drive the future of the company as well as the industry. Therefore, LWPLC's comprehensive training and development model covers a range of areas, including; induction and orientation, skills and leadership development, occupational health and safety training, and compliance statistics.

WORKFORCE MANAGEMENT

Employees are one of the most important stakeholders of LWPLC. They play a critical role in business innovations and success, and are responsible for the day-to-day operations of the Company. It is the dedication, loyalty and belief of our employees in the Company's culture and value system that drives us towards achieving all our goals while creating business value as a successful sustainable business enterprise.

Therefore, it is the Company's commitment to our employees to be an equal opportunity employer, providing them a safe and congenial work environment that allows them to grow and prosper in their chosen career path. LWPLC also has in place a human resources and labour policy that ensures the rights of employees and their wellbeing.

During the year under review the Company employed 485 people, majority of whom were on a full time permanent basis. Of this 91% are males mainly due to the nature of business operations.

Age analysis as at 31st March 2017

Age Category	Total No.	%	M	%	F	%
18-20 years	5	1	5	1	-	-
21-30 year	166	34	153	35	13	28
31-40 years	170	35	147	33	23	50
41-50 years	115	24	107	24	8	17
51-55 years	20	4	18	4	2	4
56 years and above	9	2	9	2	-	-
Total	485	100	439	100	46	100

Service analysis as at 31st March 2017

No of years of service	Number of Employees	%	M	%	F	%
0 - 5 years	168	35	151	34	17	37
6 - 10 years	110	23	99	23	11	24
11 - 15 years	59	12	52	12	7	15
16 - 20 years	80	16	73	17	7	15
21 years and above	68	14	64	15	4	9
Total	485	100	439	100	46	100



Employee turnover by age and gender as at 31st March 2017

Age	Number of Employees	%	M	%	F	%
18-20 years	1	3	1	4	-	-
21-30 year	13	41	10	38	3	50
31-40 years	13	41	10	38	3	50
41-50 years	2	6	2	8	-	-
51-55 years	-	-	-	-	-	-
56 years and above	3	9	3	12	-	-
Total turnover	32	100	26	100	6	100

Training and Development

LWPLC takes training of employees seriously, and conducts regular internal and external training programmes for the knowledge enhancement, soft skills and new professional skills development.

sustainability review

Training Programmes for the Year 2016/17

Training programmes	No of Programmes	Head Count	Duration (Hours)
Total Production Management (TPM)	10	217	27
Fire Evacuation Training	2	109	9
Ceramic Technology Training Programme	22	30	44
Forklift Safety	1	3	8
Fire Fighting Training	2	243	3
Handling Customer Complaints	1	35	2
Basic Computer Skills Development	1	4	2
Basic Concept of Quality Management Systems	1	24	2
Implementing ISO Standards Successfully	1	2	8
Best Practices in Liquid Petroleum Gas Handling	1	4	8
Modern Stores and Warehousing Management	1	1	16
Total	43	672	129

Employee Engagement Activities

LWPLC annually holds many programmes to encourage employees to interact with their colleagues in a casual social setting. During the year under review, the Company held the following programmes.

- Annual Trip for Executives, Staff and Operatives
- Inter Department Cricket Tournament
- Pirith and Alms Giving Ceremony



Employee Health and Safety

As a manufacturing operation, LWPLC expends many resources to ensure that our employees work in a safe

environment and practice safety when undertaking their work in the factory. Accordingly, the Company ensures that all employees wear safety equipment and gear, are aware of the safe use of machinery and ensure safety measures and procedures are adhered to. The Company also has prominent safety signs in required location in our factory premises. Safety manuals and instruction guides for use by employees are available for reference by employees, and regularly training programmes are also conducted to reiterate the importance of safety measures and procedures.

As per regulation and to minimise the risks of fire, LWPLC has control measures in place in the factory. These are:

- The availability of 16 fire hydrant points outside the main factory building
- 20 fire hose reel points and 70 fire extinguishers
- eight smoke detectors at critical location have been installed
- Firefighting, fire evacuation and first aid teams have been nominated and trained to act in such situations.



During the year under review, the Company is happy to report no fire incidents in the factory, and no major or fatal accidents to employees. However, there were 25 minor injuries such as cuts and bruises which were immediately attended to, while the current processes were reviewed and changes implemented to reduce such minor injuries in the future

No of injuries 2016-17 by Gender

Female	Male
3	22

PRODUCT STEWARDSHIP

The Company’s product stewardship pillar is aimed at ensuring optimal production using minimal raw materials to produce high quality yet competitively priced products to our discerning customers. Accordingly, the Company aims to optimise our supply chain and employs transparent procurement practices, while subscribing to standards such as ISO 9001:2015 Quality Management System certification. LWPLC also benchmarks our products and services with competitors and applies principles of best practices toward achieving high standards in our business operations and to ensure that our end-product is produced in the most efficient, ethical and eco-friendly manner as possible.

Procurement Practices

As a responsible manufacturer, LWPL applies stringent processes when deciding on suppliers of raw materials for use in the manufacturing process. The limited availability in the country of these raw materials, makes it critical that supply is uninterrupted and meets the quality standards required. As such, the Company strives to build long term mutually beneficial partnerships in order to ensure that we are able to maintain the end-product quality and meet customer demands, while suppliers too benefit through greater value creation.

When entering into supplier contracts, LWPLC ensures that suppliers have in place practices and processes geared to meet environmental and labour laws of Sri Lanka, and the sustainability policies and practices advocated by LWPLC. Over the years, the Company has had constant dialogue and face-to-face interactions with our suppliers to ensure such sustainable practices are implemented during the entire supply chain process. We also advocate with our suppliers on following regulations and meeting voluntary standards of best practices, and promote the long term advantages of adopting sustainable mining practices.

CORPORATE SOCIAL RESPONSIBILITY

LWPLC is aware that we operate within the context of a wider community, which is impacted by the positives and negatives of our business operations. The Company therefore, endeavours to adopt practices that have the least negative impact on surrounding communities. Further, LWPLC also works towards assisting in the financial upliftment of people in the area and hence, makes efforts to employ many local community members in our Meepe factory. In addition, we also assist in social events that take place and contribute in other ways to augment the lifestyles and living standards of surrounding communities.

Many of the Company’s CSR efforts are implemented by our employees, who not only contribute their time, but also bring to our notice worthy causes for consideration as part of LWPLC’s CSR programmes.

During the year under review, the Company’s CSR programmes focused on three primary areas – assisting the victims of the flood that affected parts of the country in May 2016, upgrading education facilities of local community schools, and contributing to renovation of religious places.



CSR Project - Ibbagamuwa Central College

remuneration committee report

Role of the Remuneration Committee

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

Composition of the Remuneration Committee

The Remuneration Committee is a sub - committee of the main Board, to which it is accountable. The Remuneration Committee comprises of the following three independent Non - Executive Directors.

Up to 30th August 2016

Mr. W D N H Perera - Chairman
Mr. M D S Goonatilleke
Mr. A M Weerasinghe

With effect from 1st September 2016

Mr. W D N H Perera - Chairman
(Resigned on 08/03/2017)

Mr. A M Weerasinghe - Chairman
(Appointed Chairman on 25/04/2017)

Mr. K D G Gunaratne
Mr. T de Zoysa

The Managing Director attends the Committee meeting by invitation. The Company Secretary is the secretary of the Remuneration Committee.

The Committee members possess vast experience in the fields of Business Management, Human Resources Management, Labour Relations and Labour Law. Hence the Committee has adequate expertise in remuneration policy and management to deliberate and propose necessary changes, improvements to meet the roles and responsibility of the Committee.

Meetings

The Remuneration Committee met once for the year where all members participated.

Functions performed by the Remuneration Committee

- a. The Remuneration Committee recommended the remuneration payable to the Managing Director and the Key Management Personnel of the Company to the Board to make the final determination. Based on that the aggregate remuneration paid to Executive and Non Executive Directors for last financial year is given on Page 134 of the Annual Report under key management remuneration.
- b. Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. And it also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- c. Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.
- d. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.
- e. Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

Conclusion

The Committee is satisfied that it has performed the responsibilities that were delegated to it by the Board for the year under review and the necessary objectives were achieved for the year under review.



A M Weerasinghe
Chairman-Remuneration Committee

26th May 2017

audit committee

report

Role of the Audit Committee

The Audit Committee is a sub committee of the main Board to which it is accountable. The primary function of the Audit Committee is to assist the Board in its oversight of the integrity of the Financial Statements of the Company, to assess the adequacy of the Risk Management Framework of the Company, assess the independence and the performance of the Company's external audit function and internal audit functions, and review compliance of the Company with legal and regulatory requirements.

Composition of the Audit Committee

Up to 31st August 2016

The Audit Committee comprised of the following four independent, Non-Executive Directors.

Mr. L N De Wijeratne	-	Chairman
Mr. L T Samarawickrama	-	Committee Member
Mr. R N Asirwatham	-	Committee Member
Mr. S H Amarasekera	-	Committee Member

With effect from 1st September 2016

The Audit Committee comprised of the following four independent, Non-Executive Directors.

Mr. J D N Kekulawala	-	Chairman
Dr. S Selliah	-	Committee Member
Mr. T de Zoysa	-	Committee Member
Mr. T G Thoradeniya	-	Committee Member

The Managing Director attends meetings at the invitation of the Audit Committee.

The Company secretary functions as the Secretary to the Audit Committee. Representatives of the Company, external auditors and internal auditors also attend Audit Committee meetings by invitation.

The Audit Committee has the required expertise in finance, law and business management to deliberate Audit Committee matters and recommend necessary action to be taken.

Meetings

The Audit Committee met 04 times during the year.

Functions performed by the Audit Committee

- The Committee reviewed the provisional financial statements that were published for the financial year 2016/17 and the Annual Report of 2016/17. It oversaw the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards and SLFRS. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- The Committee reviewed the monthly internal audit reports. The internal audit function is carried out by M/s. KPMG. The Internal audits are done on a process based audit framework to improve process performance and control.
- The Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
- The Audit Committee in conjunction with the Managing Director of the Company reviewed the Company's disclosure controls and procedures and internal control over financial reporting.
- The Audit Committee reviewed the Company's framework and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

Conclusion

The Audit Committee is satisfied that the Company's accounting policies, independence of the auditors and risk management are adequate for its operations. The Audit Committee has also accomplished responsibilities and functions that are delegated to it by the Board.



Mr. J D N Kekulawala
Chairman – Audit Committee

26th May 2017

related party transactions

review committee report

Adoption of the Code of Best Practices on Related Party Transactions

The Board of Directors of Lanka Walltiles PLC (LWPLC) adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee (RPTRC) in March 2016.

Purpose of The Committee

The purpose of the RPTRC of LWPLC is to conduct an independent review approval and oversight of all related party transactions of LWPLC and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

Composition of the Committee

Up to 30th August 2016

Mr. R N Asiriwatham - Chairman

Mr. A M Weerasinghe

Mr. M D S Goonatilleke

With effect from 1st September 2016

Dr. S Selliah - Chairman

Mr. T de Zoysa

Mr. J D N Kekulawala

Mr. T G Thoradeniya

PW Corporate Secretarial (Pvt) Ltd, the Company Secretary functions as the Secretary to the Committee.

The Managing Director and the Head of Finance attend meetings by invitation.

Meetings

The Committee held four meetings during the year under review. The minutes of the Committee meeting were tabled at the Board meeting, for the review of the Board.

Charter of the Related Party Transaction Review Committee

The Charter of the Related Party Transaction Review Committee clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been authorised to:

- a) Receive regular reports from the Management, and be provided with any information it requests relating to its responsibilities
- b) Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions
- c) Review and evaluate the terms, conditions, and the advisability of, any related party transaction
- d) Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole
- e) Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction
- f) Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

Responsibilities of the Related Party Transactions Review Committee

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

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

- d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
- e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions
- f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

Procedures for Reporting Rpt's

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval of the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the code. Moreover, on a quarterly basis, the MD is required to report to the Committee on the approved related party transactions actually entered into by the Company.

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

Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2016/17. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no non- recurrent related party transactions entered into during the course of the financial year, aggregative value of which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31 March 2017, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 30 to the Financial Statements, on pages 130 to 134 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to the Related Party Transactions appears on the Report of the Board of Directors on page 58 of this Annual Report.



Dr. S. Selliah
Chairman - Related Party Transactions Review Committee

26th May 2017

annual report of the board of directors on the affairs of the company

The Directors of Lanka Walltiles PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2017.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

General

Lanka Walltiles PLC is a public limited liability company which was incorporated under the Companies Ordinance No.51 of 1938 as a public company on 24th day of September 1975. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 24th July 2007 and bears registration number PQ55.

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

The main activity of Lanka Walltiles PLC, is the manufacture of glazed ceramic walltiles for export and for sale in the local market.

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

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on page 67.

Summarised Financial Results

Year ended 31st March	2017 Rs.'000	2016 Rs.'000
Revenue	16,000,150	15,545,188
Profit for the year	1,958,784	1,812,692

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 66.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 72 to 85 Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with requirements of the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 16 to 17.

Executive Directors

Mr. J A P M Jayaskera *Managing Director*

Non - Executive Directors

Mr. Dhammika Perera (*appointed w.e.f. 15/03/2017*)

Mr. T G Thoradeniya

Mr. M W R N Somaratne

Mr. A M Weerasinghe - *Deputy Chairman (appointed w.e.f. 15/03/2017)*

Independent Non - Executive Directors

Dr. S Selliah

Mr. T de Zoysa

Mr. K D G Gunaratne

Ms. A M L Page

Mr. J D N Kekulawala

(*Appointed w.e.f. 30/08/2016*)

Mr. J D N Kekulawala was appointed a Director of the Company on 30th August 2016.

Mr. W D N H Perera resigned as the Chairman on 8th March 2017.

Mr. Dhammika Perera and Mr. A M Weerasinghe were appointed Chairman and Deputy Chairman respectively, on 15th March 2017.

Dr. S Selliah retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Mr. J D N Kekulawala, Mr. A M Weerasinghe and Mr. Dhammika Perera who were appointed during the year shall retire in terms of Article 110 of the Articles of Association of the Company and being eligible, are recommended by the Directors for re-election.

Lanka Tiles PLC

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

Swisstek (Ceylon) PLC

Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. K Y Choi
Mr. J K A Sirinatha
Mr. T de Zoysa
Dr. S Selliah

Swisstek Aluminium Limited

Mr. A M Weerasinghe
Mr. J A P M Jayasekara
Mr. A S Mahendra
Mr. B T T Roche
Mr. K Y Choi
Dr. S Selliah
Mr. T G Thoradeniya

Vallibel Plantation Management Limited formerly known as Ceytea Plantation Management Limited

Mr. A M Pandithage
Mr. W G R Rajadurai
Mr. N T Bogahalande
Mr. T G Thoradeniya
Mr. J M Kariapperuma

Horana Plantations PLC

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

Uni Dil Packaging Limited

Mr. A M Pandithage
Mr. D B Gamalath
Mr. H Somashantha
Mr. N T Bogahalande
Mr. J M Kariapperuma
Mr. L D E S de Silva
Mr. J A P M Jayasekera

Unidil Packaging Solution Limited

Mr. D B Gamalath
Ms. K C Silva
Mr. A M Pandithage
Mr. L D E S de Silva
Mr. J A P M Jayasekera

LWL Development (Private) Limited

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

annual report of the board of directors on the affairs of the company

Beyond Paradise Collection Limited

Mr. K D H Perera

Mr. J A P M Jayasekara

Mr. M H Jamaldeen

Interests Register

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

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2017.

The relevant interests of Directors in the shares of the Company as at 31st March 2017 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 30.2.7 to the Financial Statements on page 132.

Directors' Interests in Contracts

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 30 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 director related entities as given in Note 30.

Auditors

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

the Company other than that of Auditor and provider of tax related services.

A total amount of Rs. 1,296,880 is payable by the Company to the Auditors for the year under review comprising Rs. 1,080,000 as audit fees and Rs. 216,880 for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 24th May 2017 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.787,765,736/-.

The number of shares issued by the Company stood at 54,600,000 fully paid ordinary shares as at 31st March 2017 (which was the same as at 31st March 2016).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2017 and 31st March 2016 are as follows.

	Shareholding as at 31/03/2017	Shareholding as at 31/03/2016
Mr. Dhammika Perera	-	-
Mr. A. M Weerasinghe	-	-
Mr. J A P M Jayasekera	86	86
Dr. S Selliah	-	-
Mr. T de Zoysa	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	-	-
Mr. M W R N Somaratne	10,000	3,286
Mr. J D N Kekulawala	-	-

Shareholders

There were 10,992 shareholders registered as at 31st March 2017 (11,055 shareholders as at 31st March 2016). The details of distribution are given on page 147 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 148 under Share Information.

Employment Policy

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

As at 31st March 2017 518 persons were in employment (541 persons as at 31st March 2016).

