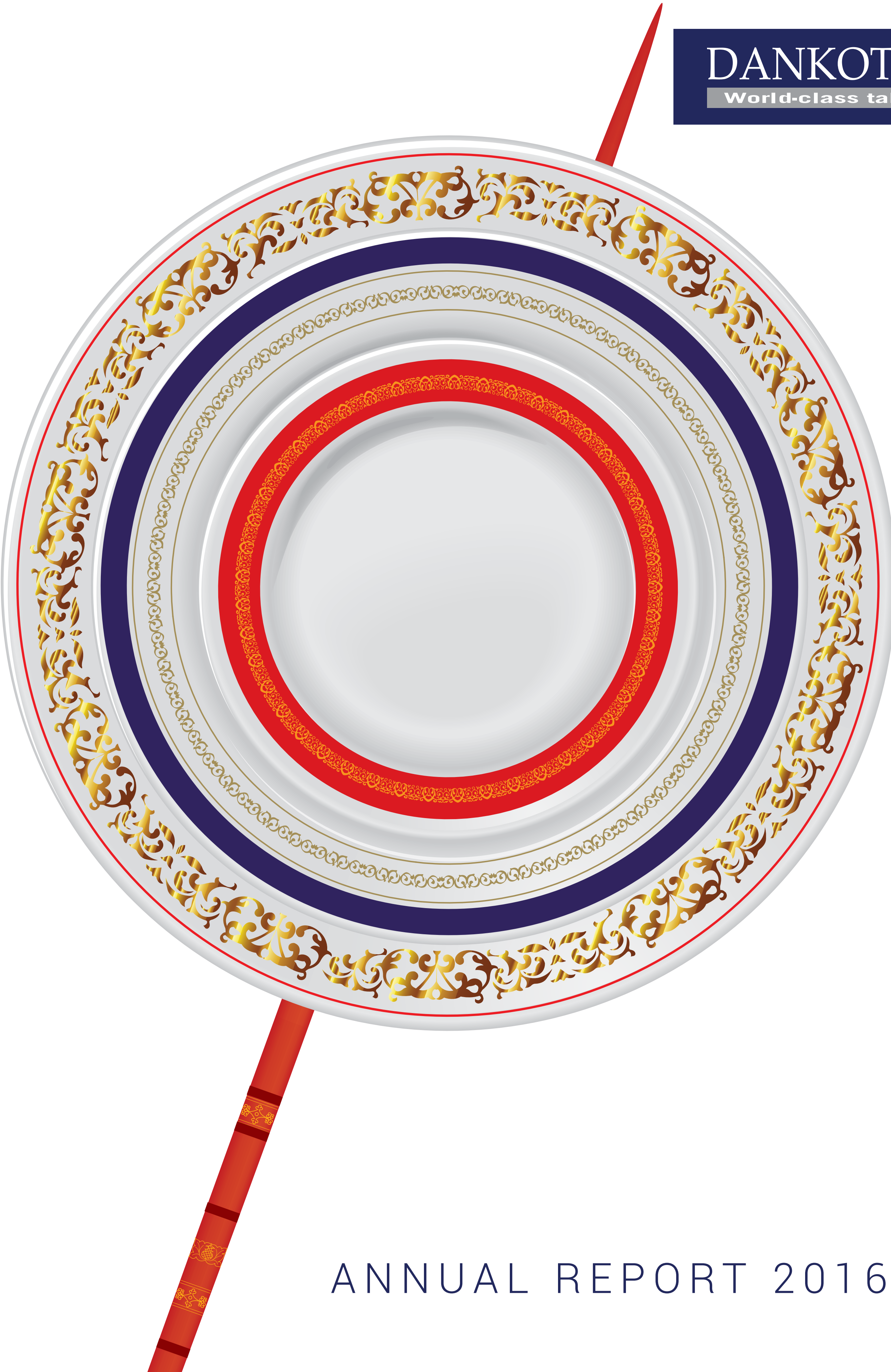
DANKOTUWA

World-class tableware



ANNUAL REPORT 2016|2017

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Financial Highlights

	Group		Company	
Year ended	31 March 2017	31 March 2016	31 March 2017	31 March 2016
LKR'000		Restated		Restated
Result for the period				
Revenue - Export	1,342,273	1,312,748	804,661	827,549
Local	1,024,051	1,066,410	848,210	787,839
Total Revenue	**2,366,324**	**2,379,158**	**1,652,871**	**1,615,388**
Gross Profit	562,456	505,163	403,226	412,781
Net Profit /(Loss) Before Taxation	146,848	30,616	126,177	111,494
Net Profit /(Loss) After Taxation	120,904	5,160	94,652	71,435
Net Current Assets / (Liabilities)	749,872	728,420	722,903	739,335
Per Ordinary Share				
Earnings	0.74	0.154	0.58	0.53
Net Asset Value	10.65	10.02	11.38	11.45
Market Value	6.00	6.80	6.00	6.80
Ratios				
Return on Capital Employed (%)	8.50	5.15	6.73	8.48
Equity to Assets (%)	56.82	57.66	68.00	72.96
Interest Cover (Times)	5.15	1.49	7.79	3.55
Debt to Equity (%)	33.65	38.63	16.88	16.99
Current Asset Ratio	2.08:1	2.37:1	2.62:1	3.77:1
Quick Asset Ratio	1.09:1	1.24:1	1.65:1	2.34:1

Chairman's Message

It gives me great pleasure to present the Annual Report and Audited Financial Statements of Dankotuwa Group of Companies for the financial year 2016-17.

At the end of the current financial year, I am extremely pleased to report to our stakeholders that Dankotuwa Porcelain PLC and its subsidiary Royal Fernwood Porcelain Limited, emerged successful, with Royal Fernwood Porcelain's return to profitability after almost a decade as a net loss maker. Cumulatively, the Group has already bridged its losses to return to profitability. As a Group, Dankotuwa Porcelain PLC achieved a total revenue of Rs. 2.366 Bn for the financial year 2016/17, with a net profit of Rs. 120.9 Mn when compared to Rs. 5.1 Mn achieved during the previous financial year.

At a company level, Dankotuwa Porcelain PLC., achieved a total turnover of Rs. 1.653 Bn, which is a growth of 2% against the previous financial year. The bottom-line improved from Rs. 71.4 Mn, to Rs. 94.6 Mn which is a 33% growth year on year. The core business of porcelain contributed Rs. 33.8 Mn to this profit.

Royal Fernwood Porcelain Limited experienced a slight dip in turnover from Rs. 766.6 Mn in the previous financial year to Rs. 760.1 Mn in the current year. However, the company managed to increase its gross profit to Rs. 157.24 Mn, from Rs. 86.18 Mn in the previous year, by cutting down the cost of sales. While the company experienced higher administration expenses, the selling and distribution costs were slashed to reverse the previous financial year's operating losses onto a profitable footing.

The financial year 2016/17 has been a satisfactory story for our shareholders with the Board declaring a dividend of Rs. 65 Mn compared to the Rs. 40 Mn paid during the previous corresponding year. With the transformation plans underway, Dankotuwa Group is now on its way to becoming a prominent investment.

Plans for the Future

Within the overall vision of the year 2020 growth plan for the Dankotuwa Group, our shareholders and other stakeholders can anticipate many new and exciting changes to both the Dankotuwa and Royal Fernwood Porcelain brands.

As part of the Group's transformation process, production facilities will be overhauled to support cost efficient capacity expansion, coupled with new product developments, targeting new customer segments to expand revenue growth avenues. Brand building will be emphasised both locally and in export destinations to position the Dankotuwa Porcelain and Royal Fernwood brands as premium international brands. In addition to this, distribution strategies both physical and digital are being planned and implemented in phases to increase customer accessibility to Sri Lanka's own - world class porcelain dinnerware, anywhere and everywhere – across the globe.

As our very own porcelain brands transform into iconic Sri Lankan brands - ready to compete with the Western and Chinese porcelain brands across international arenas, let me take this opportunity to thank our shareholders for their continued support and confidence placed in the Dankotuwa Group. I am also grateful to the Board of Directors for the cooperation extended in steering the Group to greater heights. I also acknowledge with gratitude the services provided by our bankers and suppliers and our customers for their continuous patronage of our products. A special note of appreciation to the management and staff of both Dankouwa Porcelain PLC and Royal Fernwood Porcelain Limited for their efforts in steering the Group to the next level of growth.