Reserves

The reserves of the Company with the movements during the year are given in Note 13 to the Financial Statements on page 106.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 3,323,749/-

The extents, locations, valuations and the number of buildings of the Company's land holdings are given below:

Location	No. of Buildings	Land in Extent			Valuation Rs.000
		A	R	P	
Head Office	1	1.00	1.00	2.10	808,400
Meepe Factory	29	23.00	1.00	24.16	561,624
Total	30	24.00	2.00	26.26	1,370,024

The movement of fixed assets during the year is given in Note 3 to the financial statements.

Dividends

An interim dividend of Rs. 2/- per share for the year ended 31st March 2017 was paid on 11th November 2016.

A second interim dividend of Rs. 5.50/- per share for the year ended 31st March 2017 was paid on 7th March 2017.

Substantial Shareholdings

The Company is controlled by Lanka Ceramic PLC which holds 62.192% of the issued share capital of the Company. The ultimate parent Company is Vallibel One PLC.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2017 are given in Note 5 to the Financial Statements on pages 100 to 101.

Donations

The Company made donations amounting to Rs. 306,425 in total, during the year under review. (2016 Rs.110,000/-).

Risk Management

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 39 to 43.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 31 to the Financial Statements on page 133 there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the reporting date

Except for the matters disclosed in Note 32 to the Financial Statements on page 133 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.

annual report of the board of directors on the affairs of the company

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

Audit Committee Up to 30th August 2016

Mr. L N De Wijeratne
Mr. L T Samarawickrama
Mr. R N Asirwatham

With effect from 1st September 2016

Mr. J D N Kekulawala - Chairman
Dr. S Selliah
Mr. T de Zoysa
Mr. T G Thoradeniya

Remuneration Committee Up to 30th August 2016

Mr. W D N H Perera - Chairman (resigned on 8/3/17)
Mr. M D S Goonatilleke
Mr. A M Weerasinghe

With effect from 1st September 2016

Mr. W D N H Perera - Chairman (resigned on 8/3/17)
Mr. A M Weerasinghe - Chairman (appointed on 25/4/17)
Mr. K D G Gunaratne
Mr. T de Zoysa

Related Party Transaction Review Committee Up to 30th August 2016

Mr. R.N. Asiriwatham - Chairman
Mr. M D S Goonatilleke
Mr. A M Weerasinghe

With effect from 1st September 2016

Dr. S Selliah - Chairman
Mr. T de Zoysa
Mr. J D N Kekulawala
Mr. T G Thoradeniya

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

The Corporate Governance Statement on pages 29 to 38 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 on page 53 of this Report.

Environmental Protection

After making adequate enquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company operates.

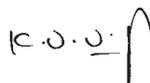
Going Concern

The financial statements are prepared on going concern principles. After making adequate enquires from the management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Annual General Meeting

The Notice of the Fortieth (40th) Annual General Meeting appears on page 150.

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



Dhammika Perera
Chairman



J A P M Jayasekera
Managing Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

26th May 2017
Colombo

chief executive officer's and chief financial officer's responsibility statement

The financial statements are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007 and any other applicable statutes to the extent applicable to the Company. There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, except where otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

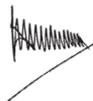
The financial statements were audited by M/s. Ernst & Young Chartered Accountants, the independent auditors.

The Audit Committee of your Company meets periodically with the internal auditors and the independent auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance by the auditors with the guidelines for the audit of Listed Companies where mandatory compliance is required.



J A P M Jayasekera
Managing Director



B T T Roche
General Manager (Finance)

26th May 2017

statement of directors responsibilities

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements comply with any regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2016/2017, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
LANKA WALLTILES PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

26th May 2017



independent auditor's report



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Chartered Accountants
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TO THE SHAREHOLDERS OF LANKA WALLTILES PLC Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Walltiles PLC ("the Company") and the consolidated financial statements of the Company and its Subsidiaries ("Group") which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion :
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
 - the financial statements of the Company give a true and fair view of the financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - the financial statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo

26th May 2017

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

statement of financial position

As at 31st March	Note	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3.1(i)	13,052,062	11,943,054	3,323,749	3,321,977
Consumable biological assets	3.1(g)	490,535	453,884	-	-
Intangible assets - goodwill	4	24,519	24,519	-	-
Investments in subsidiaries	5	-	-	1,276,096	1,276,096
Long term receivables	6	27,285	27,285	-	-
Deferred tax asset	7	12,175	12,527	-	-
		13,606,576	12,461,269	4,599,845	4,598,073
Current assets					
Inventories	8	4,313,824	3,139,621	1,335,580	1,196,576
Trade and other receivables	9	2,885,572	2,198,681	499,333	517,726
Amounts due from related parties	10	8,729	4,784	17,739	15,374
Income tax receivable		24,674	-	-	-
Short term investments	11	3,296	3,078	3,296	3,078
Cash and cash equivalents	28	1,423,632	1,784,641	43,372	41,223
		8,659,727	7,130,805	1,899,320	1,773,977
Total assets		22,266,303	19,592,074	6,499,165	6,372,050
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	787,765	787,765	787,765	787,765
Reserves	13	2,409,494	2,306,645	1,237,011	1,237,011
Retained earnings		6,625,095	5,590,940	2,494,799	2,118,262
Shareholders' funds		9,822,354	8,685,350	4,519,575	4,143,038
Non controlling interest		3,791,375	3,360,147	-	-
Total equity		13,613,729	12,045,497	4,519,575	4,143,038
Non-current liabilities					
Interest bearing liabilities	14	1,773,267	1,725,466	324,981	584,245
Deferred tax liabilities	15	1,051,846	980,802	367,375	338,863
Retirement benefit liability	16	656,086	699,951	75,825	82,569
Deferred income & Capital grants	17	138,189	134,301	-	-
		3,619,386	3,540,520	768,181	1,005,677
Current liabilities					
Trade and other payables	18	1,789,552	1,524,474	414,318	373,245
Income tax liabilities		168,841	339,336	72,265	39,475
Amounts due to related parties	19	17,045	22,723	86,707	93,856
Current portion of interest bearing liabilities	14	3,057,748	2,119,524	638,118	716,759
		5,033,184	4,006,057	1,211,412	1,223,335
Total equity and liabilities		22,266,303	19,592,074	6,499,165	6,372,050

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



B. T. Roche

General Manager (Finance)

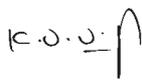
The Board of Directors is responsible for the preparation & presentation of these financial statements.

Signed for and on behalf of the Board,



J. A. P. M. Jayasekera

Managing Director



Dhammika Perera

Chairman

The accounting policies and notes on pages 72 to 142 form an integral part of the financial statements.

26th May 2017

Colombo

statement of profit or loss and other comprehensive income

For the year ended 31 March 2017	Note	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Revenue	20	16,000,150	15,545,188	3,345,337	3,209,560
Cost of Sales		(10,770,391)	(10,763,886)	(2,013,573)	(2,053,751)
Gross Profit		5,229,759	4,781,301	1,331,764	1,155,809
Other Income	21	135,843	175,479	309,426	283,146
Distribution Costs		(1,466,625)	(1,272,084)	(381,220)	(324,033)
Administrative Expenses		(1,007,361)	(998,379)	(210,028)	(201,519)
Finance Cost	22	(408,928)	(255,710)	(105,269)	(112,023)
Finance Income	23	142,549	62,458	-	-
Profit Before Tax	24	2,625,236	2,493,066	944,673	801,380
Income Tax Expense	25	(666,452)	(680,373)	(171,908)	(158,002)
Profit for the Year		1,958,784	1,812,692	772,765	643,378
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building	3	119,535	1,759,321	-	1,036,538
Actuarial Gain/ (Loss) on Retirement Benefit Liability	16	75,064	36,586	17,789	(5,036)
Deferred tax on components of other comprehensive income	25	(15,497)	(214,686)	(4,518)	(94,557)
Total Comprehensive Income for the Year		2,137,887	3,393,914	786,036	1,580,323
Profit attributable to :					
Equity holders of the parent		1,393,333	1,334,339	772,765	643,378
Non controlling interest		565,451	478,354	-	-
Profit for the year		1,958,784	1,812,692	772,765	643,378
Total comprehensive income attributable to :					
Equity holders of the parent		1,536,111	2,650,626	786,036	1,580,323
Non controlling interest		601,776	743,288	-	-
Total Comprehensive Income for the Year		2,137,887	3,393,914	786,036	1,580,323
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	26	25.52	24.44	14.15	11.78
Dividends Per Share	27	7.50	7.50	7.50	7.50

The accounting policies and notes on pages 72 to 142 form an integral part of the financial statements.

statement of changes in equity

	Attributable to Equity Holders of the parent					
	Stated capital	Revaluation reserve	Retained Earnings	Total	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP						
Balance as at 01 April 2015	787,765	1,004,516	4,705,024	6,497,305	2,750,143	9,247,448
Prior year adjustment (Note-36)	-	-	24,027	24,027	23,084	47,111
Balance as at 01 April 2015-(Restated)	787,765	1,004,516	4,729,051	6,521,332	2,773,227	9,294,559
Adjustment to super gain tax	-	-	(80,972)	(80,972)	(24,563)	(105,535)
Profit for the year	-	-	1,334,339	1,334,339	478,354	1,812,692
Other Comprehensive Income	-	1,302,128	14,157	1,316,286	264,934	1,581,220
Total Comprehensive Income	-	1,302,128	1,267,525	2,569,653	718,724	3,288,378
Write back of unclaimed dividends	-	-	1,786	1,786	-	1,786
Dividends						
1st Interim 2015/16 (Rs. 2.50 per share)	-	-	(136,500)	(136,500)	-	(136,500)
2nd Interim 2015/16 (Rs. 5.00 per share)	-	-	(273,000)	(273,000)	-	(273,000)
	-	-	(409,500)	(409,500)	-	(409,500)
Dividends to non controlling interest	-	-	2,079	2,079	(131,804)	(129,725)
Balance as at 31 March 2016	787,765	2,306,644	5,590,940	8,685,350	3,360,147	12,045,497
Profit for the Year	-	-	1,393,333	1,393,333	565,451	1,958,784
Other Comprehensive Income	-	102,850	39,926	142,775	36,327	179,102
Total Comprehensive Income	-	102,850	1,433,259	1,536,109	601,778	2,137,887
Dividends						
1st Interim 2016/17 (Rs. 2.00 per share)	-	-	(109,200)	(109,200)	-	(109,200)
2nd Interim 2016/17 (Rs. 5.50 per share)	-	-	(300,300)	(300,300)	-	(300,300)
	-	-	(409,500)	(409,500)	-	(409,500)
Dividends to non controlling interest	-	-	10,396	10,396	(170,549)	(160,153)
Balance as at 31 March 2017	787,765	2,409,494	6,625,095	9,822,354	3,791,375	13,613,729

The accounting policies and notes on pages 72 to 142 form an integral part of the financial statements.

**statement of
changes in equity**

	Stated capital Rs.'000	Revaluation reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
COMPANY				
Balance as at 31 March 2015	787,765	296,294	1,886,370	2,970,429
Profit for the Year	-	-	643,378	643,378
Other Comprehensive Income	-	940,717	(3,772)	936,945
Total Comprehensive Income	-	940,717	639,606	1,580,323
Write back of unclaimed dividends	-	-	1,786	1,786
Dividends				
1st Interim 2015/16 (Rs. 2.50 per share)	-	-	(136,500)	(136,500)
2nd Interim 2015/16 (Rs. 5.00 per share)	-	-	(273,000)	(273,000)
	-	-	(409,500)	(409,500)
Balance as at 31 March 2016	787,765	1,237,011	2,118,262	4,143,038
Profit for the Year	-	-	772,765	772,765
Other Comprehensive Income	-	-	13,271	13,271
Total Comprehensive Income	-	-	786,036	786,036
1st Interim 2016/17 (Rs. 2.00 per share)	-	-	(109,200)	(109,200)
2nd Interim 2016/17 (Rs. 5.50 per share)	-	-	(300,300)	(300,300)
	-	-	(409,500)	(409,500)
Balance as at 31 March 2017	787,765	1,237,011	2,494,799	4,519,575

The accounting policies and notes on pages 72 to 142 form an integral part of the financial statements.

cash flow statement

For the Year ended 31st March	Note	GROUP		COMPANY	
		2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax		2,625,236	2,493,066	944,673	801,380
Adjustments for					
Depreciation & amortisation	24	622,815	618,339	154,836	140,314
Income from investments		-	-	(252,619)	(229,767)
(Profit)/ loss on sale of property, plant & equipment		3,187	41,848	112	(365)
Interest income	23	(142,549)	(62,458)	-	-
Finance costs	22	408,928	255,710	105,269	112,023
Provision for retirement benefit obligations	16	121,693	122,054	14,201	13,132
Capital expenditure written off		743	-	-	-
Allowance/ (reversal) for obsolete and slow moving inventories	8	(3,013)	53,542	6,500	5,899
Allowance for impairment of trade receivable	9	(5,650)	(3,683)	(5,623)	(8,502)
Deferred income / capital grants amortisation	17	(4,760)	(4,953)	-	-
Changing in Fair Value of Biological Assets		(28,871)	(46,304)	-	-
Foreign exchange (gain)/ loss		21,003	18,526	3,775	12,255
Operating profit/(loss) before working capital changes		3,618,761	3,485,688	971,123	846,368
Working capital adjustments					
(Increase)/ decrease in inventories		(1,164,329)	285,854	(145,504)	146,659
(Increase)/ decrease in trade and other receivables		(681,241)	132,095	24,015	172,259
(Increase)/ decrease in due from related parties		(3,945)	(3,521)	(2,365)	(15,102)
Increase/ (decrease) in due to related parties		(5,678)	(6,059)	(7,148)	(44,324)
Increase /(decrease) in trade and other payables		264,662	(122,763)	41,072	12,310
Increase/ (decrease) in investments		(219)	(114)	(219)	(114)
Cash generated from operations		2,028,010	3,771,180	880,974	1,118,056
interest received		142,549	62,458	-	-
Finance costs paid		(408,928)	(255,710)	(105,269)	(112,023)
Retirement benefit plan costs paid	15	(90,078)	(78,557)	(3,155)	(2,627)
Income tax paid		(805,724)	(481,962)	(115,121)	(8,022)
Net cash flows from/(used in) operating activities		865,829	3,017,409	657,429	995,385
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	3	(1,429,091)	(989,755)	(157,554)	(229,879)
Acquisition of plantation assets	3	(209,348)	(193,831)	-	-
Proceeds from sale of property, plant & equipment		7,582	45,771	834	37,645
Income from investments		-	-	252,619	229,767
Net cash flows from/(used in) investing activities		(1,630,857)	(1,137,815)	95,899	37,533
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained		4,685,869	3,188,280	-	584,000
Repayment of interest bearing borrowings		(4,243,214)	(3,476,763)	(401,189)	(1,081,876)
Dividends paid - on Ordinary Shares	25	(409,500)	(409,500)	(409,500)	(409,500)
Dividend paid to non controlling interest		(160,153)	(129,725)	-	-
Dividend write back		-	1,786	-	1,786
Capital grants received	16	8,649	17,640	-	-
Net cash flows from/(used in) financing activities		(118,349)	(808,282)	(810,689)	(905,589)
Net increase/(decrease) in cash and cash equivalents		(883,377)	1,068,123	(57,361)	127,327
Cash and cash equivalents at the beginning of the year	26	1,127,731	59,608	(274,057)	(401,384)
Cash and cash equivalents at the end of the year	26	244,354	1,127,731	(331,416)	(274,057)

The accounting policies and notes on pages 72 to 142 form an integral part of the financial statements.

notes to the financial statements

1. CORPORATE INFORMATION

1.1 General

Lanka Walltiles PLC (“Company”) is a limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business of the Company is located at No. 215, Nawala Road, Narahenpita, Colombo 05.

1.2 Principal activities and nature of operations

During the year, the principal activities of the Company were the manufacture and sale of ceramic walltiles for export and local markets and holding investments.

The principal activities of the other Companies of the Group are disclosed in Note 5.2 to the Financial Statements.

1.3 Parent enterprise and ultimate parent enterprise

The Company’s parent entity is Lanka Ceramic PLC. In the opinion of the Directors, the Company’s ultimate parent undertaking and controlling party is Vallibel One PLC, which is incorporated in Sri Lanka.

1.4 Date of authorization for issue

The Financial Statement of Lanka Walltiles PLC and its Subsidiaries for year ended 31 March 2017 was authorized for issue in accordance with a resolution of the Board of Directors (Awaiting Information).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.1.1 Basis of measurement

The financial statements of the Company and the Group have been prepared on a historical cost basis, except otherwise which have been measured at fair value.

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

2.1.2 Statement of Compliance

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

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

2.1.3 Going concern

When preparing financial statements, management has made assessments of the ability of the constituents of the Group to continue as going concern, taking into account all available information about the future, including intentions of curtailment of business, as decided by Board.

2.1.4 Changes in Accounting Policies

2.1.4.1 Amendment to LKAS 41 & 16 – Harvestable produce growing on bearer biological assets

Amendments to LKAS 16 - Property, Plant & Equipment and LKAS 41 – Agriculture, require entity to recognise agricultural produce growing on Bearer Plants at fair value less cost to sell separately from its bearer plants prior to harvest. After initial recognition, changes in the fair value of such agricultural produce growing on Bearer Plants, recognised in profit or loss at the end of each reporting period.

Accordingly, the Group has applied these amendments retrospectively in the Financial Statements. For the details refer note 36.

2.1.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

2. Exposure, or rights, to variable returns from its involvement with the investee
3. The ability to use its power over the investee to affect its returns

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

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

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

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

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

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

Companies in the Group, the Group holdings in its subsidiary are given in Note 5.2 to the financial statements.

2.1.6 Goodwill

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in

notes to the financial statements

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.

2.2 Significant accounting judgments, estimates and assumptions

2.2.1 Judgments

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

a) Taxation

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

b) Useful life-time of the Property, Plant and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty (Note 3).

2.2.2 Estimates and Assumptions

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

a) Defined benefit plans

The cost of defined benefit plan- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality

rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 16.

b) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 8).

c) Fair value of Freehold Land and Buildings

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

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

d) Impairment of debtors

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

e) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

f) Impairment of Non Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When values in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

g) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities disclosed in the financial statements cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates. The valuation of financial instruments is described in more detail in Note 14.9.

h) Fair Valuation of Biological Assets

The fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological features that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the note 3.1 (h) and 2.4.2 (b) (i).

2.3 Summary of significant accounting policies

2.3.1 Foreign currency translation

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

2.3.2 Fair Value Measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarized in the Note 3.1(l) and 14.9 to the financial statements.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The management determines the policies and procedures for both recurring fair value measurement and for non- recurring measurement.

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

notes to the financial statements

2.3.3 Taxation

Current taxes

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

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

Deferred taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and the carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

Sales tax

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

2.3.4 Borrowing costs

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

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

The amounts of borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 – “Borrowing Costs”.

Borrowing cost incurred in respect of specific loans that are utilised for the field development activities have been capitalised as part of the cost of relevant immature plantation. The capitalisation will ceased when crops are ready for commercial harvest.

2.3.5 Inventories

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

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

Finished goods and work-in-progress

Manufacturing goods

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

Trading goods

At purchase cost on first in first out basis

Consumable and spares

At actual cost on weighted average basis

Raw materials

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

Goods in transit

At actual cost

2.3.6 Financial Instruments

Financial Assets

Initial Recognition and Measurement

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are 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 cash and short-term deposits, trade and other receivables, loans and other receivables and quoted and unquoted financial instruments.

Subsequent Measurement

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

a) 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 method (EIR), less impairment. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Derecognition

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

Impairment of Financial Assets

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

notes to the financial statements

can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at Amortised Cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. 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 future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Financial Liabilities

Initial Recognition and Measurement

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

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

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

Accordingly Group financial liabilities have been classified as and loans and borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and Borrowings

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

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

Derecognition

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

2.3.7 Property, plant and equipment

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

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

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

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

Free hold land and building is subsequently measured at fair value.

Valuations are performed every 3-5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it

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

2.3.8 Leases

2.3.8.1 Finance leases

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

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

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

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

2.3.8.2 Operating leases

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

notes to the financial statements

Rentals paid under operating leases are recognized as an expense in the statement profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.3.9 Provisions

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

2.3.10 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 2017.

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.

2.3.11 Impairment of non-financial assets

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

2.3.12 Revenue recognition

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

Sale of goods

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

Interest

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

Interest income is included in finance income in the statement of total comprehensive income.

Dividends

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

Rental income

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

Other income

Other income is recognised on an accrual basis.

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

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

2.3.13 Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks

and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and has been prepared in conformation with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group. The business segments are reported based on Group's management and internal reporting structure.

Inter segment pricing is determined at prices mutually agreed by the companies.

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

The Group comprises the following main business segments:

Tiles and associated items

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

Biological Assets

Cultivation, processing and sale of tea and rubber

Aluminum products

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

Packaging materials

The manufacture and distribution of packaging materials

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

notes to the financial statements

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

2.4.1 Basis of Preparation

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

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

2.4.2 Property, Plant and Equipment

a) Permanent Land Development Cost

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

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

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

b) Biological Assets

(i) Bearer Biological Assets & Consumer Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets. The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc.,incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations.

These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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

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

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

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

The main variables in DCF model concerns,

Workforce Statistics as at 31st March 2017

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

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

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

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

(ii) Infilling Cost on Biological Assets

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

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

2.4.3 Inventories

a) Agricultural produce harvested from Biological Assets

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

b) Agricultural produce after further processing

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

2.4.4 Retirement Benefit Obligation

a) Defined Benefit Plan

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

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Meserss .Acturial Management Consultants (Private) Limited as at 31.03.2017.

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

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

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

notes to the financial statements

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

2.4.5 Deferred Income

a) Grants and Subsidies

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 17 to the Financial Statements.

Grants related to income are recognized in the Statement of comprehensive Income in the year which it is receivable.

Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognized in the Statement of Comprehensive income when and only when such grants become receivable.

2.4.6 Revenue Recognition

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

2.5 Effect of sri lanka accounting standards issued but not yet effective:

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

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

SLFRS 9 – Financial Instruments

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

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 15 – Revenue from Contracts with Customers

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

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The following amendments and improvements are not expected to have a significant impact on the Group's consolidated financial statements.

LKAS 7 Disclosure Initiative – Amendments to LKAS 7

The amendments to LKAS 7 Statement of Cash Flows are part of the CA Sri Lanka's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted

LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

SLFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to SLFRS 2

The CASL issued amendments to SLFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Pending the comprehensive study, possible impact/effects that would result in initial application of these standards are not yet estimable

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT

3.1 GROUP

	Balance as at 01.04.2016 Rs.'000	Revaluations Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
a) Gross Carrying Amounts					
At Cost					
Land	324,338	119,535	10,803	-	454,675
Buildings	-	-	-	-	-
Plant and Machinery	6,253,200	-	640,855	(47,895)	6,846,160
Water Supply, Electricity Distribution Scheme	388,096	-	9,135	(54)	397,176
Tools, Implements, Furniture & Fittings and Electrical Appliances	565,279	-	63,104	(7,153)	621,229
Transport & Communication Equipment	459,707	-	49,532	(4,182)	505,057
	7,990,620	119,535	773,428	(59,284)	8,824,297
At Valuation					
Freehold Land	3,163,601	-	260,230	-	3,423,831
Buildings	2,683,154	-	265,139	-	2,948,293
	5,846,755	-	525,369	-	6,372,124
Assets on Finance Lease					
Leasehold Land	14,600	-	-	-	14,600
Plant and Machinery	18,222	-	-	-	18,222
Transport & Communication Equipment	62,329	-	-	(5,134)	57,195
	95,151	-	-	(5,134)	90,017
Capital Work In Progress - Building & Others					
	111,889	-	524,800	(390,154)	246,535
	111,889	-	524,800	(390,154)	246,535
Total	14,044,414	119,535	1,823,598	(454,572)	15,532,974

b) Depreciation

	Balance as at 01.04.2016 Rs.'000	Revaluations as at Rs.'000	Charge for the Year Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
At Cost					
Buildings	-	-	63,482	-	63,482
Plant and Machinery	3,134,793	-	337,954	(37,685)	3,435,061
Water Supply, Electricity Distribution Scheme	243,868	-	21,929	(3)	265,795
Tools, Implements, Furniture & Fittings and Electrical Appliances	418,952	-	64,672	(6,742)	476,882
Transport & Communication Equipment	305,170	-	41,953	(2,081)	345,042
Total	4,102,783	-	529,990	(46,511)	4,586,261

	Balance as at 01.04.2016 Rs.'000	Revaluations as at Rs.'000	Charge for the Year Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
At Valuation					
Buildings	71,019	-	11,916	-	82,935
	71,019	-	11,916	-	82,935
Assets on Finance Lease					
Leasehold Land	1,460	-	487	-	1,947
Plant and Machinery	14,552	-	590	-	15,143
Transport & Communication Equipment	48,721	-	-	(5,134)	43,587
	64,733	-	1,077	(5,134)	60,676
Total	4,238,535	-	542,983	(51,645)	4,729,873

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT (contd.)

	2017	2016
	Rs.'000	Rs.'000
c) Net book value of assets		
At Valuation		
Freehold Land	3,423,831	3,163,601
Buildings	2,801,876	2,612,135
At Cost		
Land	454,675	324,338
Plant and Machinery	3,411,099	3,118,407
Water Supply, Electricity Distribution Scheme	131,382	144,228
Tools, Implements, Furniture & Fittings and Electrical Appliances	144,348	146,327
Transport & Communication Equipment	160,015	154,536
	<u>10,527,225</u>	<u>9,663,572</u>
Assets on Finance Leases		
Leasehold Land	12,654	13,140
Plant and Machinery	3,079	3,670
Transport & Communication Equipment	13,608	13,608
	<u>10,556,566</u>	<u>9,693,989</u>
Capital Work in Progress	246,535	111,889
Net Value [3.1(i)]	<u>10,803,101</u>	<u>9,805,879</u>
	2017	2016
	Rs.'000	Rs.'000
(d) Leasehold right to bare land of JEDB/SLSPC estates		
Capitalised value		
As at 22.06.1992	204,931	204,931
Amortisation		
At the beginning of the year	91,945	88,078
Charge for the year	3,866	3,867
At the end of the year	<u>95,812</u>	<u>91,945</u>
Carrying Amount		
At the end of the year	<u>109,119</u>	<u>112,986</u>

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

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

	Immature plantations (Bearer biological) Rs.'000	Mature plantations (Bearer biological) Rs.'000	Permanent land development cost Rs.'000	Buildings Rs.'000	Plant & machinery Rs.'000	Total 2017 Rs.'000	Total 2016 Rs.'000
Capitalised Value							
As at 22.06.1992	145,993	68,817	4,014	47,173	6,818	272,815	272,815
Transfers to mature							
At the end	(145,993)	145,993	-	-	-	-	-
	-	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation							
At the beginning	-	153,964	3,161	44,870	6,818	208,813	199,654
During the period	-	7,160	134	1,887	-	9,181	9,159
At the end	-	161,124	3,295	46,757	6,818	217,994	208,813
Written Down Value							
As at 31.03.2017	-	53,686	720	416	-	54,821	-
As at 31.03.2016	-	60,846	853	2,302	-	-	64,002

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor(JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

Investments in Bearer Biological assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological assets - immature (Revalue as at 22.06.1992). Further investments in such a bearer biological assets (Immature to bring them to maturity are shown under " Note 3.1 (f) Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.1 (f) - Bearer Biological assets Immature plantations) to Note 3.1 (f) - Bearer Biological assets Mature Plantations) shown under Note 3.1(f) and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT (contd.)

(f) **Bearer biological assets**

	Tea	Rubber	Oil Palm	Diversi- -fication	Total 2017	Total 2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Immature Plantations						
Cost:						
Opening Balance	155,101	476,221	51,825	34,135	717,283	767,755
Additions	52,944	87,057	26,797	27,910	194,708	187,979
Transfers from Mature	(60,605)	(187,649)	(19,822)	(6,008)	(274,084)	(238,451)
Transferred to the Statement of profit or loss	(743)	-	-	-	(743)	-
At the end of the year	146,696	375,628	58,800	56,038	637,164	717,283
Mature Plantations						
Cost:						
Opening Balance	637,393	945,496	30,397	25,218	1,638,504	1,400,053
Transfers from Immature	60,605	187,649	19,822	6,008	274,084	238,451
At the end of the year	697,998	1,133,145	50,219	31,226	1,912,588	1,638,504
Accumulated Amortization						
Opening Balance	123,543	264,890	-	7,166	395,599	337,199
Charge for the year	19,122	47,275	1,520	1,217	69,133	58,401
At the end of the year	142,665	312,165	1,520	8,383	464,733	395,600
Written Down Value	555,333	820,979	48,700	22,843	1,447,855	1,242,905
Total Bearer Biological Assets	702,029	1,196,608	107,499	78,881	2,085,020	1,960,188

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 3.1. (d) and 3.1. (e). Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

(g) Consumable Biological Assets

	2017	2016
	Rs.'000	Rs.'000
Immature Plantations		
Cost:		
At the beginning of the year	-	23,436
Prior Year Adjustment(Refer No:36)	-	6,425
At the beginning of the year -Restated	29,288	29,861
Additions	14,640	5,852
Transfers to Mature Plantations	(4,589)	(6,425)
At the end of the year	39,340	29,288
Mature Plantations		
Cost:		
At the beginning of the year	-	326,077
Prior Year Adjustment (Refer No:36)	-	45,166
At the beginning of the year -Restated	424,596	371,244
Increase due to new plantations	4,589	6,425
Change in Fair Value less costs to sell	22,011	46,927
At the end of the year	451,196	424,596
Total Bearer Biological Assets	490,535	453,884

(h) Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell, Managed timber plantations as at 31st March 2017 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 39.340 Mn as at 31st March 2017. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.Ariyatillake for 2016/17 using Discounted Cash Flow (DFC) method . In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure

Discounted rates used by the Valuer are within the range of 13% - 15%.

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

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT (contd.)

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

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

Regulatory and Environmental Risks

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

Supply and Demand Risks

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

Climate and Other Risks

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

Sensitivity Analysis

Sensitivity Variation on Sales Price

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

		-10%		10%
Managed Timber	2017	Rs. 406.08 Mn	Rs. 451.20 Mn	Rs. 496.31 Mn

Sensitivity Variation on Discount Rate

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

		-1%		1%
Managed Timber	2017	Rs. 465.51 Mn	Rs. 451.20 Mn	Rs. 437.77 Mn

(i) **Capitalisation of borrowing cost**

Borrowing cost amounting to Rs. 60.013 Million (Rs. 46.886 Million in 2015/16) directly relating to investment in biological asset (Immature plantation) have been capitalised during the period, at an average borrowing rate of 11.92% (7.50% in 2015/2016)

(i) Net book value of assets

	2017	2016
	Rs.'000	Rs.'000
Property, plant and equipment [3.1 (c)]	10,803,101	9,805,879
Leasehold right to bare land of JEDB/SLSPC Estates [3.1 (d)]	109,119	112,986
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [3.1 (e)]	54,821	64,002
Bearer Biological Assets [3.1 (f)]	2,085,020	1,960,188
Total	13,052,062	11,943,054

(j) Fixed assets include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 1,402.6Mn (2016- Rs. 1,374.94 Mn)

(k) During the financial year, the Group acquired property, plant ,equipment & Plantation to the aggregate value of Rs. 1,638.5 Mn(2016- Rs. 1256.67 Mn). Cash payments amounting to Rs. 1,638.5 Mn (2016 - Rs. 1,183.58 Mn) were made during the year for purchase of property, plant and equipment.

(l) The following properties are revalued and recorded under freehold land and buildings. Fair Value measurement disclosure for revalued land based on un-observable inputs are as follows,

(A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).

(B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level -2)

(C) Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT (contd.)