Sgd.
Rajan Asirwatham

Chairman
23 August 2017

Chief Executive Officer's Review of Operations

The Dankotuwa Group has embarked on a journey to relaunch and remind the Sri Lankan consumer of the 'Dankotuwa' story, its association with the pottery industry, the culture of upscale dining, premium porcelain dinnerware and most importantly about this Sri Lankan brand renown across the world for achieving a remarkable whiteness in porcelain products, that radiate a sense of pristine beauty. It is therefore, with great pleasure that I present to you our achievements thus far.

The Dankotuwa Group (both Dankotuwa Porcelain PLC., and Royal Fernwood Porcelain Limited) achieved a total revenue of Rs. 2.366 Bn for the financial year 2016/17, which is a drop of 1% year-on-year. The Group revealed an after-tax profit of Rs. 120.9 Mn, which is a strong turnaround compared to the previous year with Royal Fernwood Porcelain's return to profitability after almost a decade as a net loss maker.

At a company level, Dankotuwa Porcelain achieved a total turnover of Rs. 1.653 Bn, which is a growth of 2% against the previous financial year. The company was also able to achieve a pretax profit of Rs. 126.2 Mn compared to the pretax profit of Rs. 111.5 Mn achieved during the corresponding previous year and the bottom line improved from Rs. 71.4 Mn to Rs. 94.6 Mn.

It is noteworthy that the Group managed to ramp-up the profitability with little or no significant growth in top lines primarily due to process improvements and cost efficiencies stemming out of the new reengineering processes. Labour and energy costs were the main cost components at 25% and 23% respectively of total production costs, due to low automation and high labour intensity.

Export Market

The export turnover did not experience a growth due to stiff market conditions and intense competition experienced from porcelain producing countries such as China, Bangladesh, Thailand, Indonesia and India where production costs were comparatively lower.

Dankotuwa Porcelain participated in several business promotions and trade fairs namely the Ambiente Fair in Frankfurt, Germany and Hotel Asia Fair in Male, Maldives which usually attract many potential customers. It is encouraging to note that in the Maldives, we appointed a distributor who enjoys a strong local presence to distribute our porcelain products to their lucrative hotel sector. In addition, plans to capture a higher sale in the Northern Indian region continues through agents appointed to cover both the institutional and hotel sectors. We have also had the opportunity to venture into new global markets such as UK, USA and Canada through our partnership with the world renown brand Portmeirion.

Domestic Market

This financial year, domestic sales continued to pose a steady growth achieving Rs. 848 Mn compared to Rs. 788 Mn achieved during the corresponding previous year which is an increase of 8%; whilst local sales per piece value grew by 9%.

Despite competition, we were able maintain the market share of 50%. This competition was experienced from products of new brand positioning, different textures, shapes and designs which filled the market. However, we believe that plans undertaken to implement the retail/channel strategy coupled with a sound branding approach to cater to growing segments coupled with higher value creation will enable us to capture the rapidly evolving domestic market.

Manufacturing

Between the two factories in Dankotuwa and Kosgama, production quantities remain static, with approximately 1.05 million pieces per month. However, we are striving to introduce innovation and more value through the value addition and product augmentation process.

Work is undertaken to improve the factory working conditions, manufacturing layout and housekeeping on a regular basis. This action resulted in saving factory floor space to a significant amount. We were also able to reduce the energy cost in comparison to the previous year due to the action taken to convert the diesel fired kiln to LPG. I am pleased to inform you that these value additions and cost saving initiatives continue with the active participation from all employees resulting significant operating efficiencies to the Group.

Royal Fernwood Porcelain Limited

Royal Fernwood Porcelain products were primarily manufactured for the export market. The Company continues to enjoy heightened value addition through a wide range of extremely popular designs and decorations with hand painted decorations and microwave-safe designs including gold and platinum. Body shapes continue to be another competitive aspect that Royal Fernwood Porcelain has excelled in to retain and attract customers across the globe that have diverse artistic taste in porcelain products.

Despite a slower growth in revenues, Royal Fernwood Porcelain has succeeded in reversing its losses of the previous financial year to a state of profitability in the financial year 2016/17. Royal Fernwood Porcelain experienced a slight dip in turnover from Rs. 766.54 Mn in the previous financial year to Rs. 760.04 Mn in the current year. However, the company reported an operating profit of R.s 60.54 Mn from a loss of Rs. 16.34 Mn in the previous year.

Plans for the Future

Trends have shifted from formal dining to more casual dining paving the way for bright colours and decorations. As such, overall transformation of people and technology is a must for growth, sustainability and profitability of the Group. This transformation will be driven by the transformation of people coupled with technology to elevate the Group into a knowledge based organisation where skill, attitude and competence will be drivers of change. Also, performance based rewarding systems are being implemented and thus employees are now focused on deliverables, as this culture begins to penetrate the organization.

Another area of focus will be the development of markets both locally and internationally through strategic marketing and branding campaigns to reposition the Dankotuwa brand as a distinct premium international brand whilst Royal Fernwood to be more young and vibrant. As the Dankotuwa Group is gearing to leverage its existing global networks to gradually upscale into a recognised international brand. In the local market, the emerging middle and affluent demographics present, the Group is geared to capture these opportunities through well planned retail and distribution strategies. The highlight will be the launch of Dankotuwa brand's signature showroom at a prestigious location, featuring a range of premium products with other global brands. In addition, Dankotuwa proposes to increase its presence by tapping new digital platforms to enhance consumer accessibility, both locally and internationally.

In terms of new product developments, our focus continues in developing new and innovative products incorporating modern designs, and shapes. Plans are underway to launch a range of new products such as gift items and thin porcelain tableware, targeting the middle and upper markets with improved product packaging and placements. Improvements to processes are being pursued for delivery on time, better sample lead time through 3D based sample designing and reduced working capital through supply chain improvements.

With the introduction of new customer touchpoints and elegant showrooms, all efforts will be made to ensure customer accessibility to international porcelain products in local shores, creating that unique consumer experience and to raise consumer awareness regarding elegant dining and plating customs associated with the use of high quality porcelain tableware.

Conclusion

In the new financial year, through the various initiatives implemented as part of the ongoing transformation process, the Dankotuwa Group is confident in improving sales, market share and efficiencies across all processes whist reducing costs through lean manufacturing systems.

While the Dankotuwa Group is geared to transform towards the next tier of growth, I take this opportunity to thank the Chairman and the Board of Directors of the Dankotuwa Porcelain PLC., for their guidance and support, the Board of our parent company Lanka Century Investments PLC., for their vision and direction during this transformation process, the management and employees of Dankotuwa Porcelain and Royal Fernwood whose unstinted support and cooperation was a great source of strength during this phase of change. I acknowledge with gratitude the services provided by our bankers and suppliers and our customers for their continued patronage. I also thank our shareholders for the continued trust placed in the company.

Sgd.
Wasaba Jayasekera
Chief Executive Officer
23 August 2017

Board of Directors

Rajan Asirwatham (Chairman)

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

Mr. Asirwatham is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He is a member of the Council of the University of Colombo and also a member of the Board of the Post Graduate Institute of Medicine, Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka and Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka.

He serves on the Boards of Aitken Spence PLC, Aitken Spence Hotels PLC, Browns Beach Hotels, Ceylon Agro Industries, Dilmah Teas, CIC Holdings PLC, Dankotuwa Porcelain PLC, Dial Tex Industries Limited, Mercantile Merchant Bank Limited, Peninsula Properties (Private) Limited, Renuka Hotels (Private) Limited, Royal Ceramics Lanka PLC, Vallibel One PLC & Yarl Hotels (Private) Limited.

Ajith Devasurendra (Deputy Chairman)

Mr. Ajith Devasurendra is a veteran in the financial services industry in Sri Lanka and counts more than 33 years' work experience both in Sri Lanka and overseas. As one of the pioneers in money markets, he was able to bring new dimensions to the local money market industry. He acted as a consultant to Price Water House Coopers, Bombay, India on a USAID project. He was appointed to the Board on 6th February 2017 as a Non-Independent, Non-Executive Director.

Mr. Devasurendra is the Chairman of South Asia Textiles Limited, Deputy Chairman of Taprobane Holdings PLC and a Director of Ceylon Hotels Corporation PLC.