Company	Location	Extent	Valuer
<i>Lanka Walltiles PLC property details included under Note 3.4.1.</i>			
1 LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	Mr. Ranjan J Samarakone
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	Mr. Ranjan J Samarakone
2 Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	A48-R03-P17.9	Mr. Ranjan J Samarakone
	House	981.Sq.ft	Mr. Ranjan J Samarakone
3 Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone
	Land at Biyagama	02A-00R-15.93P	Mr. Ranjan J Samarakone
	Marawila silica land	13A-0R-02P	Mr. Ranjan J Samarakone
	Ball Clay land at Kaluthara	5A-01R-0.83P	Mr. Ranjan J Samarakone
	Factory Building at Ranala	34,722 sqmt	Mr. Ranjan J Samarakone
	Stores at Biyagama	4,429 sqmt	Mr. Ranjan J Samarakone
4 Uni Dil Packaging Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D.G.Newton
	Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton
5 Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton
	Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton
6 Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr.K.T.D.Tissera
	No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr.K.T.D.Tissera
	Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr.K.T.D.Tissera
	No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr.K.T.D.Tissera
	Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr.K.T.D.Tissera
	Factory Complex, Belummahara, Imbulgoda-Sales center	4890 sq.ft	Mr.K.T.D.Tissera
	Factory Complex, Belummahara, Imbulgoda-Open Shed	1600 sq.ft	Mr.K.T.D.Tissera
	Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera
7 Swisstek Aluminium Ltd.	Land at Pahala Dompe, Dompe	A08-R02-P20	Mr. T. J. Tissera
	Building at Pahala Dompe, Dompe		Mr. T. J. Tissera

Valuation Date	Valuation Details	Significant unobservable input: price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
31 March 2017	Market based evidence	Rs. 4,500,000/- per Acre	219,875
31 March 2017	Market based evidence	Rs.2,500,000/- per Acre	11,000
31 March 2017	Market based evidence	Rs. 4,500,000/- per Acre	223,800
31 March 2017	Market based evidence	Rs.4,000/- per sq.ft	
'31 March 2016	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	557,357
'31 March 2016	Market based evidence	Rs. 850,000 per perch	285,541
'31 March 2016	Market based evidence	Rs. 17,187.5 per perch	35,780
'31 March 2016	Market based evidence	Rs. 62.50 per perch	52
'31 March 2016	contractor's method	Rs. 7,065 to Rs. 40,760 per sqmt	765,399
'31 March 2016	Market based evidence	Rs. 8,152 to Rs. 40,760 per sqmt	157,185
31 March 2016	Market based evidence	Rs.70,000/- per perch	102,046
31 March 2016	Depreciated Replacement cost	Rs.650/- to Rs. 2,000/- per sq.ft	179,254
31 March 2016	Market based evidence	Rs. 60,000/- per perch	26,100
31 March 2016	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sq.ft	46,400
31 March 2016	Market based evidence	Rs. 612,245/- per perch	600,000
31 March 2016	Market based evidence	Rs. 335,000/- per perch	6,700
31 March 2016	contractor's method	Rs. 2,500/- per sqft	75,000
31 March 2016	Depreciated Replacement cost	Rs. 217/- per sqft	300
31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	63,351
31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	21,122
31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	2,073
31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	17,278
30 March 2016	Market based evidence	Rs. 150,000 per perch	180,000
30 March 2016	Contractors Method	Rs. 40,000/-to Rs. 175,000/- per perch	229,627

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT (contd.)

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

	2017 Years	2016 Years
Non plantation assets		
Buildings on free hold land and roadway	25,40 & 50	25,40 & 50
Plant and machinery	5-20	5-20
Water supply and electricity distribution scheme	5-25	5-25
Tools, implements and furniture and fittings	2,4,5 & 10	2,4,5 & 10
Transport and communication equipment	4 to 12	4 to 12
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3
Mature plantations (Oil palm)	20	20
Permanent Land Development Cost	40	40
No depreciation is provided for immature plantations.		

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

	Group				Company			
	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2017	2017	2017	2016	2017	2017	2017	2016
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Freehold Land	1,795,028	-	1,795,028	1,189,657	418,926	-	418,926	418,926
Building	2,060,658	(383,230)	1,677,428	17,730,258	588,163	(144,102)	444,061	422,189
	3,855,686	(383,230)	3,472,456	18,919,915	1,007,089	(144,102)	862,987	841,115

3.3 PROPERTY, PLANT & EQUIPMENT

COMPANY

	Balance as at 01.04.2016 Rs.'000	Additions Rs.'000	Revaluations Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
Gross Carrying Amounts					
At Cost					
Buildings	-	-	-	-	-
Plant and Machinery	1,826,037	102,362	-	(35,160)	1,893,238
Water Supply, Electricity Distribution Scheme	130,033	-	-	-	130,032
Tools, Implements, Furniture & Fittings and Electrical Appliances	148,219	14,768	-	(4,237)	158,750
Transport & Communication Equipment	135,072	22,979	-	(184)	157,867
	2,239,362	140,109	-	(39,582)	2,339,889
	Balance as at 01.04.2016 Rs.'000	Additions Rs.'000	Revaluations Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
At Valuation					
Freehold Land	1,370,024	-	-	-	1,370,024
Buildings	803,923	32,891	-	-	836,814
	2,173,947	32,891	-	-	2,206,838
Assets on Finance Lease					
Leasehold Land	14,600	-	-	-	14,600
	14,600	-	-	-	14,600
	Balance as at 01.04.2016 Rs.'000	Additions Rs.'000	Revaluations Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
Capital Work In Progress Plant & Machinery and Building	26,388	24,617	-	(40,062)	10,943
	26,388	24,617	-	(40,062)	10,943
Total	4,454,297	197,617	-	(79,643)	4,572,271

**notes to the
financial statements**

3 PROPERTY, PLANT & EQUIPMENT (contd.)

Depreciation	Balance as at 01.04.2016 Rs.'000	Charge for Revaluations the year Rs.'000	Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2017 Rs.'000
At Cost					
Buildings	-	18,397	-	-	18,397
Plant and Machinery	862,842	102,310	-	(34,287)	930,865
Water Supply, Electricity Distribution Scheme	78,044	5,035	-	-	83,078
Tools, Implements, Furniture & Fittings and Electrical Appliances	115,403	16,644	-	(4,237)	127,810
Transport & Communication Equipment	74,572	11,963	-	(111)	86,424
Total	1,130,860	154,349	-	(38,635)	1,246,574
At Valuation					
Buildings	-	-	-	-	-
	-	-	-	-	-
Assets on Finance Lease					
Leasehold Land	1,460	487	-	-	1,947
	1,460	487	-	-	1,947
Total	1,132,320	154,836	-	(38,635)	1,248,521

3.4 Net Book Value of Assets

	2017 Rs.'000	2016 Rs.'000
At Valuation		
Freehold Land	1,370,024	1,370,024
Buildings	818,417	803,923
At Cost		
Buildings	-	-
Plant and Machinery	962,374	963,195
Water Supply, Electricity Distribution Scheme	46,955	51,989
Tools, Implements, Furniture & Fittings and Electrical Appliances	30,940	32,816
Transport & Communication Equipment	71,444	60,501
	3,300,153	3,282,448
Assets on Finance Leases		
Leasehold Land	12,654	13,140
	3,312,807	3,295,589
Capital Work in Progress	10,943	26,388
Total	3,323,749	3,321,977

3.4.1 The fair value of freehold lands and buildings were determined by means of a revaluation during the financial year 2015/16 in reference to market based evidence and the details of the valuations are indicated below,

Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Significant unobservable inputs (Level 3) Rs.'000
No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	Mr. Ranjan J Samarakone	31 March 2016	Market based evidence	Rs. 4,000,000/- per perch	808,400
	35,990 Square feet building	Mr. Ranjan J Samarakone	31 March 2016	Contractor's basis method valuation	Rs.1,000/-to Rs 3,500/- per square feet	87,151
Plan No 2205 Situated at Mawathgama and Galagedara Village	A23-R1-P24.16	Mr. Ranjan J Samarakone	31 March 2016	Market based evidence	Rs. 150,000/- per perch	561,624
	279,361 Square Feet building	Mr. Ranjan J Samarakone	31 March 2016	Contractor's basis method valuation	Rs.2,000/-to Rs 4,000/- per square feet	716,772

3.5 Assets on Finance Lease

During the financial year 2013, the Company acquired a right to leasehold land to the value of Rs.14.60 Mn for a period of 30 years.

3.6 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 157.55 Mn (2015/2016 - Rs. 277.64 Mn). Cash payments amounting to Rs. 157.55 Mn (2015/2016 - Rs. 229.88 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.7 Fixed assets include fully depreciated assets the cost of which at the reporting date amounted to Rs. 700.60 Mn (2015/2016 - Rs.435.18 Mn).

4 GOODWILL

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired through business combinations have been allocated to Lanka Tiles PLC for impairment testing.

	2017 Rs.'000	2016 Rs.'000
At the end of the year	24,519	24,519

**notes to the
financial statements**

5 INVESTMENTS IN SUBSIDIARIES

COMPANY	Number of Shares'000		Holding		Cost	Market Value/ Directors' Valuation*	Cost	Market Value/ Directors' Valuation*
	2017	2016	2017 %	2016 %	2017 Rs. 000'	2017 Rs. 000'	2016 Rs. 000'	2016 Rs. 000'
5.1 Subsidiary								
a) Quoted								
Lanka Tiles PLC	36,189	36,189	68.22	68.22	935,958	3,691,298	935,958	3,640,633
Swisstek (Ceylon) PLC	3,141	3,141	11.48	11.48	41,247	206,066	41,247	172,769
Total Quoted Investment in Subsidiary					977,206	3,897,364	977,206	3,813,402
b) Non-quoted								
Vallibel Plantation Management (Pvt) Ltd	10,336	10,336	100.00	100.00	298,891	298,891	298,891	298,891
LWL Development (Pvt) Ltd	0.001	0.001	100.00	100.00	0.010	-	0.010	-
Total Non-quoted Investments in Subsidiaries					298,891	298,891	298,891	298,891

*Non quoted investments of the Company has been valued by the directors based on the cost of investments.

	Cost	
	2017 Rs.'000	2016 Rs.'000
Carrying Value of Investments in Subsidiaries	1,276,096	1,276,096
Total Net Carrying Value of Investments in Subsidiaries	1,276,096	1,276,096

5.2 Details of those companies in which Lanka Walltiles PLC, held a controlling interest, as at 31 March 2017 directly or indirectly (Group) are set out below:

	Name of Company	Percentage of share holding in subsidiaries Holding				Principal activities of the company	Auditors
		Group		Company			
		2017	2016	2017	2016		
1)	Lanka Tiles PLC	68.22	68.22	68.22	68.22	Manufacture of floor tiles ceramic tiles	M/s. Pricewater house Coopers
2)	Vallibel Plantation Management Ltd	100.00	100.00	100.00	100.00	Providing management services to plantation industry	M/s KPMG
3)	Horana Plantations PLC	51.00	51.00	-	-	Agricultural production	M/s KPMG
4)	Fairlawn Power (Pvt) Ltd	27.54	27.54	-	-	Mini hydro power project	M/s KPMG
5)	Uni-Dil Packaging Ltd	100.00	100.00	-	-	Manufacture and sale of cartons for packing	M/s KPMG
6)	Uni-Dil Packaging Solutions Ltd	100.00	100.00	-	-	Manufacture and sale of paper sacks for packing	M/s KPMG
7)	Swisstek (Ceylon) PLC	59.28	59.28	11.48	11.48	Manufacture and sale of tile grout and tile mortar.	M/s KPMG
8)	Swisstek Aluminium Ltd	51.81	51.81	-	-	Manufacture and sale of aluminium extrusions	M/s. Pricewater house Coopers
9)	LWL Development (Pvt) Ltd	100.00	100.00	100.00	100.00	Property Holding Company	M/s. Pricewater house Coopers
10)	Beyond Paradise Collection Ltd	68.22	68.22	-	-	Property Holding Company	M/s. Pricewater house Coopers

5.3 The financial statements of Fairlawn Power (Pvt) Ltd has not been consolidated as at the reporting date, since the company is still in the pre operational stage and no real value to share holders of the Horana Plantations PLC, under section 153 (6)a of the companies act No. 07 of 2007. Further Horana Plantations PLC has fully provided for this investment. The shares of Fairlawn Power (Pvt) Ltd were allotted on 29th July 1997.

**notes to the
financial statements**

6 LONG TERM RECEIVABLES

	Group	
	2017	2016
	Rs.'000	Rs.'000
Advance company tax receivable	27,285	27,285
Total	27,285	27,285

7 DEFERRED TAX ASSET

	Group	
	2017	2016
	Rs.'000	Rs.'000
Deferred tax assets at the beginning of the year	12,527	52,183
Reclassification to deferred tax liability	(1,992)	-
Deferred tax (charge) / reversal	1,657	(31,654)
Deferred tax release on components of other comprehensive income	(16)	(8,002)
Deferred tax assets at the end of the year	12,175	12,527

Statement of Financial Position

	Group	
	2017	2016
	Rs.'000	Rs.'000
Deferred Tax Liability		
Capital Allowances	(24,006)	(80,420)
Deferred Tax Assets		
Retirement benefit liability	384	2,194
Carried forward tax losses	35,798	89,918
Provision for obsolete and slow moving, consumables and spares	-	801
Allowances for doubtful debts	-	34
Deferred Tax Assets	12,175	12,527

- 7.1** Deferred tax assets amounting to Rs. 11.8 Mn have been recognised as at 31 March 2017 (2016 - 9.8Mn) in Uni Dil Packaging Solutions Ltd based on recoverability as assessed by the management. Deferred tax assets have been recognised in respect of the unused tax losses, to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be used.

7.2 Deferred tax assets amounting to Rs. 0.4 Mn have been recognised as at 31 March 2017 (2016 - 0.7Mn) in Vallibel Plantation Management Limited based on recoverability as assessed by the management. Deferred tax assets have been recognised in respect of the unused tax losses, to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be used.

8 INVENTORIES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Raw materials	1,189,862	760,220	138,220	123,870
Work in progress	161,943	104,823	34,370	29,110
Finished goods	2,092,713	1,555,299	882,849	807,212
Goods in transit	19,940	3,275	908	906
Consumables and spares	786,540	707,753	309,169	258,915
Harvested crops	189,912	142,645	-	-
Non-harvested produce on bearer biological assets	6,860	2,566	-	-
Allowances for obsolete and slow moving spares	(133,946)	(136,958)	(29,936)	(23,436)
Total	4,313,823	3,139,621	1,335,580	1,196,576

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade debtors - related parties (9.1)	40,924	27,107	1,575	3,516
- other	2,122,809	1,738,329	382,980	398,290
	2,163,733	1,765,436	384,556	401,806
Less: Allowances for doubtful debts	(34,102)	(39,752)	(3,386)	(9,009)
	2,129,631	1,725,684	381,170	392,797
Other debtors	255,912	186,443	34,095	42,547
Advance and prepayments	452,889	239,953	76,948	77,491
Loans to company officers	47,139	46,601	7,120	4,891
Total	2,885,572	2,198,681	499,333	517,726

**notes to the
financial statements**

9 TRADE AND OTHER RECEIVABLES (Contd.)

9.1 Trade debtors - related parties

Company	Relationship	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Lanka Ceramic PLC	Parent Company	148	4	-	-
Royal Ceramics Lanka PLC	Group Company	6,283	5,360	-	206
Royal Pocelain (Pvt) Ltd	Group Company	16,320	14,366	-	2,002
Royal Bathware Ltd	Group Company	9,095	5,214	-	-
Mabroc Teas (Pvt) Ltd	Group Company	11	-	-	-
Dipped Products PLC	Group Company	1,003	-	-	-
Swistek Ceylon PLC	Subsidiary Company	-	-	572	572
Uni Dil Packaging Ltd	Subsidiary Company	-	-	3	14
MN Properties (Pvt) Ltd	Affiliated Company	1,000	2,163	1,000	722
Delmege Forsyth & Co.Ltd	Group Company	7,065	-	-	-
		40,924	27,107	1,575	3,516

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

Company	Neither past due nor impaired Rs.'000	Past due but not impaired				Total Rs.'000
		< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000	Impaired Rs.'000	
2017	343,231	28,801	6,540	5,984	-	384,556
2016	381,444	18,891	207	1,264	-	401,806

Group	Neither past due nor impaired Rs.'000	Past due but not impaired				Total Rs.'000
		< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000	Impaired Rs.'000	
2017	1,803,169	234,303	92,290	18,813	15,158	2,163,733
2016	1,727,834	32,820	460	4,322	-	1,765,436

10 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Swisstek Aluminium Ltd	Subsidiary company	-	-	613	253
Royal Ceramics Lanka PLC	Group Company	3,227	-	-	-
Royal Porcelain (Pvt) Ltd	Group Company	5,418	4,741	1,298	-
Royal Bathware Limited	Group Company	83	43	4	4
LWL Development (Pvt) Ltd	Subsidiary company	-	-	15,824	15,117
Total		8,729	4,784	17,739	15,374

11 SHORT TERM INVESTMENTS

Company	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deposit of Tsunami donations	3,296	3,078	3,296	3,078
	3,296	3,078	3,296	3,078

12 STATED CAPITAL

12.1 Issued & fully paid

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at the beginning of the year	787,765	787,765	787,765	787,765
Balance at the end of the year	787,765	787,765	787,765	787,765

12.2 Issued & fully paid

	Group		Company	
	2017 No.'000	2016 No.'000	2017 No.'000	2016 No.'000
Balance at the beginning of the year	54,600	54,600	54,600	54,600
Balance at the end of the year	54,600	54,600	54,600	54,600

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

**notes to the
financial statements**

13 RESERVES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Revaluation reserve (13.1)	2,409,494	2,306,645	1,237,011	1,237,011
Total	2,409,494	2,306,645	1,237,011	1,237,011

13.1 Revaluation reserve

On: Property Plant & Equipment

As at 01 April	2,306,645	1,004,516	1,237,011	296,294
Revaluation of freehold land and building net of deferred tax	102,850	1,302,129	-	940,717
As at 31 March	2,409,494	2,306,645	1,237,011	1,237,011

The above revaluation surplus consists of net surplus resulting from the revaluation of freehold land described in Note 3.1 (i)

14 INTEREST BEARING LIABILITIES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Non Current				
Long term loans (14.1)	1,684,700	1,629,027	324,981	584,245
Finance leases (14.2)	88,567	96,439	-	-
Total	1,773,267	1,725,466	324,981	584,245
Current				
Long term loans (14.1)	731,120	716,250	263,328	301,479
Finance leases (14.2)	7,872	9,538	-	-
Short term loans	1,139,479	736,826	-	100,000
Bank overdrafts (28)	1,179,277	656,910	374,790	315,280
Total	3,057,748	2,119,524	638,118	716,759
Total - Interest Bearing Liabilities	4,831,015	3,844,990	963,099	1,301,004

14.1 Long term loans

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning	2,345,277	2,158,704	885,723	563,407
Loans obtained	912,848	805,561	-	584,000
Exchange gain/(loss)	21,003	18,526	3,775	12,255
Repayments	(863,307)	(637,514)	(301,189)	(273,939)
At the end	2,415,820	2,345,277	588,309	885,723
Amount payable within 12 months	731,120	716,250	263,328	301,479
Amount payable after 12 months	1,684,700	1,629,027	324,981	584,245
Total	2,415,820	2,345,277	588,309	885,723

14.2 Finance leases

	Group	
	2017 Rs.'000	2016 Rs.'000
JEDB/SLSPC estates (14.3)	146,384	151,612
Other finance lease creditors (14.4)	11,032	20,359
Gross liability	157,416	171,971
Finance charges allocated to future period	(60,977)	(65,994)
Net liability	96,439	105,977
Amount payable within one year	7,872	9,538
Amount payable after one year	88,567	96,439
Total	96,439	105,977

14.3 JEDB/SLSPC estates

At the beginning	151,612	156,840
New leases obtained	13,681	13,292
Repayments	(18,909)	(18,520)
At the end	146,384	151,612

14.4 Other finance lease creditors

At the beginning	20,359	43,386
New leases obtained	-	-
Repayments	(9,327)	(23,027)
At the end	11,032	20,359

notes to the financial statements

14 INTEREST BEARING LIABILITIES (Contd.)

14.5 The lease rentals have been amended with effect from 22 June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/-per estate per annum. The basic rental payable under the revised basis is Rs.5.228 Mn per annum. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator in the form of contingent rent. This lease agreement was further amended on 10 June 2005, freezing the annual lease rental at Rs.7.472 Mn for a period of six years commencing from 22 June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Mn per annum until 21 June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

Future liability on the revised annual lease payment of Rs.7.472 Mn will continue until 21 June 2008, and thereafter from 22 June 2008, annual lease payment will remain at Rs.5.228 Mn, until 21 June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.86.292 Mn.

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

	2017 Rs.'000
Gross Liability	146,384
Less : Interest in Suspense	(60,092)
Net Present Value	86,292

14.7 The contingent rental charged during the current year to Statement of Comprehensive Income amounted to Rs. 13.681 Mn and the gross liability to make contingent rentals for the remaining 28 years of lease term at the current rate would be estimated to Rs. 383.057 Mn as at 31 March 2017.

14.8 Details of long term loans of the Group

Financial Institution	Repayment terms	Principal Rs'000	Principal Interest per annum	Security	Balance as at 3/31/17 Rs '000	Balance as at 3/31/16 Rs '000
Lanka Walltiles PLC						
Hatton National Bank	60 monthly installments	300,000	AWPLR+0.5%	Primary mortgage bond for Rs. 390 million over the project assets comprising land, building and machinery at Meepe.	45,000	105,000
	60 monthly installments	(USD 1,800,000)	LIBOR+3.75%	Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.	87,729	136,506
Commercial Bank of Ceylon PLC	60 monthly installments	584,000	AWPLR+0.5%	Tripartite agreement for Rs.392.8 Mn between Bank, Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 Shares of Lanka Tiles PLC.	398,940	515,820

Financial Institution	Repayment terms	Principal Rs'000	Principal Interest per annum	Security	Balance as at 3/31/17 Rs '000	Balance as at 3/31/16 Rs '000
	60 monthly installments	200,000	AWPLR+0.5%	Primary mortgage bond for Rs.200 million over the property situated at 215, Nawala Road, Colombo 5	-	15,750
	60 installments	80,000	AWPLR+0.75%	Primary Mortgage bond for Rs.80Mn over the ceramic printer	26,640	42,648
DFCC Bank	60 monthly installments	200,000	AWDR+0.5%	Primary mortgage over movable machinery at Meepe	30,000	70,000
Company Total - Lanka Walltiles PLC					588,309	885,724
Lanka Tiles PLC						
DFCC Bank	48 monthly installments	150,000	AWPLR+0.5%		37,500	67,500
	84 monthly installments	165,000	AWPLR+0.5%	A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala amounting to Rs.300 million	53,036	76,607
	85 monthly installments	287,712 (USD 3,000,000)	LIBOR+3.5%		40,067	200,035
	54 monthly installments	80,000	AWPLR+0.5%		37,037	54,814
Company Total - Lanka Tiles PLC					167,640	398,956
Uni-Dil Packaging Limited						
Central Finance PLC	LKR 991,106 monthly installments	42,500	14.10%	Mortgage bond for 42.5 Mn over Moveable machinery	-	11,893
HSBC	US\$ 7,380.95 monthly installments	USD 310,000	LIBOR+3.8%	Mortgage bond for USD 310,000 over Moveable machinery	17,150	28,978
		USD 310,000	LIBOR+3.8%	Mortgage bond for USD 310,000 over Moveable machinery & vehicle	USD 111.4	USD 200.3
					USD 30,672	41,637
					USD 199.2	USD 287.8
SCB		USD 310,000	LIBOR+3.8%	Mortgage bond for USD 310,000 over Moveable machinery & vehicle	298,484	-
					USD 1939.3	-

**notes to the
financial statements**

14 INTEREST BEARING LIABILITIES (Contd.)

Financial Institution	Repayment terms	Principal Rs'000	Principal Interest per annum	Security	Balance as at 3/31/17 Rs '000	Balance as at 3/31/16 Rs '000
Hatton National Bank PLC	LKR 308,300 monthly installments	10,000	AWPLR+2%	Concurrent Mortgage bond for LKR 110 Mn over immovable property	-	1,043
Company Total - Uni-Dil Packaging Limited					346,306	83,551
Horana Plantations PLC						
Hatton National Bank PLC	72 monthly installments	150,000	AWPLR+1.0%	Primary mortgage for 550 million over the leasehold rights of Frocester Estate,	95,400	120,600
		200,000	AWPLR+1.0%	rights of Frocester Estate,	150,050	183,350
		200,000	AWPLR+0.75%	Primary mortgage for 300 million over the leasehold rights of Bambrakelly Estate	172,250	200,000
		250,000	AWPLR+3.00%		250,000	-
Indian Bank	54 monthly installments	75,000	AWPLR+0.65%	Primary mortgage over leasehold rights of Tillicoultry Estate	8,400	25,200
Hatton National Bank PLC	60 monthly installments	100,000	AWPLR+0.75%	Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla	76,540	93,100
Hatton National Bank PLC	60 monthly installments	130,114	AWPLR+1.5%	Primary mortgage over leasehold rights of Bambarakelly Estate	95,418	121,440
Sri Lanka Tea Board	48 monthly installments	33,000	11.96%		33,000	-
Company Total - Horana Plantations PLC					881,058	743,690
Swisstek (Ceylon) PLC						
Bank of Ceylon	58 monthly installments	25,817	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	2,202	5,202
Bank of Ceylon		31,735	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	31,736	-

Financial Institution	Repayment terms	Principal Rs'000	Principal Interest per annum	Security	Balance as at 3/31/17 Rs '000	Balance as at 3/31/16 Rs '000
Company Total - Swisstek (Ceylon) PLC					33,938	5,202
Swisstek Aluminium Limited						
DFCC Bank	78 monthly installments	290,000	AWPR+0.75%	Mortgage over land, building, plant & machinery	70,641	115,256
	60 monthly installments	50,000	AWPR+0.75%		13,140	22,995
	60 monthly installments	10,000	AWPR+0.75%		5,506	7,509
	60 monthly installments	193,032	AWPR+1.5%	Movable Machinery	193,032	
HNB Bank	48 monthly installments	80,000	AWPR+1.5%	Simple Receipt	65,060	
Company Total - Swisstek Aluminium Limited					347,379	145,760
Vallibel Plantation Management Limited						
Commercial Bank of Ceylon PLC	60 monthly installments	144,790	AWPR+1%	12,750,000 shares of Horana Plantation PLC	51,190	82,390
Company Total - Vallibel Plantation Management Limited					51,190	82,390

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

	Carrying Amount		Fair value	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Financial Assets				
Trade and Other Receivables	2,885,572	2,198,681	2,673,373	1,988,086
Total	2,885,572	2,198,681	2,673,373	1,988,086
Financial Liabilities				
Trade and Other Payables	1,789,552	1,524,474	1,201,129	1,068,045
Loans and Borrowings- Current	3,057,748	2,119,524	3,057,748	2,119,524
Loans and Borrowings- Non Current	1,773,267	1,725,466	1,773,267	1,725,466
Total	6,620,567	5,369,464	6,032,144	4,913,035

**notes to the
financial statements**

14 INTEREST BEARING LIABILITIES (Contd.)

Company	Carrying Amount		Fair value	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Financial Assets				
Trade and Other Receivables	499,333	517,726	446,670	469,950
Total	499,333	517,726	446,670	469,950
Financial Liabilities				
Trade and Other Payables	414,318	373,245	219,128	242,712
Loans and Borrowings- Current	638,118	716,759	638,118	716,759
Loans and Borrowings- Non Current	324,981	584,245	324,981	584,245
Total	1,377,416	1,674,250	1,182,226	1,543,716

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

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

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

Fixed Rate Financial Instruments

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

15 DEFERRED TAX LIABILITIES

	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	980,800	702,134	338,862	167,892
Prior year adjustment(Refer No:36)	-	7,669	-	-
Reclasification from deferred tax assets	(1,992)	-	-	-
Income/ (expense) arising during the year	57,556	64,315	23,994	76,414
Deferred tax release on components of other comprehensive income	15,481	206,683	4,518	94,557
At the End of the Year	1,051,846	980,802	367,375	338,863

15.1 Statement of Financial Position

	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Deferred Tax Liability				
Capital Allowances	1,513,596	1,414,583	395,095	406,345
Deferred Tax Assets				
Retirement Benefit Liability	(134,051)	(130,372)	(19,258)	(20,726)
Carried Forward Tax Losses	(298,545)	(265,924)	-	(38,612)
Provision for Obsolete and Slow Moving, Consumables and Spares	(28,241)	(35,225)	(7,603)	(5,883)
Allowances for Doubtful Debts	(913)	(2,261)	(860)	(2,261)
	1,051,846	980,802	367,375	338,863

16 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the Beginning of the Year	728,623	721,711	82,569	67,027
Current service cost	46,116	50,408	5,531	6,336
Net interest on the net defined benefit liability (asset)	75,577	71,646	8,670	6,796
	121,693	122,054	14,201	13,132
Net Actuarial Gain / loss for the year	(75,064)	(36,586)	(17,789)	5,036
Payments made during the Year	(90,078)	(78,557)	(3,155)	(2,627)
	(165,142)	(115,143)	(20,944)	2,410
Payable for retired employees included under current liabilities	(29,088)	(28,672)	-	-
At the End of the Year	656,086	699,951	75,826	82,569

**notes to the
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16 RETIREMENT BENEFIT LIABILITY (Contd.)

Lanka Walltiles PLC - Company

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

	Company	
	2017	2016
	Rs.'000	Rs.'000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	6,232	6,950
Effect on DBO due to increase in the discount rate by 1%	(5,495)	(6,118)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(5,568)	(6,144)
Effect on DBO due to increase in the salary escalation rate by 1%	6,205	6,845

Lanka Walltiles PLC - Group

In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis for all employees of Lanka Walltiles PLC, Lanka Tiles PLC, Horana Plantation PLC, Swisstek Ceylon PLC, Swisstek Aluminium Limited, Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd is as follows;

	Company	
	2017	2016
	Rs.'000	Rs.'000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	49,000	57,501
Effect on DBO due to increase in the discount rate by 1%	(43,090)	(50,182)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(31,830)	(37,373)
Effect on DBO due to increase in the salary escalation rate by 1%	34,600	40,860

As at 31 March 2017	Less than a year Rs.'000	Between 1-2 years Rs.'000	Between 2- 5 years Rs.'000	Over year 5 Rs.'000	Total Rs.'000
Defined Benefit Obligation	5,387	13,226	12,192	45,020	75,825

Group

Distribution of Present value of define benefit obligation

As at 31 March 2017	Less than a year Rs.'000	Between 1-2 years Rs.'000	Between 2- 5 years Rs.'000	Over year 5 Rs.'000	Total Rs.'000
Defined Benefit Obligation	74,280	106,504	147,737	327,566	656,086

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2017 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

	2017	2016
Discount rate (per annum)	12.00%	10.50%
Salary scale (per annum)		
- Executives	12.50%	12.50%
- Non - Executives	10.00%	10.00%
Retirement Age	55 Years	55 Years
Staff Turnover ratio	8% up to 49 years, thereafter 0%	8% up to 49 years, thereafter 0%

Rates of turnover at selected ages as follows;

Age	20	25	30	35	40	45 - 50
Turnover	10%	10%	10%	5%	3%	1%

Lanka Tiles PLC

The defined benefit liability of Lanka Tiles PLC was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd qualified actuary on 31 March 2017.

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate	12.00%	10.50%
Future salary increases		
- Executives	12.50%	12.50%
- Non - Executives	10.00%	10.00%

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

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

**notes to the
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**16 RETIREMENT BENEFIT LIABILITY (Contd.)
Horana Plantations PLC**

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2017 by Actuarial and Management Consultants (Pvt) Ltd. The valuation method used by the actuary to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows

	2017	2016
Rate of interest	12.00%	11.00%
Rate of salary increase		
Workers	15.00%	15.00%
Staff	12.50%	12.50%
Head Office Staff	10.00%	8.00%
Retirement age		
Workers	60	60
Staff	60	60
Head Office Staff	55	55
Daily wage rate		
Tea	Rs.500	Rs.450
Rubber	Rs.500	Rs.450

The company will continue as a going concern

Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd.

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2017.

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

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate p.a	12.00%	10.00%
Rate of salary increase	12.00%	10.00%
Staff turnover factor	9.00%	8.00%
Retirement age (Years)	55	55

The Company will continue as a going concern.

Swisstek (Ceylon)PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2017.

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate p.a	12.00%	10.50%
Rate of salary increase	12.50%	12.50%

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2017.