Mangala Boyagoda

Mr. Mangala Boyagoda has many years of experience in the fields of Banking and Treasury Management having worked at DFCC Bank, Standard Chartered Bank, Union Bank and Bank of Ceylon.

Mr. Boyagoda is the Chairman of Wealth Lanka Management (Pvt) Limited. Director of Lanka Century Investments PLC, Wealth Trust Securities Limited, SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Ceylon Hotel Corporation PLC, Dankotuwa Porcelain PLC, Ceylinco General Insurance Limited, Sierra Construction (Pvt) Limited, Cargills Bank Limited, Royal Fernwood Porcelain Limited, Faber Capital (Pvt) Limited, Virginia International Investment (Pvt) Limited, United Hotel (Pvt) Limited, C A Crushing (Pvt) Limited, Sri Lanka Gateway Industries (Pvt) Limited and Lanka Training and Education Academy Guarantee Limited.

Mr. Boyagoda holds a MBA from Irish University – European Union.

Sanjeev Gardiner

Mr. Sanjeev Gardiner counts over 27 years of Management experience in a diverse array of businesses and is the Group Chairman and Chief Executive Officer of The Galle Face Hotel Group, which includes Ceylon Hotels Corporation PLC, of which he is the majority shareholder and principal owner and Kandy Hotels Co.(1938) PLC of which he is the Owner / Chairman. He is also a Director of many public quoted and unquoted companies including Cargills (Ceylon) PLC.

Mr. Gardiner holds a Bachelor of Business Degree (Economics and Finance) from the Royal Melbourne Institute of Technology and a Bachelor of Business Degree (Banking & Finance) from Monash University, Australia.

Mr. Sanjeev Gardiner has been a Council Member of the Governing Body of HelpAge Sri Lanka (HASL) for over a decade. He is the Trustee of Sir Chittampalam A Gardiner Trust which amongst other donations helps several schools around the country with endowments. He is a life member of many prestigious charitable organizations where millions have been donated in the name of the Sanjeev Gardiner Foundation.

Mr. Gardiner was appointed as the Brand Ambassador for the prevention of Chronic Kidney Disease in Sri Lanka by His Excellency the President of Sri Lanka.

Priyantha Maddumage

Mr. Priyantha Maddumage is the Group Chief Finance Officer of the Galle Face Hotel Group of Companies and counts over 23 years of Finance Management experience. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Member of CPA Australia & Associate Member of the Institute of Certified Management of Sri Lanka.

Mr. Maddumage is a Director of Ceylon Hotels Corporation PLC, Kandy Hotels Co (1938) PLC, Lanka Century Investments PLC, Ceylon Leather Products PLC, South Asia Textiles Limited and several unlisted entities.

Revantha Devasurendra

Mr. Revantha Devasurendra holds a bachelor of arts with honours in industrial economics from the University of Nottingham and a certificate in Hotel Real Estate Investments and Asset Management from Cornell University's School of Hotel Administration.

Presently, Mr. Devasurendra is the Chief Executive Officer of Cyril Rodrigo Restaurants (Private) Limited and holds directorships in Navitas Investments (Private) Limited, C H C Investments (Private) Limited, Ceylon Hotels Investments (Private) Limited, United Hotels Company (Private) Limited, Live is to Travel (Private) Limited, British Ceylon Capital (Private) Limited, Wild Ceylon (Private) Limited and Nidanwala Watta (Private) Limited.

Murali Prakash

Mr. Murali Prakash is currently the Group Managing Director / Chief Executive Officer of Taprobane Holdings PLC and Lanka Century Investments PLC. Taprobane Holdings PLC is a Financial Services and Investment company and the parent of Lanka Century Investments PLC, the Investment Holding and Management Company of Ceylon Leather Products PLC., Colombo City Holdings PLC., Dankotuwa Porcelain PLC., Royal Fernwood Porcelain Limited and South Asia Textiles Industries Lanka (Pvt) Ltd. Mr. Prakash serves as a Director on the boards of most of these private and public quoted subsidiaries within the group.

He also serves as a Non-Executive Director of LAUGFS Holdings Limited, LAUGFS Gas PLC., and several other subsidiaries of the LAUGFS Group.

With over 35 years of experience holding key management positions in the areas of general management, strategic restructuring, investments/credit management, retailing/retail management, manufacturing, marketing/sales and business consultancy, some of his previous roles include serving as the Group Managing Director/Chief Executive Officer of Browns Group of Companies, the Chairman of Galoya Holdings (Private) Limited and the Sales Director of Singer (Sri Lanka) PLC. He has also served on the Boards of Singer (Sri Lanka) PLC., Singer Finance (Lanka) PLC., and Singer Industries (Ceylon) PLC.

Mr. Prakash holds an MBA from University of Southern Queensland and is also a Certified Professional Marketer (Asia Pacific) and a Certified Management Accountant (Aus.). He also holds an Executive Diploma in Business Administration from the University of Colombo and is an Alumnus of the National University of Singapore and the Asian Institute of Management, Manila. He is also a Fellow Member of the Chartered Management Institute (London) and Certified Professional Managers, Sri Lanka.

Corporate Governance Report

Introduction

The Board continued its efforts to enhance its role in improving governance practices effectively to safeguard the best interests of shareholders and other stakeholders. The Board's commitment to upholding high standards of corporate governance, contains international corporate governance principles and best practices, in addition to the requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant regulations, and is applicable to the Group and governs the activities of the Board, how the Group conducts its business operations, its relationships with all its stakeholders while providing for accountability and sound internal control systems.

The Board confirms that the Company is compliant with the requirements stipulated in the Rules on Corporate Governance contained in the Listing Rules of the CSE and the requirements stipulated in the Companies Act No. 7 of 2007.

This report outlines the Corporate Governance framework, application and practice within the Group for the financial year 2016/17.

1. The Board

The Company's business and Group operations are managed under the supervision of the Board. The role of the Board includes:

- Providing entrepreneurial leadership to the Group;
- Providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives of the Group;
- Approving and monitoring financial and other reporting practices adopted by the Group;
- Effectively reviewing and constructively challenging management performance in meeting the agreed goals, monitoring the reporting of performance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives.

The composition of Board of Directors as at 31 March 2017, was as follows;

Name of Director	Date of Appointment to the Board	Position
Mr. R N Asirwatham	18 March 2011	Chairman/Independent, Non-Executive Director
Mr. A L Devasurendra	06 February 2017	Non-Independent, Non-Executive Director
Mr. M Boyagoda	29 April 2013	Independent, Non-Executive Director
Mr. S E Gardiner	29 October 2015	Non-Independent, Non-Executive Director
Mr. P P Maddumage	29 October 2015	Non-Independent, Non-Executive Director
Mr. R T Devasurendra	29 October 2015	Non-Independent, Non-Executive Director
Mr. N M Prakash	29 October 2015	Independent, Non-Executive Director

Table 1 – Composition of the Board

The profiles of the Directors are found on pages 06 to 07 of this Report.

Composition and Balance of the Board

The Board comprises of Seven (07) Directors of whom all are Non-Executive Directors. The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies in various industries. The Board includes two qualified Chartered Accountants who provide the Board with the requisite financial acumen and knowledge on financial matters.

The Board considers that the composition and expertise of the Board is sufficient to meet the present needs of the Group, but will continue to review the composition and the mix of skills and expertise on an ongoing basis to align it to the business needs and complexity of the Group's operations.

Board Independence

Based on the declarations made annually by each of the non-executive directors in accordance with the requirements set out in the Listing Rules of the CSE, Mr. R N Asirwatham is considered independent. Furthermore, the Board considers Mr. M Boyagoda as 'independent', given his objective and unbiased approach to matters of the Board notwithstanding that he is an independent director of the parent company. These directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgment.

The Board considers the other five non-executive directors, namely Mr. A L Devasurendra, Mr. N M Prakash, Mr. S E Gardiner, Mr. P P Maddumage and Mr R T Devasurendra as non-independent, as they are nominees of Lanka Century Investments PLC, the major shareholder of the Company.

Division of Responsibilities

The roles of the Chairman and the CEO are separate with a clear distinction of responsibilities between them, which ensures the balance of accountability and authority between the running of the Board, and the executive responsibility for the running of the Group's business.