Principal Actuarial Assumptions are as follows

	2017	2016
Discount rate p.a	13.10%	11.72%
Rate of salary increase	13.00%	15.00%
Retirement age (Years)	55	55

17 CAPITAL GRANTS

	Group	
	2017	2016
	Rs.'000	Rs.'000
Capital grants (17.1)	138,189	134,301
Total	138,189	134,301

**notes to the
financial statements**

17 CAPITAL GRANTS (Contd.)

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance at the beginning Rs.'000	Received during the period Rs.'000	Amortised during the period Rs.'000	Balance at the end Rs.'000
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	701	167	287	(31)	423
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	3,976	890	-	4,866
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	19,619	-	(790)	18,829
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	31,457	-	(1,120)	30,337
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	318	-	(12)	305
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	15,833	-	(501)	15,332
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	-	-	-	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,745	-	(116)	3,630
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	8,266	-	(252)	8,013
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	46,694	50,602	7,448	(1,887)	56,163
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	211	-	(51)	161
Export Agriculture Department (EAD)	Cinnamon replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	76	106	24	-	131
Total			168,095	134,301	8,649	(4,760)	138,189

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade creditors - other	798,107	529,811	96,732	98,736
- related parties [18.1]	84,177	173,080	92,078	80,044
	882,284	702,891	188,810	178,780
Sundry creditors including accrued expenses	814,828	761,047	162,157	162,602
Provision for terminal benefits (current) [16.0]	29,088	28,672	-	-
Donations in respect of Tsunami fund	3,296	3,078	3,296	3,078
Unclaimed dividends	60,055	28,786	60,055	28,786
Total	1,789,552	1,524,474	414,318	373,245

18.1 Trade creditors - related parties

Company	Relationship	Group		Company	
		2017	2016	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Ceramic PLC	Parent Company	-	3,653	-	3,653
Royal Ceramics Lanka PLC	Group Company	46,056	154,287	-	-
Royal Pocelain (Pvt) Ltd	Group Company	90	-	-	-
Royal Bathware Ltd	Group Company	3	-	-	-
Hayleys Agriculture Holding	Group Company	19,464	6,586	-	-
Hayleys Agro Fertilizer	Group Company	18,477	8,482	-	-
Agro Technica	Group Company	-	72	-	-
Hayleys Agro Products	Group Company	88	-	-	-
Lanka Tiles PLC	Subsidiary Company	-	-	89,067	73,333
Unidil Packaging Ltd	Subsidiary Company	-	-	3,011	3,058
Total		84,177	173,080	92,078	80,044

19 AMOUNTS DUE TO RELATED PARTIES

Company	Relationship	Group		Company	
		2017	2016	2017	2016
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	68,473	70,401
Swisstek Ceylon PLC	Subsidiary Company	-	-	1,189	1,979
Royal Ceramics Lanka PLC	Group Company	11,704	22,723	11,704	21,475
Lanka Ceramic PLC	Parent Company	5,341	-	5,341	-
Total		17,045	22,723	86,707	93,856

**notes to the
financial statements**

20 REVENUE

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Sale of tiles & associated items				
Export sales	729,517	777,011	544,056	581,460
Local sales	8,211,608	8,279,681	2,801,281	2,628,100
	8,941,125	9,056,692	3,345,337	3,209,560
Sale of aluminium products	2,824,409	2,184,123	-	-
Sale of plantation products	1,947,278	1,805,452	-	-
Sale of packing materials	2,287,338	2,498,921	-	-
Turnover net of tax	16,000,150	15,545,188	3,345,337	3,209,560

21 OTHER INCOME

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Income from investments	-	-	252,619	229,767
Rental income	-	-	25,588	25,064
Amortisation of capital and revenue grants	4,760	4,952	-	-
Sales commission	1,214	5,884	-	-
Disposal Gain/(Loss) on Property, Plant and Equipment	(3,187)	460	(112)	365
Change in fair value of consumable biological assets	28,871	46,305	-	-
Sundry income	82,690	102,679	9,837	12,750
Exchange gain	21,494	15,199	21,494	15,199
	135,843	175,479	309,426	283,146

22 FINANCE COST

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest expense on overdrafts	72,159	35,739	18,645	12,976
Interest expense on bank loans	263,494	223,037	86,624	99,047
Finance charges on lease liabilities	69,941	14,146	-	-
Interest on bills discounted	37,905	18,912	-	-
Exchange loss	25,442	10,762	-	-
Less : Capitalisation of borrowing costs on immature plantations	(60,013)	(46,886)	-	-
	408,928	255,710	105,269	112,023

23 FINANCE INCOME

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest income	142,549	62,458	-	-
	142,549	62,458	-	-

**notes to the
financial statements**

24 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in cost of sales				
Depreciation	563,915	446,771	140,312	123,938
Defined benefit plan costs - gratuity	94,749	88,787	6,750	5,660
Defined contribution plan costs - EPF & ETF	182,326	160,015	20,223	18,927
Other staff cost	2,064,310	1,693,730	253,247	260,385
Operating lease rentals	838	838	-	-
Inventory written off and allowances	22,958	53,542	6,500	5,899
Included in administration expenses				
Depreciation	45,343	142,131	11,298	13,161
Defined benefit plan costs - gratuity	23,119	33,267	7,451	7,472
Defined contribution plan costs - EPF & ETF	22,403	36,512	3,428	3,084
Other staff cost	215,557	484,044	28,543	34,111
Audit Fee	6,644	7,798	1,200	1,320
Technical Fee	263,103	202,361	31,853	31,019
Included in distribution cost				
Depreciation	13,556	29,437	3,173	3,215
Defined benefit plan costs - gratuity	3,894	-	-	-
Defined contribution plan costs - EPF & ETF	10,870	8,180	3,576	3,098
Other staff cost	130,664	113,839	40,734	47,399
Allowance for doubtful Debts	(5,650)	(3,683)	(5,623)	(8,502)

25 INCOME TAX EXPENSES

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

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
(a) Current income tax				
Current income tax charge	575,800	554,985	141,937	81,588
Under/(over) provision of current taxes in respect of prior years	6,646	4,412	5,977	-
Tax effect on Inter company Dividends	28,106	25,782	-	-
	610,552	585,179	147,914	81,588
(b) Deferred income tax				
Deferred taxation charge/(reversal)	55,900	95,194	23,994	76,414
Income tax expense reported in the statement of profit or loss	666,452	680,373	171,908	158,002
(c) Deferred tax expense reported in the OCI	15,497	214,686	4,518	94,557
	681,948	895,059	176,426	252,559

**notes to the
financial statements**

25 INCOME TAX EXPENSES (Contd.)

25.2 Reconciliation between current tax expense and the product of accounting profit.

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000
Accounting profit before income tax	2,625,236	2,493,066	944,673	801,381
Income considered as separate source of income	150,720	85,675	-	-
Income exempt from tax	-	-	(252,619)	(229,767)
Non deductible expenses	1,113,242	1,035,811	192,238	185,543
Deductible expenses	(1,431,117)	(1,054,727)	(158,849)	(176,176)
Total Statutory Income	2,458,082	2,559,824	725,443	580,981
Tax losses utilised	(256,778)	(250,847)	(203,343)	(203,343)
Qualifying Payment Relief	(152,884)	(100,993)	(154,477)	(28,717)
Exempt profit	(130,203)	(262,940)	-	-
Taxable profit/loss	1,918,216	1,945,045	367,623	348,921
Current income tax expense				
Taxation -12%	21,629	29,612	13,450	12,082
Taxation -20%	20,264	-	-	-
Taxation -28%	525,841	519,868	128,487	69,506
Dividend tax	8,067	5,505	-	-
Current income tax expense	575,800	554,985	141,937	81,588
Deferred income tax reported in the statement of profit or loss				
Capital Allowances	42,617	94,251	(11,249)	31,392
Retirement Benefit Liability	(7,823)	(2,817)	(3,050)	(3,141)
Carried Forward Tax Losses	21,498	16,516	38,612	47,773
Provision for Obsolete and Slow Moving, Consumables and Spares	(1,774)	(14,637)	(1,720)	(1,612)
Allowances for Doubtful Debts	1,382	1,882	1,401	2,003
Deferred taxation charge/(reversal)	55,900	95,194	23,993	76,414
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	-	210,966	-	95,821
Retirement Benefit Liability	(15,497)	3,718	4,518	(1,264)
Deferred taxation charge/(reversal)	(15,497)	214,684	4,518	94,557
Effective Income Tax Rate	25.39%	27.29%	18.20%	19.72%

25.3 Notes on income tax of Group companies

Lanka Walltiles PLC, Lanka Tiles PLC, Vallibel Plantation Management Ltd, Unidil Packaging (Private) Limited and Swisstek (Ceylon) PLC

The statutory tax rate of above companies are as follows;

Year ended 31st March	2017	2016
Local sales and other profits	28%	28%
Qualified export profit	12%	12%
Specified profits	12%	12%

Swisstek Aluminium Ltd

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

Horana Plantations PLC

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

26 EARNINGS PER SHARE

26.1 Earnings per share - basic

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of

Lanka Walltiles PLC by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue. The following reflects the income and share data used in the basic earnings per share computations.

Year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000 (Restated)	2017 Rs.'000	2016 Rs.'000

Amounts used as the numerator:

Profit attributable to equity holders for basic earnings per share	1,393,333	1,334,339	772,765	643,378
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Year ended 31st March	Group		Company	
	2017 '000	2016 '000 (Restated)	2017 '000	2016 '000

Number of ordinary shares used as the denominator:

Weighted average number of ordinary shares in issue applicable to basic earnings per share	54,600	54,600	54,600	54,600
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Earnings Per Share	25.52	24.44	14.15	11.78
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**notes to the
financial statements**

27 DIVIDENDS PAID

Declared and paid during the year
Equity dividends on ordinary shares :

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
First Interim 2015/16 (Rs. 2.50 per share)	-	136,500	-	136,500
Second Interim 2015/16 (Rs. 5.00 per share)	-	273,000	-	273,000
First Interim 2016/17 (Rs. 2.00 per share)	109,200	-	109,200	-
Second Interim 2016/17 (Rs. 5.50 per share)	300,300	-	300,300	-
	409,500	409,500	409,500	409,500

28. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents balance

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	1,423,632	1,784,641	43,372	41,223
	1,423,632	1,784,641	43,372	41,223
Unfavourable cash & cash equivalent balances				
Bank overdrafts (13)	(1,179,278)	(656,910)	(374,790)	(315,280)
Total cash and cash equivalents	244,354	1,127,731	(331,416)	(274,057)

29. ASSETS PLEDGED

Following Assets have been pledged as security for liabilities, in addition to the items disclosed in Note 14.8 to these financial statements.

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging Ltd

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

Uni Dil Packaging Solutions Ltd(Previously known as "Uni Dil Paper Sacks (Pvt) Ltd")

Import Loans are secured by Primary on mortgage bond over land and building for Rs. 30 million at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for Rs. 60 million for the banking facilities of Hong kong & Shanghai Banking corporation.

Horana Plantations PLC

The following securities were offered for bank overdraft facilities .

Financial Institution	Type of Securities		Rate of Interest	Facility Available Rs.'000
Seylan Bank PLC Millennium Branch Colombo 1	Primary Mortgage for Secondary Mortgage for "Tertiary Mortgage for over leasehold rights of Mahanilu Estate	- Rs. 3.50 Million - Rs. 2.45 Million - Rs.30.00 Million	13.55% p.a. (AWPLR+2%)	10,000
Commercial Bank of Ceylon PLC	"Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.		12.11% p.a. (AWPLR+0.75%)	200,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings , fixed and floating assets.		12.11% p.a (AWPLR+0.75%)	100,000
Total				310,000

Lanka Walltiles PLC

Hatton National Bank Rs. 100 Mn bank overdraft is secured primarily on registered primary floating mortgage bond for Rs.390 Mn over the project assets comprising of land, building and machinery at Meepe.

Swisstek Aluminium Limited

Financial Institution	Type of Securities		Rate of Interest	Facility Available Rs.'000
Hatton National Bank (Import Loan)	Trading Stock and Trade Debtors		AWPLR Based	300,000
DFCC Bank (Term loan)	Primary mortgage over plant and machinery		AWPLR Based	200,000
DFCC Bank (Import loan and Bank Overdrafts	Secondary mortgage over stock and book debtors		AWPLR Based	500,000

**notes to the
financial statements**

30 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

30.1 COMPANY

	Transactions with the Royal Ceramic Lanka PLC		Transactions with the Parent Company, Lanka Ceramic PLC		Transactions with Subsidiaries and Affiliate Companies	
	2017	2016	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April	(21,475)	(4,885)	(3,653)	(2,506)	(130,087)	(90,253)
Sale of Tiles/ (Sales returns)	-	-	-	-	2,117	1,191
Purchase of raw materials	-	-	(37,688)	(37,255)	(15,332)	(11,637)
Purchase of other items	(6,077)	(675)	-	-	(45,231)	(28,204)
Sale of raw materials	-	-	-	-	10,931	9,266
Dividend received	-	-	-	-	252,619	(178,125)
Settlements/(Recoveries) by the Company	54,121	26,354	35,354	34,290	(98,938)	239,108
Rent received	-	-	-	-	10,268	15,582
Expenses apportioned	5,588	(612)	646	-	99,096	89,790
Advances received/(paid)	-	-	-	-	708	15,117
Commission on sales	(9,227)	(6,815)	-	-	(7,228)	(6,426)
Expenses incurred and transferred	-	428	-	1,817	(130,299)	(130,031)
Credit card proceeds collected from subsidiary	-	-	-	-	(87,631)	(53,063)
Sale of other items	-	-	-	-	-	567
Insurance Premium	-	-	-	-	(3,417)	(2,969)
cash/Goods in transit	1,481	(633)	-	-	-	-
Technical Fees	(36,115)	(34,431)	-	-	-	-
Balance as at 31 March	(11,704)	(21,269)	(5,341)	(3,653)	(142,425)	(130,087)
Included Under						
Trade and other receivable	-	206	-	-	1,576	3,310
Trade and other payable	-	-	-	(3,653)	(92,078)	(76,391)
Amount due from related parties	-	-	-	-	17,739	15,374
Amount due to related parties	(11,704)	(21,475)	(5,341)	-	(69,662)	(72,380)
Balance as at 31 March	(11,704)	(4,885)	(3,653)	(2,506)	(142,425)	(130,087)

The above subsidiaries and affiliates include following companies;

Company

- Lanka Tiles PLC
- Unidil Packaging Limited
- Unidil Packaging Solution Limited
- Vallibel Plantation Management Limited
- Horana Plantations PLC
- Swisstek Aluminium Limited
- Swisstek (Ceylon) PLC
- Royal Porcelain (Private) Limited
- Royal Bathware Limited
- LWL Development (Private) Limited
- Beyond Paradise Collection Limited

Terms and conditions with related parties

The 'Sales to' and 'Purchases from' related parties are made on commercial terms agreed with respective parties.

Outstanding balances as at the year end are unsecured, interest free and settlement occur in cash.

Technical fees paid to Royal Ceramic Lanka PLC is for services rendered in providing technical advises to improve manufacturing process of Lanka Walltile PLC, Lanka Tiles PLC and Swisstek Aluminium Limited.

**notes to the
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30 RELATED PARTY DISCLOSURES (Contd.)

30.2 Group - Related Party Transactions

30.2.1 Lanka Tiles PLC

Name of the company	Relationship	Nature of the transaction	2017	2016
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Royal Porcelain (Pvt) Ltd	Group Company	Raw materials	5,374	8,362
		Spares	462	1,356
		Consumables	1,197	62
Royal Bathware LTD	Group Company	Raw Materials	37	-
		Services	74	256
Royal Ceramics Lanka PLC	Group Company	Raw materials	96	989
		Spares	464	1,056
MN Properties (Pvt) Ltd	Affiliated Company	Sale of goods	1,476	2,274
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Parent Company	Raw materials	165,741	116,658
Royal Porcelain (Pvt) Ltd	Group Company	Raw materials	2,563	3,713
		Spares	79	884
Royal Ceramics Lanka PLC	Group Company	Raw materials	933	5
		Spares	-	408
		Technical fees	110,309	105,675
Ever Paint & Chemical Industries (Pvt) Ltd	Group Company	Sales Commission	-	32
Delmege Freight Services (Pvt) Ltd	Group Company	Services	2,746	2,820
Heyleys Travels & Tours (Private) limited	Group Company	Services	7,972	5,453
Heyleys Agriculture Holding Limited	Group Company	Services	187	97
Heyleys Electronic Lighting (Private) Limited	Group Company	Services	251	286
Heyleys Industrial Solutions (Private) Limited	Group Company	Services	5,793	6,696
Heyleys Agro Fertilizers (Private) Limited	Group Company	Services	-	25
Heyleys Leisure Holdings (Pvt) Ltd	Group Company	Services	2,550	-

30.2.2 Swisstek (Ceylon) PLC

Name of the company	Relationship	Nature of the transaction	2017 Rs. '000	2016 Rs. '000
(a) Sale of goods /services to				
Royal Ceramics Lanka PLC	Group Company	Finished goods	7081	1392
(b) Purchase of goods/Services from:				
Royal Porcelain (Pvt) Ltd	Group Company	Sales Commission	5,904	9,480
Rocell Bathware Ltd.	Group Company	Sales Commission	68	-
Royal Ceramics Lanka PLC	Group Company	Sales Commission	1,601	10,094
		Reimbursement of security expenses	1,026	805
		Warehouse rental income	3,759	1,699

30.2.3 Swisstek Aluminium Ltd

Name of the company	Relationship	Nature of the transaction	2017 Rs. '000	2016 Rs. '000
(a) Purchase of goods/Services from:				
Royal Ceramics Lanka PLC	Group Companies	Purchase of goods	2,964	566
		Technical fees	84,774	65,667

30.2.4 Uni Dil Packaging Ltd

Name of the company	Relationship	Nature of the transaction	2017 Rs. '000	2016 Rs. '000
(a) Sale of goods /services to				
Royal Porcelain (Pvt) Ltd	Group Company	Finished goods	61,026	76,747
Royal Bathware LTD	Group Company	Finished goods	24,190	19,196
Royal Ceramics Lanka PLC	Group Company	Finished goods	36,600	47,275
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Parent Company	Expenses reimbursed	130	341
Royal Ceramics Lanka PLC	Group Company	Purchase of goods	97	-
		Technical fees	39,325	-
Ever Paint & Chemical Industries (Pvt) Ltd	Group Company	Purchase of goods	25	253

**notes to the
financial statements**

30 RELATED PARTY DISCLOSURES (Contd.)

30.2.5 Uni Dil Packaging Solutions Ltd

Name of the company	Relationship	Nature of the transaction	2017 Rs. '000	2016 Rs. '000
Sale of goods to				
Royal Porcelain (Pvt) Ltd	Group Company	Finished goods	18,675	-
Royal Bathware LTD	Group Company	Finished goods	8,772	-
Royal Ceramics Lanka PLC	Group Company	Finished goods	10,147	-

30.2.6 Horana Plantations PLC

Name of the company	Relationship	Nature of the transaction	2017 Rs. '000	2016 Rs. '000
(a) Sale of goods /services to				
Lanka Ceramic PLC	Parent Company	Sale of tea	39	36
Royal Porcelain (Pvt) Ltd	Group Company	Sale of tea	69	50
Royal Bathware LTD	Group Company	Sale of tea	292	205
Royal Ceramics Lanka PLC	Group Company	Sale of tea	206	177
		Office rent	113	-
		Hiring of vehicles	-	900
Dipped Products PLC	Group Company	Sale of latex	23,014	4,292
Delmege Forsyth & Co.Ltd	Group Company	Sale of tea	38,607	-
Amaya Leisure PLC	Group Company	Sale of pineapple	22	135

**(b) Purchase of goods/services from/
Expenses Reimbursement**

Lanka Ceramic PLC	Parent Company	Expenses reimbursed	1,492	-
Royal Porcelain (Pvt) Ltd	Group Company	Purchase of goods	3	-
Royal Bathware LTD	Group Company	Purchase of goods	221	-
Royal Ceramics Lanka PLC	Group Company	Purchase of tiles	626	-
Hayleys Agriculture Holdings Ltd	Group Company	Chemicals	39,076	10,038
Hayleys Agro Fertilizer (Pvt) Ltd	Group Company	Fertilizer	86,894	43,802
Agro Technica Ltd	Group Company	Chemicals	-	3,208

30.2.7 Transactions with key management personnel of the company

The key management personnel of the company are the members of its Board of Directors and that of its parent.