The role of the Chairman, Mr. R N Asirwatham, is to provide leadership to the Board, for the efficient organization and conduct of the Board's function, and to ensure the integrity and effectiveness of the relationship between the non-executive and executive director(s).

The role of the CEO, Mr. Wasaba Jayasekera, is to implement policies and strategies approved by the Board, and develop and recommend to the Board the business plans and budgets that support the Group's long-term strategy and vision that would lead to the maximization of shareholder value.

Board Meetings and Attendance

The Board meetings for each calendar year are scheduled in advance to enable the directors and management to plan accordingly and fit the year's Board meetings into their respective calendars. The Board's annual meeting calendar is prepared with the consensus of all Directors and is tabled at a Board Meeting in the final quarter of the calendar year of each preceding year.

To ensure that Board meetings are conducted effectively and efficiently, the time allocation for each agenda item is determined in advance. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.

The Board meets monthly with a view to discharging its duties effectively. In addition, Special Board Meetings are also held whenever necessary to deal with specific matters. A total of ten meetings were held during the financial year. The attendance of Directors at these meetings is set out in the table below:

Name of Director	Attendance
Mr. R N Asirwatham	10/10
Mr. A G Weerasinghe (resigned on 31 January 2017)	07/07
Mr. A L Devasurendra (appointed on 06 February 2017)	03/03
Mr. M Boyagoda	07/10
Mr. S E Gardiner	02/10
Mr. P P Maddumage	05/10
Mr. R T Devasurendra	08/10
Mr. N M Prakash	10/10

Access to Information

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, board papers with background or explanatory information, financial and operational performance reports. The Board also receives regular review reports and presentations on business development, risk profiles and regulatory updates. Any additional information may be requested by any director as and when required.

The Board has separate and independent access to the Group's Senior Management. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

The Directors, especially Non-Executive Directors, have access to independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

Professional Development and Performance Evaluation

The Directors are provided with the opportunity to update and enhance their skills and knowledge through training conducted by both external and in-house facilitators, and are periodically briefed on changes to relevant laws, regulations and accounting standards which impact the Group's business and the Directors.

The Remuneration Committee is responsible for evaluating the Board's performance and decides how the Board's performance may be evaluated and also proposes the objective criteria.

Delegation of Authority and Board Committees

Other than the matters reserved for the Board, the Board has adopted Policies and Limits of Authority framework applicable to the Group, by which the Board has delegated authority to its Board Committees and management. The Group Policies state the principles and sets out the tone by which business is to be conducted whereas the primary purpose of the Limits of Authority is to set out clear guidance to management as to the matters over which the Board reserves authority and those which it delegates to management. The Limits of Authority has established a sound framework of authority and accountability, which facilitates timely, effective and quality decision making at the appropriate level.

The Board is supported by the following Board Committees which have been delegated with certain specific responsibilities:

a. Audit Committee

b. Remuneration Committee

c. Related Party Transactions Review Committee

All Board Committees have written Terms of Reference approved by the Board and the Board, receives reports of their proceedings and deliberations. In instances where committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted for approval by the Board. The Chair Persons of each of the Board Committees report the outcome of the Committee meetings to the Board and the relevant decisions are incorporated in the minutes of the Board meetings. The Company Secretary acts as secretary to all Board Committees.

A brief description of each Board Committee is provided below:

1. Audit Committee

The Audit Committee ensures that the Company and the Group complies with applicable financial standards and laws. In addition, it ensures high standards of transparency and corporate disclosure and endeavours to maintain appropriate standards of corporate responsibility, integrity and accountability to the shareholders. The appointed members of the Audit Committee are required to exercise independent judgement in carrying out their functions.

The activities conducts by the Audit Committee are set out in the Audit Committee Report on pages 12 to 13.

2. Remuneration Committee

The role of the remuneration committee is to formulate, review, approve and make recommendations to the Board with regard to the remuneration of the Executive and Non-Executive Directors and key positions within the Senior Management.

The Remuneration Committee also ensures that it receives quarterly updates from the HR Division on staff related matters.

3. Related Party Transactions Review Committee

In compliance with the requirements of the Listing Rules of the CSE, the Related Party Transactions Review Committee was established with effect from 29 January 2016.

The primary function of the Related Party Transactions Review Committee is to review Related Party Transactions as prescribed by Section 09 of the Listing Rules of the Colombo Stock Exchange.

The above Board committees are supported by a comprehensive and effective internal governance structure, consisting of the Chief Executive Officer to oversee the overall operations of the Group. Reporting to the Chief Executive Officer is the Senior Management Committee that oversee the effective management of core functional areas and are headed by Senior Management members heading the respective functional area.

Re–appointment and Re–election

In accordance with the Company's Articles of Association, Directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment and 1/3 of the Non-Executive Directors are subject to retirement and re-appointment by rotation at every AGM. The Directors who retire by rotation are those who have been longest in office since their appointment/reappointment.

The Director retiring by rotation and eligible for re-election this year is mentioned in the Notice of Meeting on page 74.

2.Remuneration

The Company's remuneration policy endeavours to attract, retain and motivate Directors of the quality and experience commensurate with the stature and operational complexity of the Company. The remuneration policy for Directors is proposed, evaluated and reviewed by the Remuneration Committee, in keeping with criteria of reasonability.

The remuneration of Non-Executive Directors comprises of a monthly fixed allowance paid during the year 2016/17.

The remuneration of the Chief Executive Officer, in his capacity of an employee, comprises of a salary, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates and the performance of the individual and the Company. Further the performance related elements of remuneration have been designed to align the interests of the Chief Executive Officer with those of shareholders and link rewards to corporate and individual performance. Thus the variable component of the Chief Executive Officer's remuneration is based on the achievement of two dimensions – company performance against company targets and individual performance against a pre-determined set of Key Performance Indicators (KPI). These KPIs comprise of qualitative and quantitative targets and the evaluation of the achievement of the KPIs is reviewed by the Remuneration Committee and the recommendations are tabled for the approval of the Board.

A total of Rs. 8 million was paid to the Directors as fees for the financial year 2016/17.

3. Accountability and Audit

Financial Reporting

The Board believes that the independent verification is necessary to safeguard the integrity of the Group's accounting and financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Group's position and prospects. Therefore, the Board has established a formal and transparent process to independently verify and safeguard the integrity of the Group's accounting and financial reporting and internal control systems which are periodically reviewed and monitored to ensure effectiveness.

The Chief Financial Officer declares in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are stated in accordance with relevant accounting standards.

4. Recognise and Manage Risk

Internal Control

The Board acknowledges its overall responsibility in ensuring that a sound system of internal control is maintained to safeguard shareholders' investment and Group's assets.

The Audit Committee conducts a review of the effectiveness of the Group's system of internal controls and reports its findings to the Board. The review covers all material controls, including financial, operational and compliance controls and risk management systems. Upon receiving confirmation from the Heads of Units CEO and CFO provide the Audit Committee with a certificate of compliance confirming compliance with all applicable statutory and regulatory requirements on a quarterly basis.

Risk Management, Compliance & Control

The Group has established and implemented an Enterprise Risk Management system for identifying, assessing, monitoring and managing material risk throughout the organization, which includes;

a) *Oversight of the risk management system;*

b) *Examination of the Company's risk profile which contains a description of the material risks facing the Company including financial and non-financial matters;*

c) *Assessment of compliance and control;*

d) *Assessment of effectiveness – mechanism to review, at least annually, the effectiveness of the Company's implementation of the risk management system*

The Group Internal Auditor is responsible for monitoring the risks and reporting the same to the Audit Committee and Board on a periodic basis or as and when a significant risk rises.

Internal Audit

Internal audits are conducted by the Group Internal Audit Division which is independent of management. The Internal Auditor has access to management and the authority to seek information, records, properties and personnel relevant to the subject of audit review. Once an audit review is completed, a report is submitted to the Audit Committee.

The Audit Committee oversees the scope of the internal audit and has access to the internal audit without the presence of management.

In order to ensure independence, objectivity and enhance performance of the internal audit function, a direct reporting line has been created from the internal audit function to the Audit Committee. The activities of the Group's internal audit are detailed in the Audit Committee Report on pages 12 to 13.

5. Responsible Decision Making

The Group's Code of Business Ethics and Employee Code of Conduct actively promotes ethical and responsible decision-making and endeavours to influence and guide the Directors, employees and other stakeholders of the practices necessary to maintain confidence in the Group's integrity and to demonstrate the commitment of the Group to ethical practices.

6. Respect for the Rights of Shareholders

The Company is committed to having regular, proactive and effective communication with the investors and shareholders. The Company respects the rights of the shareholders and seeks to empower them by communicating effectively and providing ready access to balanced information about the Company.

Communication with Shareholders

The Company communicates with the shareholders through the following means of communication:-

a) Annual General Meeting (AGM)

The AGM is the main event for the shareholders to meet with the Board which allows reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company and the forthcoming AGM will be used to effectively communicate with shareholders. The AGM is also attended by the Senior Management, External Auditors and Company Lawyers.

b) Announcements to the Colombo Stock Exchange (CSE)

Announcements of quarterly interim financial results and announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

c) Media Releases

The Company ensures that media releases are made to the media on all significant corporate developments and business initiatives through its Group Corporate Communication Unit.

Investor Relations

The Group Investor Relations (IR) Team proactively disseminates relevant information about the Company to the investor community, specifically the institutional fund managers and analysts. The IR team maintains close contact with the investor community by means of one-on-one meetings, teleconferences, emails etc. to ensure that the Group's strategies, operational activities and financial performance are well understood and that such information is made available to them in a timely manner.

Major Transactions

There were no transactions during the financial year deemed as a "major transaction" in terms of the definition stipulated in the Companies Act No. 7 of 2007.

Report of the Audit Committee

Composition

The Audit Committee appointed by the Board, and during the financial year comprised of three Non-Executive Directors, out of whom two Directors are Independent as given below;

Mr. R N Asirwatham
Independent, Non-Executive Director

Mr. A G Weerasinghe
Non-Independent, Non-Executive Director (resigned on 31 January 2017)

Mr. Mangala Boyagoda
Independent, Non-Executive Director (appointed on 29 September 2016)

Mr. N M Prakash
Non-Independent, Non-Executive Director (resigned on 29 September 2016 and re-appointed on 23 May 2017)

The Chairman of the Audit Committee, Mr R N Asirwatham is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

The above composition is in compliance with the requirement to have a minimum of two Independent Non-Executive Directors in terms of the listing rules on Corporate Governance for listed companies issued by the Colombo Stock Exchange. The profiles of the members are given on pages 06 to 07.

The Secretaries of the Company Nexia Corporate Consultants (Private) Limited functions as the Secretary of the Audit Committee.

Meetings

During the financial year, the committee held four meetings. The Chief Executive Officer, Chief Financial Officer and the Group Internal Auditor attended all Audit Committee Meetings by invitation. Other Senior Officers of the Company and its subsidiaries are invited to attend these meetings as and when required. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration.

Role of the Committee

The Audit Committee has written terms of reference, dealing clearly with its authority & duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the financial reporting, internal controls, risk management, business ethics and compliance with legal, regulatory requirements, review of external auditors' performances & independence and internal audit.

The role and functions of the Audit Committee are further regulated by the Rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.

The Committee is required to;

- Ensure that efficient and sound financial systems are in place and are well managed in order to give accurate, appropriate and timely information to the Board of Directors, regulatory authorities, the management and other stakeholders in compliance with Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and other financial reporting related regulations and requirements.
- Review the appropriateness of accounting policies and their adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.
- Review the interim and annual financial statements prepared for publication prior to submission to the Board of Directors.
- Ensure that the Company has adopted and adhered to policies which firmly commits to achieve highest ethical standards, good industry practices and in the best interest of all stakeholders.
- Examine the adequacy, efficiency and effectiveness of the risk management processes, internal controls and governance processes in place to identify, avoid and mitigate risks.
- Review the design and operational effectiveness of internal controls and implement changes where necessary.
- Review internal and external audit reports and follow up on their findings and recommendations.
- Assess the independence and monitor the performance and functions of internal and external auditors.
- Assess the Company's ability to continue as a going concern in the foreseeable future.

Regulatory Compliance

A procedure has been laid down for reporting on the statutory compliance/non-compliance of the Company and its subsidiaries on a quarterly basis. This report is certified by the Chief Financial Officer and the Chief Executive Officer. Such non-compliances are followed up to ensure appropriate corrective actions are taken. Messrs. Amarasekara & Company acts as the tax advisors for the Group and conducts tax compliance reviews.

Internal Audit

The Audit Committee exercises oversight over the internal audit function. The Committee approves the annual internal audit programme and follows up on the progress during the year. Internal audit reports are presented and reviewed on a regular basis. Issues are raised with a risk rating to ensure more attention to high risk areas. These reviews examine management's responses to the issues raised and recommendations to overcome the issues and the implementation plans. The processes and the frequency of audits are dependent on the risk level with higher risk areas being audited more frequently with greater focus.

Independence and objectivity of the external auditors

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity. The committee reviewed the non-audit services provided by the external auditors with the aim of assessing the independence and objectivity of the external auditor. Having reviewed these, the committee is satisfied that the non-audit services provided by the external auditors do not impair their independence. The Committee has also received a declaration from the external auditors as required by the Companies Act No. 07 of 2007, confirming that they do not have any relationship or interests in the Company which may have a bearing on their independence.

Prior to commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The fees of the external auditors were also approved by the audit committee. The audit findings were discussed at the conclusion of the audit, where the committee reviewed and recommended the annual Consolidated Financial Statements to the Board for their approval.

The Audit Committee also reviewed the external auditor's management letter with the management's responses thereto and necessary actions were taken.

The Audit Committee has recommended to the Board, Messrs Ernst & Young, Chartered Accountants be re-appointed as statutory auditors for the financial year ending 31 March 2018 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Corporate Governance

The Committee also reviewed the level of compliance with corporate governance rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange and Compliance with the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission and is satisfied that the Company has complied with all mandatory requirements and best practices except for sustainability reporting.

Conclusion

Based on the review of reports submitted by the external and internal auditors and the information received during the deliberations, the committee is satisfied that the internal controls and procedures in place are adequately designed and have been operating effectively to provide reasonable assurance that the company's assets are safeguarded and that steps are being taken to continuously improve the control environment. The Committee is also satisfied that the financial position of the company is regularly monitored and that the company has adopted appropriate accounting policies and the financial statements are reliable.

Sgd.
R N Asirwatham
Chairman
23 August 2017

Report of the Remuneration Committee

COMPOSITION

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

Mr. A G Weerasinghe
Chairman/ Non-Independent, Non-Executive Director (resigned on 31 January 2017)

Mr. R N Asirwatham
Independent, Non-Executive Director

Mr. Mangala Boyagoda
Independent, Non-Executive Director

Mr. Revantha Devasurendra
Non-Independent, Non-Executive Director (appointed on 23 May 2017)

The Chief Executive Officer attends meetings by invitation.

The Secretaries of the Company M/s. Nexia Corporate Consultants (Private) Limited functions as the Secretary of the Remuneration Committee.

POLICY

The remuneration policy of the Company is designed to attract, motivate and retain staff with the appropriate professional, managerial and operational expertise to achieve the objectives of the company.

SCOPE AND RESPONSIBILITY

The scope and responsibility of the remuneration committee include;

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the company recognizes and addresses the short and long term needs of the organization in relation to performance, talent retention and reward.
- To recommend to the Board a competitive remuneration and reward structure which is linked to performance.
- To decide on the remuneration packages of Key Management Personnel.
- To evaluate the performance of the Key Management Personnel, management development plans and succession planning.
- To approve annual salary increments, bonuses, changes on perquisites and incentives.

PROFESSIONAL ADVICE

The committee has the authority to seek external independent professional advice on matters within the purview of the committee and to invite professional advisors with relevant experience to assist in various duties.

REMUNERATION PACKAGE

Employees

Total compensation of an employee is influenced by a number of factors such as skill, experience, responsibility, performance, industry average and the findings of market surveys conducted in selected organisations in every three to four years.

Every Executive member of the staff is informed of the key performance indicators on which he/she will be judged and evaluated against such key performance indicators.

Basic salary is the fixed component of the remuneration and is reviewed for increments annually based on the ratings at annual performance appraisals.