Key management personnel compensation	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Short Term Employment Benefits	110,326	90,343	26,362	23,527
Post Employment Benefits	24,499	22,247	8,575	7,785
	134,825	112,590	34,937	31,312

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

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

Lease commitments

a). Lanka Tiles PLC

The Companies committed to pay Rs. 375,000/- & Rs. 2,300,471/- respectively as rent per month for the use of buildings situated in Rajagiriya and Nawala.

b). Horana Plantations PLC

Operating lease rentals on Dumbara Estate as given below

1 - 10 years (per annum)	Rs. 0.552 million
11 - 20 years (per annum)	Rs. 0.698 million
21 - 30 years (per annum)	Rs. 0.838 million

Finance lease rentals payable to the Secretary to the Treasury ;

22.06.2015 to 21.06.2045 (per annum)	Rs. 5.228 million
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c). Swisstek Aluminium Limited

The Company has a commitment on letter of credits amounting to Rs.1,133 million as at the reporting date.

31.2 Contingencies

a) Horana Plantation PLC

Several cases and disputes are pending against the company in labour Tribunal and Courts. All these cases are being vigorously contested / prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Capital grant received from the Ceylon Electricity Board (CEB) for stand by power generators is subject to a condition of minimum usage of CEB power as against the generator power. A liability will arise only if the above condition is not fulfilled.

b) Lanka Walltiles PLC

As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in respect of Income tax, Value added tax and economic service charge totalling Rs. 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch. The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the company. Accordingly no provision for liability has been made in these financial statements.

32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

notes to the
financial statements

33. SEGMENTAL INFORMATION

	2017						2016 (Restated)																
	Tiles & Aluminium Products associated items		Plantation products		Packing materials		Inter Segment Elimination		Total		Tiles & Aluminium Products associated items		Plantation products		Packing materials		Inter Segment Elimination		Total				
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's			
Sales to External Customers	8,842,949	2,824,409	1,868,405	2,464,387	-	16,000,150	9,199,625	2,160,187	1,805,415	2,379,961	-	15,545,188											
Inter-Segment Sales	-	(693)	890	95,917	(96,115)	-	-	28,695	691	66,763	(96,149)	-											
Total Revenue	8,842,949	2,823,716	1,869,295	2,560,305	(96,115)	16,000,150	9,199,625	2,188,882	1,806,106	2,446,724	(96,149)	15,545,188											
Gross Profit	3,819,884	942,078	115,828	350,764	1,205	5,229,758	3,729,836	690,035	(1,574)	363,004	-	4,781,301											
Other Income	18,331	4,388	43,939	71,027	(1,842)	135,843	56,969	(1,083)	54,540	65,063	-	175,479											
Distribution Costs	(1,037,585)	(338,526)	-	(90,515)	-	(1,466,625)	(959,213)	(232,110)	-	(80,761)	-	(1,272,084)											
Administrative Expenses	(633,194)	(155,290)	(94,443)	(125,072)	638	(1,007,361)	(683,781)	(157,671)	(88,386)	(68,541)	-	(988,379)											
Finance Cost	(147,333)	(88,008)	(96,867)	(77,903)	1,184	(408,928)	(99,139)	(49,724)	(48,539)	(61,093)	2,785	(255,710)											
Finance Income	143,604	-	129	-	(1,184)	142,549	64,755	-	488	-	(2,785)	62,458											
Profit Before Tax	2,163,707	364,642	(31,413)	128,301	-	2,625,236	2,109,428	249,447	(83,471)	217,662	-	2,493,066											
Income Tax Expense	(561,130)	(38,981)	(2,062)	(28,106)	(36,173)	(666,452)	(608,016)	1,181	2,131	(44,858)	(30,811)	(680,373)											
Net Profit for the year	1,602,577	325,661	(33,475)	100,195	(36,173)	1,958,784	1,501,412	250,628	(81,340)	172,804	(30,811)	1,812,692											
Segment Assets	15,721,975	2,712,829	3,184,399	2,658,108	(2,011,009)	22,266,302	14,847,432	1,619,174	3,024,731	2,129,133	(2,028,395)	19,592,074											
Segment Liabilities	3,776,033	1,569,242	1,970,072	1,357,263	(20,038)	8,652,572	4,095,405	757,931	1,832,015	898,650	(37,424)	7,546,577											
Other Segment Information																							
Total cost incurred during the period to depreciation and amortisation	372,255	64,187	121,256	65,117	-	622,815	376,607	57,364	131,957	54,416	-	620,344											
Property, plant & equipment	969,571	33,903	11,673	413,944	-	1,429,091	851,618	34,991	11,972	91,174	-	989,755											
Biological assets	-	-	209,348	-	-	209,348	-	-	193,831	-	-	193,831											
trade debtors and inventory impairment provision for retirement benefit	(3,111)	-	-	(2,539)	-	(5,650)	(8,433)	4,502	-	(16,371)	-	(20,302)											
	34,359	3,523	75,858	7,953	-	121,693	34,176	4,067	76,634	7,177	-	122,054											
Reconciliation of net profit for the year																							
Segment net profit for the year						1,894,958						1,843,504											
Dividend tax on Inter segment dividend						(36,173)						(30,811)											
Group net profit for the year						1,958,784						1,812,692											
Reconciliation of assets																							
Segment Assets						24,277,311						21,620,470											
Inter-segment balance eliminations						(20,038)						(37,424)											
Investment in subsidiary elimination						(1,990,971)						(1,990,971)											
						22,266,302						19,592,074											
Reconciliation of liabilities																							
Segment Liabilities						8,672,610						7,584,001											
Inter-segment balance eliminations						(20,038)						(37,424)											
						8,652,572						7,546,577											

34. FINANCIAL RISK MANAGEMENT

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of the changes in market prices.

- (i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- (ii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Foreign currency/ exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and Euro.

Foreign exchange risk arises mainly as a result of foreign exchange gains/losses on translation of US dollar - denominated loans granted, trade receivables, trade creditors and Euro - denominated trade creditors.

Foreign currency sensitivity	Change in	Change in profit before tax Rs.'000
2016	5.0%	11,340
2017	5.0%	8,685

Cash flow and fair value interest rate risk

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

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

notes to the financial statements

34. FINANCIAL RISK MANAGEMENT

Foreign currency sensitivity	Change in basis points	Change in profit before tax Rs.'000
2016	0.05	4,928
2017	0.05	2,942

Credit risk

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

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

Liquidity risk

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

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

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

Group					
At 31 March 2017	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Rs ('000)					
Bank Borrowings	2,616,553	700,176	691,922	1,135,918	305,212
Trade and other payables	1,789,552	-	-	-	-
At 31 March 2016	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Rs ('000)					
Bank Borrowings	1,656,640	688,052	812,103	1,059,128	209,609
Trade and other payables	1,524,474	-	-	-	-

Company

At 31 March 2017
Rs ('000)

	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
--	--------------------	-----------------------------	---------------------------	---------------------------	--------------

Bank Borrowings	464,067	221,321	182,591	188,220	-
Trade and other payables	414,318	-	-	-	-

At 31 March 2016
Rs ('000)

	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
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Bank Borrowings	514,030	254,765	290,512	355,359	-
Trade and other payables	373,246	-	-	-	-

Capital management risk

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

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

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

The gearing ratio as at 31 March is as follows	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Borrowings	4,831,015	3,844,990	963,099	1,301,004
Total equity	13,613,729	12,045,497	4,519,576	4,143,038
Gearing ratio ; Debt to Equity	35%	32%	21%	31%

**notes to the
financial statements**

35. Material partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2017	2016
Lanka Tiles PLC	Sri Lanka	31.78%	31.78%
Horana Plantation PLC	Sri Lanka	49.00%	49.00%
Swisstek (Ceylon) PLC	Sri Lanka	55.91%	55.91%
Swisstek Aluminium Limited	Sri Lanka	61.48%	61.48%
Beyond Paradise Collection Limited	Sri Lanka	31.78%	31.78%

Accumulated Balances of Material Non - Controlling Interest

Name	2017 Rs.'000	2016 Rs.'000 (Restated)
Lanka Tiles PLC	1,893,949	1,685,912
Horana Plantation PLC	698,921	700,486
Swisstek (Ceylon) PLC	611,985	445,381
Swisstek Aluminium Limited	570,915	529,452
Beyond Paradise Collection Limited	15,606	(1,085)
	3,791,376	3,360,147

Profit allocated to Material Non - Controlling Interest

Lanka Tiles PLC	330,096	332,774
Horana Plantation PLC	(14,842)	(35,828)
Swisstek (Ceylon) PLC	49,987	28,421
Swisstek Aluminium Limited	200,204	154,071
Beyond Paradise Collection Limited	6	(1,085)
	565,451	478,353

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

Summarised statement of profit or loss for year ended 31 March 2017:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	5,176,372	1,947,278	607,948	2,824,409	-
Cost of sales	(2,860,369)	(1,831,450)	(451,062)	(1,882,331)	-
Distribution costs	(706,517)	-	(44,074)	(338,526)	-
Administrative expenses	(381,312)	(100,063)	(32,170)	(155,290)	(413)
Finance costs	(31,749)	(88,785)	(19,997)	(88,008)	-
Profit before tax	1,397,720	(29,589)	157,336	364,642	-
Income tax	(359,002)	(700)	(29,768)	(38,981)	-
Profit for the year	1,038,718	(30,289)	127,568	325,661	19
Total comprehensive income	1,052,433	(3,194)	127,982	328,548	52,515
Attributable to non-controlling interests	330,096	(14,842)	49,987	200,204	6
Dividends paid to non-controlling interests	126,458	-	38,261	5,831	-

Summarised statement of profit or loss for year ended 31 March 2016:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited
	Rs.'000	Rs.'000 (Restated)	Rs.'000	Rs.'000	Rs.'000
Revenue	5,541,368	1,806,106	505,406	2,188,882	-
Cost of sales	(3,088,515)	(1,807,680)	(387,474)	(1,498,847)	-
Distribution costs	(642,341)	-	(33,980)	(232,110)	-
Administrative expenses	(452,773)	(83,691)	(32,398)	(157,671)	(3,413)
Finance costs	(37,280)	(39,859)	(14,974)	(49,724)	-
Profit before tax	1,446,565	(75,744)	100,524	249,447	(3,413)
Income tax	(399,448)	2,626	(50,567)	1,181	-
Profit for the year	1,047,117	(73,119)	50,833	250,628	(3,413)
Total comprehensive income	1,329,280	43,847	250,756	318,952	(3,413)
Attributable to non-controlling interests	332,774	(35,828)	28,422	154,070	(1,085)
Dividends paid to non-controlling interests	118,026	6,125	7,652	-	-

**notes to the
financial statements**

35. Material partly-owned subsidiaries (Contd.)
Summarised statement of financial position as at 31 March 2017:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Assets	3,869,300	372,996	236,327	1,749,855	600
Non- Current Assets	3,917,636	3,242,907	1,136,870	962,974	223,800
Current Liabilities	1,140,651	705,106	247,778	1,275,256	175,298
Non- Current Liabilities	624,405	1,484,427	40,590	293,986	-
Total equity	6,021,880	1,426,369	1,084,827	1,143,587	49,102
Attributable to:					
Equity holders of parent	2,732,552	452,400	464,221	273,980	20,831
Non-controlling interest	3,467,148	973,969	787,387	869,607	28,271

Summarised statement of financial position as at 31 March 2016:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited
	Rs.'000	Rs.'000 (Restated)	Rs.'000	Rs.'000	Rs.'000
Current Assets	3,506,309	295,247	178,375	881,473	-
Non- Current Assets	3,693,965	3,132,193	1,085,367	737,701	171,303
Current Liabilities	1,051,848	611,541	182,881	635,410	-
Non- Current Liabilities	843,439	1,386,338	55,585	122,522	174,717
Total equity	5,304,988	1,429,563	1,025,277	861,243	(3,413)
Attributable to:					
Equity holders of parent	3,619,076	729,077	452,021	331,791	(2,329)
Non-controlling interest	1,685,912	700,486	573,256	529,542	(1,085)

Summarised cash flow information for year ending 31 March 2017:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating	1,484,796	163,183	134,156	84,525	174,905
Investing	(134,949)	(205,507)	(21,019)	(103,636)	(171,303)
Financing	(488,462)	25,632	(54,166)	173,892	-
Net increase / (decrease) in cash and cash equivalents	861,385	(16,692)	58,971	154,781	3,601

Summarised cash flow information for year ending 31 March 2016:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating	1,617,746	111,493	78,166	220,459	-
Investing	(217,839)	(187,868)	(23,804)	(121,635)	-
Financing	(488,462)	7,992	(51,381)	(59,235)	-
Net increase / (decrease) in cash and cash equivalents	911,445	(68,383)	2,980	39,589	-

notes to the financial statements

36 PRIOR YEAR ADJUSTMENTS - GROUP

The prior year figures have been restated due to the following adjustments in Horana Plantation PLC and the total effect to the financial statements is summarized below,

Amendment to LKAS 16 and LKAS 41, on bearer plants, are effective for annual reporting periods beginning on or after 1st January 2016. Accordingly, harvestable biological assets growing on the bearer plants are measured at their fair value less cost to harvest and accounted retrospectively.

Further, eight (8) blocks of managed timber plantations were erroneously unaccounted as at 31st March 2016. Therefore, the company has accounted these timber plantations during the year with retrospective adjustments according to LKAS 8 Accounting Policies, Changes in Accounting Estimates & Errors.