The company has implemented a variable bonus scheme for Executive Staff, which is based on individual performance and the achievement of company targets.

Directors

The remuneration for Non-Executive Directors reflects the time, commitment and responsibilities of their role and is based on industry and market surveys. They do not receive any performance or incentive payments.

Neither the Chief Executive Officer nor any other Directors are involved in remuneration committee meetings when determinations are made in respect of their own performance, compensation package and fees.

The aggregate remuneration paid to Key Management Personnel and the fees paid to the Directors are disclosed in Note No. 27.2 and 20 respectively to the Financial Statements.

Sgd.
R N Asirwatham
Chairman
23 August 2017

Related Party Transactions Review Committee Report

Purpose of the Committee

The Board established the Related Party Transactions Review Committee on 29 January 2016 as per Listing Rules of the Colombo Stock Exchange (CSE).

The purpose of the Related Party Transactions Review Committee (the Committee) is to conduct an appropriate review of the Company's Related Party Transactions (RPTs) and to ensure that the Company complies with the Listing Rules of the CSE. 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 taking advantage of their positions.

Composition

The Committee consists of three members with a combination of Independent Non-Executive Directors and Non Independent Non-Executive Directors. The members of the Committee are;

Mr. R N Asirwatham
Chairman/Independent Non-Executive Director

Mr. A G Weerasinghe
Non-Independent, Non-Executive Director (resigned on 31 January 2017)

Mr. Murali Prakash
Non-Independent, Non-Executive Director

The above composition is in compliance with the provisions of the Listing Rules. Brief profiles of the members are given on pages 06 to 07.

The Secretaries of the Company M/s. Nexia Corporate Consultants (Private) Limited functions as the Secretary of the Related Party Transactions Review Committee.

Role and Responsibilities

The mandate of the committee, derived from the Rules includes the following;

- To develop and recommend a Related Party Transaction Policy
- To ensure that the Company complies with the Rules
- To review in advance all proposed RPTs to ensure compliance with the Rules
- To update the Board of Directors on the Related Party Transactions of the Company on a quarterly basis
- Define and establish the threshold values in setting a benchmark for Related Party Transactions, RPTs which have to be pre-approved by the Board, RPTs which require to be reviewed in advance and annually and similar issues relating to Listed Companies
- To make immediate market disclosures on applicable RPTs as required by the Rules
- To include appropriate disclosures on RPTs in the Annual Report as required by the Rules

Policies and procedures in related party transactions are being reviewed and strengthened on an ongoing basis.

Necessary steps have been taken by the Committee to avoid any conflicts of interests that may arise in transacting with related parties.

The Policies and Procedures Adopted by the Committee for Reviewing Related Party Transactions

The Committee formulated and recommended a process for adoption on RPTs for the Company, which is consistent with the operating model and the delegated decision rights.

The Committee in discharging its functions introduced processes and periodic reporting by the relevant entities with a view to ensure that;

- There is compliance with the Rules
- Shareholder interests are protected and
- Fairness and transparency are maintained

In addition to the Directors, CEO, CFO and CMO were designated as KMPs in order to increase transparency and enhance governance. Further, processes were introduced to obtain annual disclosures from all KMPs so designated.

Any member of the Committee, who has an interest in RPT under discussion, shall abstain from voting on the approval of such transaction. A RPT entered into without pre-approval of the committee, shall not be deemed to violate this policy, be invalid or unenforceable so long as the transaction is brought to the notice of the Committee as promptly as reasonably practical, after it is entered into or after it becomes apparent that the transaction is covered by the policy. As such all RPTs, other than the exempted transactions, will be reviewed either prior to the transaction is entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Meetings

The Committee met four times during the financial year under review. Except the recurrent Related Party Transactions, the Company did not enter into any Related Party Transactions during the quarter ended 31 March 2017 that were required to be reviewed by the Committee. Proceedings of the Committee meetings are reported to the Board of Directors.

Sgd
R N Asirwatham
Chairman
23 August 2017

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

The Board of Directors of Dankotuwa Porcelain PLC takes pleasure in presenting their Report on the Affairs of the Company together with the Financial Statements for the year ended 31 March 2017, conforming to the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The report also includes certain disclosures required to be made under Listing Rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

Corporate Profile

Dankotuwa Porcelain PLC is a public quoted company with limited liability incorporated under the provisions of Companies Act No. 17 of 1982 as a Private Limited Company in Sri Lanka on 06 January 1984 and converted to a Public Company by Special Resolution on 08 July 1994. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 17 September 2007 and bears registration number PQ79.

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

The principal activity of the company is manufacturing and marketing porcelain tableware targeted to export and domestic markets. A review of the operations of the company during the twelve months period and the results of those operations are contained on pages 22 to 69 of this Annual Report.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2017 are duly certified by Chief Financial Officer and approved by the Directors in compliance with the Companies Act No. 07 of 2007 and are given on Pages 22 to 69 of this Annual Report.

Summarized Financial Statements

	Group		Company	
Rs. '000	2016/2017	2015/2016 Restated	2016/2017	2015/2016 Restated
Revenue	2,366,324	2,379,158	1,652,871	1,615,388
Profit/(Loss) Before Tax	146,848	30,616	126,177	111,494
Income Tax	(25,944)	(25,456)	(31,525)	(40,059)
Profit/(Loss) After Tax	120,903	5,160	94,652	71,435

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 28 to 37 as required by Section 168 (1) (d) of the Companies Act.

Auditor's Report

The Financial Statements of the Company for the year ended 31 March 2017 were audited by M/s Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on page 21 of the Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Directors

The names of the Directors who held office during the period under review are given below:-

Mr. Rajan Asirwatham
(Chairman) – Independent, Non-Executive Director

Mr. Ajith Devasurendra
(Deputy Chairman) – Non-Independent, Non-Executive Director (appointed on 06 February 2017)

Mr. A G Weerasinghe
Non-Independent, Non-Executive Director
(resigned on 31 January 2017)

Mr. Mangala Boyagoda
Independent, Non-Executive Director

Mr. Sanjeev Gardiner
Non-Independent, Non-Executive Director

Mr. Priyantha Maddumage
Non-Independent, Non-Executive Director

Mr. Revantha Devasurendra
Non-Independent, Non-Executive Director

Mr. Murali Prakash
Non-Independent, Non-Executive Director

The present Directors of the Company and their profiles are shown on pages 06 to 07 of the Annual Report.

Mr. Rajan Asirwatham vacates office in terms of Section 210 of the Companies Act No. 7 of 2007 and a resolution will be tabled for his re-appointment as per Section 211 of the Act with the unanimous support of the Board.

In accordance with the provisions of Article 24 (2) of the Articles of Association, Mr. A L Devasurendra retires from office at the conclusion of the forthcoming Annual General Meeting. Mr. A L Devasurendra offers himself for re-election with the unanimous support of the Board.

In accordance with the provisions of Article 24 (6) of the Articles of Association, Mr. Mangala Boyagoda retires by rotation and being eligible offers himself for re-election with the unanimous support of the Board.

Board Sub Committees

The Directors have formed three Sub Committees and their details are given on pages 09 to 10 under Corporate Governance of this Annual Report.

Interests Register

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in note no. 27 to the Financial Statements on pages 64 to 65

Directors' Remuneration

The Directors' Remuneration is disclosed in note no. 20 to the Financial Statements on page 57.

Directors' Interest in Shares

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings in compliance with Section 200 of the Companies Act No. 07 of 2007.

Details pertaining to Directors' direct and indirect shareholdings are given below;

	As at 31/03/2017	As at 31/03/2016
Lanka Century Investments PLC *(Represented by M/s A G Weerasinghe, N M Prakash, Mangala Boyagoda and Priyantha Maddumage)*	125,988,380	125,988,380
DOH Investment Lanka (Pvt) Ltd *(Represented by Mr. Priyantha Maddumage)*	1,200,000	Nil
Rajan Asirwatham (personally)	3,000	1,000

Corporate Governance

The Board is committed to maintaining high standards of governance, the process by which the Company is directed and managed. Risks are identified and controlled and effective accountability assured. The Board of Directors is of the view that it will put in place the resources and processes to ensure that the Company is substantially compliant with the code of best practices on corporate governance issued by Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange. The Corporate Governance Report is given on pages 08 to 11 of the Annual Report.

Risk and Internal Control

The Board considers that strong internal controls are integral to the sound management of the Company and it is committed to maintaining strict financial and operational controls over all its activities.

The Directors are ultimately responsible for the Company's systems of internal control and for reviewing its effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board's Audit Committee reviews and evaluates the system of internal control through the year, as stated in the Audit Committee Report on pages 12 to 13.

The Board of Directors is satisfied with the effectiveness of the system of internal control for the twelve months under review.

Taxation

The Company's liability to taxation has been computed according to the provisions of the Inland Revenue Act. No. 10 of 2006 and subsequent amendments thereto.

Donations

The Company has made donations to the value of LKR 85,000/- during the twelve month period under review.

Capital Expenditure

The total capital expenditure for the twelve month period amounted to LKR 32.7 million.

Property, Plant & Equipment

Details of Property, Plant & Equipment are given in note no. 05 to the Financial Statements.

Stated Capital

The stated capital of the Company as at 31 March 2017 was LKR 1,402,101,643/- represented by 162,552,920 fully paid ordinary shares.

Shareholdings

There were 4,969 registered shareholders as at 31 March 2017. The distribution of shareholdings is shown on page 70 of the Annual Report.

Share Information

Information relating to earnings, dividends, net assets and market value per share is available under Shareholder Information on pages 70 to 71 of the Annual Report along with information on share trading.

Substantial Shareholdings

The twenty major shareholders as at 31 March 2017 are given on page 71 of the Annual Report.

Public Holding

Public shareholding as at 31 March 2017 is 21.75% represented by 35,349,291 shares in the hands of 4,963 shareholders.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due in relation to employees and the Government have been made promptly up to date.

Environment

The Company's business activities can have direct and indirect effects on the environment. It is the Company's policy to minimize any adverse effect its activities have on the environment, and to promote co-operation and compliance with the relevant authorities and regulations. The Directors confirm that the Company has not undertaken any activities which have caused or are likely to cause detriment to the environment.

Outstanding Litigation

In the opinion of the Directors and the Company's lawyers, pending litigations against the Company will not have a material impact on the reported Financial Results or future operations of the Company.

Events occurring after the Balance Sheet date

No circumstances have arisen since the balance sheet date which would require adjustments to or disclosure in the accounts as disclosed in the note no. 26 to the Financial Statements.

Going Concern

The Board is satisfied that the company will have adequate resources to continue its operations into the foreseeable future. Therefore, the Company has continued to adopt the going concern basis in preparing the Financial Statements.

The Auditors

The Financial Statements of the Company for the twelve months ended 31 March 2017 have been audited by M/s. Ernst & Young, Chartered Accountants. A sum of LKR 1,123,500/- was paid to them as audit fee during the period under review. In addition, they were paid LKR 81,078/- for non-audit related work. Based on the declaration from M/s. Ernst & Young, Chartered Accountants and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than that disclosed herein.

In accordance with the Companies Act No. 07 of 2007 a resolution proposing the re-appointment of M/s Ernst & Young, Chartered Accountants as Auditors to the Company will be tabled at the forthcoming Annual General Meeting of the Company.

Annual General Meeting

The Annual General Meeting of the company will be held on 21 September 2017. The notice of the Annual General Meeting appears on page 74.

For and on behalf of the Board

Sgd.	Sgd.	Sgd.
Rajan Asirwatham	N M Prakash	Nexia Corporate Consultants (Private) Limited
Chairman	*Director*	*Secretaries*

23 August 2017

The Statement of Directors' Responsibility

The responsibility of the Directors in relation to the Financial Statements of the Company and the Group is set out in the following statement. The responsibility of the Independent Auditor in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act No. 07 of 2007, is set out in the Independent Auditors' Report appearing on page 21.

The Financial Statements comprise:

- The Statements of Comprehensive Income, which presents a true and fair view of the profit or loss and/or other comprehensive income/expense of the Company and the Group for the financial year,
- The Statements of Financial Position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.

In preparing these Financial Statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- all applicable accounting standards, as relevant, have been followed;
- reasonable and prudent judgments and estimates have been made and;
- information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange has been complied with.

The Directors are also required to ensure that the Company and the Group have adequate resources to continue operations to justify applying the 'going concern' basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company and the Group maintain sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group, and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the Statement of Financial Position have been paid, or were relevant provided for, except as disclosed in note 24.2 to the Financial Statements covering Contingent Liabilities.

By order of the Board of
Dankotuwa Porcelain PLC

Sgd.
Nexia Corporate Consultants (Pvt) Ltd
Secretaries
Colombo
23 August 2017

Financial Calendar

1st Quarter Interim Report	- 11 August 2016
2nd Quarter Interim Report	- 08 November 2016
3rd Quarter Interim Report	- 14 February 2017
4th Quarter Interim Report	- 07 June 2017
Annual Report 2016/2017	- 23 August 2017
33rd Annual General Meeting	- 21 September 2017

Independent Auditors' Report

Building a better working world

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

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

TO THE SHAREHOLDERS OF DANKOTUWA PORCELAIN PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Dankotuwa Porcelain 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, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (set out pages 22 to 69)

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 judgment, 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 entity'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,
- 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, and
- 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.

Ernst & Young

23 August 2017
Colombo

Statement of Profit or Loss

LKR		Group		Company	
For the year ended 31 March	**Note**	**2017**	**2016 Restated**	**2017**	**2016 Restated**
Revenue	4	2,366,323,617	2,379,157,591	1,652,871,366	1,615,387,960
Cost of Sales		(1,803,868,044)	(1,873,994,162)	(1,249,645,426)	(1,202,607,363)
Gross Profit		**562,455,573**	**505,163,429**	**403,225,940**	**412,780,597**
Other Income	18	16,077,112	21,990,954	11,383,786	17,732,068
Selling and Distribution Expenses		(211,415,469)	(238,935,308)	(177,975,695)	(186,954,394)
Administrative Expenses		(214,408,861)	(201,842,183)	(141,346,573)	(122,566,313)
Operating Profit		**152,708,355**	**86,376,892**	**95,287,458**	**120,991,958**
Finance Cost	19.2	(35,376,724)	(63,091,889)	(18,574,725)	(43,700,791)
Finance Income	19.1	29,516,575	7,331,352	49,464,135	34,203,284
Profit Before Tax	**20**	**146,848,206**	**30,616,355**	**126,176,868**	**111,494,451**
Income Tax Expense	21	(25,944,514)	(25,456,260)	(31,525,283)	(40,059,419)
Profit for the Year		**120,903,692**	**5,160,095**	**94,651,585**	**71,435,032**
Attributable to:					
Equity Holders of the Parent		119,698,400	20,628,233	94,651,585	71,435,032
Non-Controlling Interest		1,205,292	(15,468,138)	–	-
		120,903,692	**5,160,095**	**94,651,585**	**71,435,032**
Earnings Per Share	22	0.74	0.15	0.58	0.53

The accounting policies and notes on pages 28 through 69 form an integral part of the Financial Statements.
(Figuers in brackets indicate deductions)

Statement of Comprehensive Income

LKR		Group		Company	
For the year ended 31 March	**Note**	**2017**	**2016 Restated**	**2017**	**2016 Restated**
Profit for the Year		120,903,693	5,160,095	94,651,586	71,435,032
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods					
Net Exchange differences on translation of foreign operations	12.2	(177,907)	76,956	(177,907)	76,956
Net Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods		**(177,907)**	**76,956**	**(177,907)**	**76,956**
Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods					
Actuarial Gain/(Loss)	14.1	7,665,751	(5,214,098)	194,301	(7,126,293)
Tax impact on Actuarial Gain/(Loss)	21.2	(1,282,342)	1,068,341	(39,093)	1,411,006
Revaluation Gain on Land and Buildings		93,024,350	268,363,207	–	268,363,207
Tax impact on Revaluation Gain	21.2	(7,485,531)	(9,561,588)	–	(9,561,588)
Net Other Comprehensive Income not to be reclassified to Profit or Loss in subsequent periods		**91,922,228**	**254,655,862**	**155,208**	**253,086,332**
Other Comprehensive Income/(Loss) for the year – Net of Tax		**91,744,321**	**254,732,818**	**(22,699)**	**253,163,288**
Total Comprehensive Income – Net of Tax		**212,648,014**	**259,892,913**	**94,628,887**	**324,598,320**
Attributable to:					
Equity Holders of the Parent		207,487,563	274,984,446	94,628,887	324,598,320
Non-Controlling Interest		5,160,451	(15,091,533)	–	-
		212,648,014	**259,892,913**	**94,628,887**	**324,598,320**