	Previously Reported Amount Rs.'000	Adjustment Amount Rs.'000	Restated Amount Rs.'000
Statement of Comprehensive Income			
Change in Fair Value of Consumable Biological Assets	40,768	6,159	46,927
Change in Fair Value of Non- Harvested Crop on Biological Assets	-	(623)	(623)
Revenue*	15,538,911	6,276	15,545,188
Cost of sales *	10,757,610	(6,276)	10,763,886
Tax Expenses	679,598	775	680,373
Profit for the Year	1,807,931	4,762	1,812,692
Impact on earning per share (Rs)	24.39	0.05	24.44
Statement of Financial Position			
Consumable Biological Assets			
Balance as at 1st April 2015	349,514	51,591	401,105
Balance as at 1st March 2016	396,133	57,750	453,884
Inventories (Non-harvested Crop on Bearer Biological Assets)			
Balance as at 1st April 2015	-	3,189	3,189
Balance as at 1st March 2016	-	2,566	2,566
Deferred Tax Liability			
Balance as at 1st April 2015	702,135	7,669	709,804
Balance as at 1st March 2016	972,358	8,444	980,802
Retained Earnings			
Balance as at 1st April 2015	4,705,024	24,027	4,729,051
Balance as at 1st March 2016	5,564,485	26,455	5,590,941
Non- Controlling Interest			
Balance as at 1st April 2015	2,750,143	23,084	2,773,227
Balance as at 1st March 2016	3,334,730	25,418	3,360,148

*Previously recorded cost of sales adjusted by Rs.6.276 Mn as a result of reclassification made in relation to the fair value gain on harvested crop on biological assets from revenue.

five year summary

statement of profit or loss

	GROUP				
	2017 Rs.'000	2016 Rs.'000 (Restated)	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
Revenue	16,000,150	15,545,188	14,596,214	13,419,770	12,006,220
Cost of Sales	(10,770,391)	(10,763,886)	(10,855,981)	(10,282,638)	(9,048,800)
Gross Profit	5,229,759	4,781,301	3,740,233	3,137,132	2,957,420
Other Income	135,843	175,479	189,012	167,148	88,167
Distribution Costs	(1,466,625)	(1,272,084)	(987,637)	(829,354)	(677,883)
Administrative Expenses	(1,007,361)	(998,379)	(822,113)	(722,631)	(661,993)
Finance Cost	(408,928)	(255,710)	(327,204)	(600,231)	(501,577)
Finance Income	142,549	62,458	5,913	23,266	2,606
Fair value adjustment in investment property	-	-	-	-	23,309
Profit/(Loss) Before Tax	2,625,236	2,493,065	1,798,203	1,175,330	1,230,050
Income Tax (Expense) / Reversal	(666,452)	(680,373)	(347,607)	(254,701)	(203,070)
Profit/(Loss) for the Year	1,958,784	1,812,692	1,450,596	920,629	1,026,980
Profit for the Year	1,958,784	1,812,692	1,450,596	920,629	1,026,980
Profit attributable to :					
Equity holders of the parent	1,393,333	1,334,339	1,043,793	605,703	509,553
Non controlling interest	565,451	478,354	406,803	314,925	517,426
Profit for the year	1,958,784	1,812,692	1,450,596	920,628	1,026,979
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	25.52	24.44	19.12	11.09	9.33

five year summary
statement of profit or loss

	COMPANY				
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
Revenue	3,345,337	3,209,561	3,078,121	2,599,659	2,308,935
Cost of Sales	(2,013,573)	(2,053,751)	(2,142,319)	(1,951,099)	(1,572,001)
Gross Profit	1,331,764	1,155,809	935,802	648,560	736,934
Other Income	309,426	283,146	277,718	245,093	137,372
Distribution Costs	(381,220)	(324,033)	(292,894)	(285,389)	(269,134)
Administrative Expenses	(210,028)	(201,519)	(201,007)	(186,504)	(173,457)
Finance Cost	(105,269)	(112,023)	(165,140)	(226,973)	(157,884)
Finance Income	-	-	-	-	-
Fair value adjustment in investment property	-	-	-	-	23,309
Profit/(Loss) Before Tax	944,673	801,380	554,479	194,787	297,140
Income Tax (Expense) / Reversal	(171,908)	(158,002)	(37,426)	(755)	(45,575)
Profit/(Loss) for the Year	772,765	643,378	517,052	194,032	251,565
Profit for the Year	772,765	643,378	517,052	194,032	251,565
Profit attributable to :					
Equity holders of the parent	786,036	643,378	517,052	194,032	251,565
Non controlling interest	-	-	-	-	-
Profit for the year	786,036	643,378	517,052	194,032	251,565
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	14.15	11.78	9.47	3.55	4.61

five year summary

statement of financial position

	GROUP				
	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		(Restated)			
Non-current assets					
Property, plant & equipment	13,052,061	11,943,053	10,061,471	9,796,164	9,479,724
Consumable biological assets	490,535	453,884			
Investment property	-	-	-	-	80,000
Intangible assets - goodwill	24,519	24,519	24,519	24,519	24,519
Investments in subsidiaries	-	-	-	-	-
Investments in associates	-	-	-	-	-
Long term receivables	27,285	27,285	27,285	27,285	27,285
Deferred tax asset	12,175	12,527	52,183	22,729	22,369
	13,606,576	12,461,269	10,165,458	9,870,697	9,633,897
Current assets					
Inventories	4,313,824	3,139,621	3,473,262	3,648,372	3,774,997
Trade and other receivables	2,885,572	2,198,681	2,327,095	2,444,967	2,186,173
Amounts due from related parties	8,729	4,784	1,263	-	-
Income tax receivable	24,674	-	34,092	21,884	21,884
Short term investments	3,296	3,078	2,964	3,624	3,554
Cash and cash equivalents	1,423,632	1,784,641	977,467	168,900	231,901
Assets classified as held for sale	-	-	-	-	-
	8,659,727	7,130,805	6,816,143	6,287,747	6,218,510
Total assets	22,266,303	19,592,074	16,981,601	16,158,444	15,852,407
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	2,409,494	2,306,645	1,004,516	936,147	971,218
Retained earnings	6,625,095	5,590,940	4,705,023	4,018,704	3,254,614
Shareholders' funds	9,822,354	8,685,350	6,497,305	5,742,616	5,013,597
Non controlling interest	3,791,375	3,360,147	2,750,143	2,383,029	3,370,511
Total equity	13,613,729	12,045,497	9,247,448	8,125,645	8,384,108
Non-current liabilities					
Amounts due to related parties	-	-	-	-	-
Interest bearing liabilities	1,773,266	1,725,466	1,742,100	1,923,947	1,913,944
Deferred tax liabilities	1,051,846	980,802	702,135	596,455	471,843
Retirement benefit liability	656,086	699,951	691,213	642,946	531,565
Deferred income & Capital grants	138,189	134,301	121,613	118,411	112,545
	3,619,386	3,540,520	3,257,061	3,281,759	3,029,897
Current liabilities					
Trade and other payables	1,789,552	1,524,474	1,649,064	1,356,977	1,783,712
Income tax liabilities	168,841	339,336	165,450	45,764	19,512
Amounts due to related parties	17,045	22,723	28,782	2,456	-
Current portion of interest bearing liabilities	3,057,748	2,119,524	2,633,796	3,345,843	2,635,178
	5,033,184	4,006,057	4,477,092	4,751,040	4,438,402
Total equity and liabilities	22,266,303	19,592,074	16,981,601	16,158,444	15,852,407

five year summary
statement of financial position

	COMPANY				
	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000
Non-current assets					
Property, plant & equipment	3,323,749	3,321,976	2,233,154	2,306,044	2,290,186
Investment property	-	-	-	-	80,000
Intangible assets - goodwill	-	-	-	-	-
Investments in subsidiaries	1,276,097	1,276,097	1,276,096	1,276,096	508,642
Investments in associates	-	-	-	-	41,247
Long term receivables	-	-	-	-	-
Deferred tax asset	-	-	-	-	-
	4,599,845	4,598,073	3,509,250	3,582,140	2,920,075
Current assets					
Inventories	1,335,580	1,196,576	1,349,134	1,363,613	1,398,850
Trade and other receivables	499,333	517,726	681,483	720,176	596,972
Amounts due from related parties	17,739	15,374	272	10,399	28,756
Income tax receivable	-	-	34,092	21,884	21,884
Short term investments	3,296	3,078	2,964	3,624	3,386
Cash and cash equivalents	43,372	41,223	34,805	12,187	47,621
Assets classified as held for sale	-	-	-	-	-
	1,899,320	1,773,977	2,102,750	2,131,883	2,097,469
Total assets	6,499,165	6,372,050	5,612,000	5,714,023	5,017,544
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	1,237,011	1,237,011	296,294	296,294	346,045
Retained earnings	2,494,799	2,118,262	1,886,370	1,728,484	1,593,929
Shareholders' funds	4,519,575	4,143,038	2,970,429	2,812,543	2,727,739
Non controlling interest	-	-	-	-	-
Total equity	4,519,575	4,143,038	2,970,429	2,812,543	2,727,739
Non-current liabilities					
Amounts due to related parties	-	-	-	-	-
Interest bearing liabilities	324,981	584,245	358,697	560,105	683,417
Deferred tax liabilities	367,375	338,863	167,892	131,840	131,085
Retirement benefit liability	75,825	82,569	67,027	58,310	50,542
Deferred income & Capital grants	-	-	-	-	-
	768,181	1,005,676	593,616	750,255	865,044
Current liabilities					
Trade and other payables	414,318	373,246	360,937	300,805	331,444
Income tax liabilities	72,265	39,476	-	-	-
Amounts due to related parties	86,707	93,856	138,180	250,281	204,722
Current portion of interest bearing liabilities	638,118	716,759	1,548,839	1,600,140	888,595
	1,211,412	1,223,337	2,047,956	2,151,226	1,424,761
Total equity and liabilities	6,499,165	6,372,050	5,612,000	5,714,023	5,017,544

major shareholders

20 Major Shareholders as at 31st March 2017

	No of Shares		No of Shares	
	31.03.2017	(%)	31.03.2016	(%)
1 Lanka Ceramics PLC	33,957,014	62.192	33,957,014	62.192
2 CT Holdings PLC	1,499,628	2.747	1,499,628	2.747
3 Arunodhaya Industries (Pvt) Ltd	1,176,000	2.154	1,176,000	2.154
4 Arunodhaya (Pvt) Ltd	1,176,000	2.154	1,176,000	2.154
5 Arunodhaya Investments (Pvt) Ltd	1,176,000	2.154	1,176,000	2.154
6 Mr. A. A. Page	915,356	1.676	915,356	1.676
7 Sri Lanka Insurance Corporation Ltd - Life Fund	807,600	1.479	807,600	1.479
8 Mrs. A Selliah	689,000	1.262	689,000	1.262
9 Mr.D.F.G.Dalpethado and Mrs H.F.A.K .D.Fonseka	652,670	1.195	362,151	0.663
10 Mrs. A Kailasapillai	628,000	1.150	628,000	1.150
11 Royal Ceramics Lanka PLC	580,170	1.063	580,170	1.063
12 Andysel Private Ltd	420,000	0.769	420,000	0.769
13 First Capital Limited	398,816	0.730	398,816	0.730
14 Mellon Bank N.A.- Commonwealth of Massachusetts	337,315	0.618	337,315	0.618
15 Mr. K Aravinthan	336,000	0.615	336,000	0.615
16 Mr.A.H.Udeshi	300,000	0.549	75,921	0.139
17 Deutsche Bank AG as Trustee to Astrue Alpha Fund	241,512	0.442	486,829	0.892
18 Bank Of Ceylon A/C Ceybank Century Growth Fund	236,421	0.433	231,423	0.424
19 Mr. P.K.C.P Samarasinghe	220,034	0.403	-	-
20 Mr. W .Jinadasa	200,000	0.366	110,060	0.202
Sub Total	45,947,536	84.153	45,363,283	83.083
Other Shareholders	8,652,464	15.847	9,236,717	16.917
Grand Total	54,600,000	100.000	54,600,000	100.000

shareholder information

Distribution of shareholdings as at 31st March 2017

Size of shareholdings Number	Shareholders		Shareholding	
	Number	%	Number	%
1 - 1,000	10,191	92.71	2,173,373	3.98
1,001 - 10,000	652	5.93	1,960,419	3.59
10,001 - 100,000	121	1.10	3,407,429	6.24
100,001 - 1,000,000	23	0.21	8,074,137	14.79
Over 1,000,000	5	0.05	38,984,642	71.40
	10,992	100.00	54,600,000	100.00

Categories of shareholders as at 31st March 2017

Category	Shareholders		Shareholding	
	Number	%	Number	%
Local Individuals	10,626	96.67	9,664,253	17.70
Local Institutions	271	2.47	44,236,354	81.02
Foreign Individuals	88	0.80	114,719	0.21
Foreign Institutions	7	0.06	584,674	1.07
	10,992	100.00	54,600,000	100.00

Other information

Year ended 31st March	Group		Company	
	2017 Rs.	2016 Rs. (Restated)	2017 Rs.	2016 Rs.
Net assets per ordinary share	179.90	159.07	82.78	75.88
Interest cover per rupee of interest	7.42	10.75	9.97	8.15
Share price				
- Highest			119.90	129.50
- Lowest			92.00	90.00
- Closing			93.00	98.80

The Percentage of Shares held by the public - 29.217% comprising 10,978 Share Holders.

statement of value added

Year ended 31st March	2017 Rs. '000	%	2016 Rs. '000 (Restated)	%	2015 Rs. '000	%	2014 Rs. '000	%	2013 Rs. '000	%
Group										
Turnover	16,000,150		15,545,188		14,596,214		13,419,770		12,006,220	
Other income	278,392		237,937		194,925		167,148		88,167	
Cost of material and services purchased	(10,285,951)		(10,322,806)		(10,000,114)		(8,981,656)		(8,321,924)	
Value Added	5,992,591		5,460,319		4,791,025		4,605,262		3,772,463	
Distributed as follows										
To employees as remuneration	2,747,892	45.9	2,611,915	47.8	2,489,768	52.0	2,349,132	51.0	2,101,746	55.7
To providers of funds as interest	408,928	6.8	255,710	4.7	327,204	6.8	576,965	12.5	498,971	13.2
To state as taxes	666,452	11.1	680,373	12.5	347,607	7.3	254,701	5.5	203,070	5.4
To shareholders as dividends	409,500	6.8	409,500	7.5	354,900	7.4	109,200	2.4	218,400	5.8
Retained in the business										
Depreciation	622,815	10.4	616,904	11.3	585,227	12.2	551,174	12.0	456,455	12.1
Reserves	1,137,004	19.0	885,917	16.2	686,319	14.3	764,090	16.6	293,821	7.8
Total	5,992,591	100.0	5,460,319	100.0	4,791,025	100.0	4,605,262	100.0	3,772,463	100.0

notice of meeting

NOTICE IS HEREBY GIVEN that the Fortieth (40th) Annual General Meeting of Lanka Walltiles PLC will be held at the Sri Lanka Foundation Institute, 100, Independence Square, Colombo 7 on 29th June 2017 at 2.45 p.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2017 and the Report of the Auditors thereon.
2. To re-elect Dr. S Selliah, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
3. To elect Mr. J D N Kekulawala, who retires in terms of Articles 110 of the Articles of Association, as a Director of the Company.
4. To elect Mr. Dhammika Perera, who retires in terms of Articles 110 of the Articles of Association, as a Director of the Company.
5. To elect Mr. A M Weerasinghe, who retires in terms of Articles 110 of the Articles of Association, as a Director of the Company.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine Donations for the ensuing year.

By Order of the Board
LANKA WALLTILES PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries
At Colombo

26th May 2017

Notes:

- 1) A shareholder is entitled to attend or attend and vote at the Meeting, is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 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. 215, Nawala Road, Narahenpita, Colombo 05, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

form of proxy

*I/We.....of.....being a *Shareholder /Shareholders of Lanka Walltiles PLC, do hereby appointofor failing him/her

Mr. Dhammika Perera	of Colombo or failing him*
Mr. Amarakone Mudiyansele Weerasinghe	of Colombo or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	of Colombo or failing him*
Mr. Tilak De Zoysa	of Colombo or failing him*
Dr. Sivakumar Selliah	of Colombo or failing him*
Mr. Tharana Gangul Thoradeniya	of Colombo or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him*
Ms. Anjalie Maryanne Letitia Page	of Colombo or failing her*
Mr. Migel Wasam Rizvi Nandajith Somaratne	of Colombo or failing him*
Mr. Joseph Dacius Nihal Kekulawala	of Colombo

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th June 2017 at 2.45 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
01	To re-elect Dr. S Selliah, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
02	To elect Mr. J D N Kelulawala, who retires in terms of Article 110 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
03	To elect Mr. Dhammika Perera, who retires in terms of Article 110 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
04	To elect Mr. A M Weerasinghe, who retires in terms of Article 110 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
05	To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
06	To authorize the Directors to determine donations for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature

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

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 215, Nawala Road, Narahenpita, Colombo 5 not less than forty eight (48) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

corporate information

NAME OF THE COMPANY

Lanka Walltiles PLC

LEGAL FORM

Lanka Walltiles PLC is a public limited liability company which was incorporated under the Companies Ordinance No.51 of 1938 as a public company on 24th day of September 1975. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 24th July 2007 and bears registration number PQ 55.

DIRECTORS

Mr. Dhammika Perera (Chairman)
Mr. A M Weerasinghe (Deputy Chairman)
Mr. J A P M Jayasekera (Managing Director)
Mr. T de Zoysa
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunratne
Ms. A M L Page
Mr. M W R N Somaratne
Mr. J D N Kekulawala

REGISTERED OFFICE

215, Nawala Road, Narahenpita, Colombo 05
Telephone : + 94 -11 - 4526700
Facsimile : + 94 -11 - 2805463
E-mail : info@lankatiles.com
Website : www.lankatiles.com

FACTORY

Meepe, Padukka
Telephone : + 94 - 11 - 4309809
Facsimile : + 94 - 11 - 2859168

PARENT COMPANY

Lanka Ceramic PLC
No. 20, R A De Mel Mawatha
Colombo 03
Telephone : + 94 - 11 - 4336644
Facsimile : + 94 - 11 - 4412518

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08
Telephone : + 94 -11 - 4640360-3
Facsimile : + 94 -11 - 4740588
E-mail : pwcs@pwcs.lk

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon
HSBC Bank
People's Bank
DFCC Bank PLC
Sampath Bank PLC

AUDITORS

Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10

www.lankatiles.com