The accounting policies and notes on pages 28 through 69 form an integral part of the Financial Statements.
(Figuers in brackets indicate deductions)

Statement of Financial Position

LKR		Group			Company		
As at 31 March	Note	2017	2016 Restated	01-04-2015 Restated	2017	2016 Restated	01-04-2015 Restated
ASSETS							
Non–Current Assets							
Property, Plant and Equipment	5	1,345,448,639	1,315,074,273	1,087,101,393	720,190,694	734,258,007	494,788,154
Intangible Assets	6	260,156,733	254,756,623	213,127,837	47,028,896	41,628,786	-
Investment in Subsidiaries	7	–	-	-	483,215,328	483,215,328	300,000,000
Financial Investments - Loans and Receivables	8.1	–	-	-	300,718,753	285,346,032	406,961,371
Deferred Tax Assets		–	-	6,400,558	–	-	6,400,558
		1,605,605,372	**1,569,830,896**	**1,306,629,788**	**1,551,153,671**	**1,544,448,153**	**1,208,150,083**
Current Assets							
Inventories	9	687,081,963	599,282,810	639,299,842	432,550,537	382,560,274	435,309,146
Trade and Other Receivables	10	415,047,316	366,892,367	328,135,345	409,374,090	341,476,913	308,321,078
Financial Investments - Loans and Receivables		–	-	-	–	-	24,575,531
Financial Investments - Held for Trading		–	-	46,660	–	-	46,660
Income Tax Receivable		3,064	-	-	–	-	-
Cash and Cash Equivalents	15.1	342,231,978	294,428,398	55,995,075	327,526,026	282,255,784	39,257,039
		1,444,364,321	**1,260,603,575**	**1,023,476,922**	**1,169,450,653**	**1,006,292,971**	**807,509,454**
Total Assets		**3,049,969,693**	**2,830,434,471**	**2,330,106,710**	**2,720,604,324**	**2,550,741,124**	**2,015,659,537**
EQUITY AND LIABILITIES							
Equity							
Stated Capital	11	1,402,101,647	1,402,101,647	679,644,223	1,402,101,647	1,402,101,647	679,644,223
Reserves	12	589,376,808	507,702,619	248,824,044	507,524,712	507,702,619	248,824,044
Retained Earnings/(Losses)		(260,579,198)	(280,733,174)	(261,919,362)	(59,605,481)	(48,752,877)	(109,570,982)
Total Equity		**1,730,899,257**	**1,629,071,092**	**666,548,905**	**1,850,020,878**	**1,861,051,389**	**818,897,285**
Non Controlling Interest		8,219,681	3,059,230	(11,867,280)	–	-	-
Total Equity		**1,739,118,938**	**1,632,130,322**	**654,681,625**	**1,850,020,878**	**1,861,051,389**	**818,897,285**
Non–Current Liabilities							
Interest Bearing Loans and Borrowings	13	441,931,962	481,289,396	864,434,597	300,718,754	290,348,719	689,576,832
Retirement Benefit Liability	14	129,285,545	134,811,709	120,166,021	114,416,841	113,886,228	101,226,474
Deferred Income	17	387,745	810,745	1,233,745	387,745	810,745	1,233,745
Deferred Tax Liability	21.2	44,753,170	49,209,012	47,020,369	8,512,422	17,685,819	-
		616,358,422	**666,120,862**	**1,032,854,732**	**424,035,762**	**422,731,511**	**792,037,051**
Current Liabilities							
Interest Bearing Loans and Borrowings	13	125,916,960	149,153,301	279,590,413	11,649,668	25,894,342	192,911,218
Trade and Other Payables	16	465,612,788	357,530,109	357,965,813	331,933,659	216,760,388	211,634,132
Dividend Payable		65,021,168	-	-	65,021,168	-	-
Income Tax Liabilities		37,941,417	25,499,877	5,014,127	37,943,189	24,303,494	179,851
		694,492,333	**532,183,287**	**642,570,353**	**446,547,684**	**266,958,224**	**404,725,201**
Total Equity and Liabilities		**3,049,969,693**	**2,830,434,471**	**2,330,106,710**	**2,720,604,324**	**2,550,741,124**	**2,015,659,537**

These Financial Statements are in compliance with the requirements of the Companies Act No: 07 of 2007.

Prasanna Pinto - *Chief Financial Officer*

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:

Rajan Asirwatham - *Chairman*

Murali Prakash - *Director*

23 August 2017
Colombo

The accounting policies and notes on pages 28 through 69 form an integral part of the Financial Statements.
(Figuers in brackets indicate deductions)

Statement of Changes in Equity

Group

		Attributable to Equity Holders of the Parent						
LKR	Note	Stated Capital	Revaluation Reserve	Exchange Fluctuation Reserve	Retained Earnings/ (Losses)	Total	Non-Controlling Interest	Total Equity
Balance as at 31 March 2015		**679,644,223**	**249,416,000**	**(591,956)**	**(272,458,851)**	**656,009,416**	**(11,867,280)**	**644,142,136**
Prior year adjustment	29	-	-	-	10,539,489	10,539,489	-	10,539,489
Balance as at 01 April 2015 (Restated)		**679,644,223**	**249,416,000**	**(591,956)**	**(261,919,362)**	**666,548,905**	**(11,867,280)**	**654,681,625**
Profit/(Loss) for the Year		-	-	-	20,628,233	20,628,233	(15,468,138)	5,160,095
Other Comprehensive Income/(Loss)		-	258,801,619	76,956	(4,522,362)	254,356,213	376,604	254,732,818
Total Comprehensive Income/(Loss)		**–**	**258,801,619**	**76,956**	**16,105,871**	**274,984,446**	**(15,091,534)**	**259,892,913**
Changes in Holding		-	-	-	(30,018,043)	(30,018,043)	30,018,043	-
Issuance of Shares		722,457,424	-	-	-	722,457,424	-	722,457,424
Share Issue Cost		-	-	-	(4,901,640)	(4,901,640)	-	(4,901,640)
Balance as at 31 March 2016 (Restated)		**1,402,101,647**	**508,217,619**	**(515,000)**	**(280,733,174)**	**1,629,071,092**	**3,059,230**	**1,632,130,322**
Profit for the Year		-	-	-	119,698,400	119,698,400	1,205,292	120,903,692
Other Comprehensive Income/(Loss)		-	81,852,096	(177,907)	6,114,974	87,789,162	3,955,159	91,744,321
Total Comprehensive Income/(Loss)		**–**	**81,852,096**	**(177,907)**	**125,813,374**	**207,487,563**	**5,160,451**	**212,648,014**
Dividend Paid		-	-	-	(40,638,230)	(40,638,230)	-	(40,638,230)
Dividend Declared		-	-	-	(65,021,168)	(65,021,168)	-	(65,021,168)
Balance as at 31 March 2017		**1,402,101,647**	**590,069,715**	**(692,907)**	**(260,579,198)**	**1,730,899,257**	**8,219,681**	**1,739,118,938**

The accounting policies and notes on pages 28 through 69 form an integral part of the Financial Statements.
(Figuers in brackets indicate deductions)

Statement of Changes in Equity

Company

LKR	Note	Stated Capital	Revaluation Reserve	Exchange Fluctuation Reserve	Retained Earnings/ (Losses)	Total
Balance as at 31 March 2015		**679,644,223**	**249,416,000**	**(591,956)**	**(120,110,471)**	**808,357,796**
Prior year adjustment	29	-	-	-	10,539,489	10,539,489
Balance as at 01 April 2015 (Restated)		**679,644,223**	**249,416,000**	**(591,956)**	**(109,570,982)**	**818,897,285**
Profit for the Year		-	-	-	71,435,032	71,435,032
Other Comprehensive Income/(Loss)		-	258,801,619	76,956	(5,715,287)	253,163,288
Total Comprehensive Income		**–**	**258,801,619**	**76,956**	**65,719,745**	**324,598,320**
Right Issue of Shares		722,457,424	-	-	-	722,457,424
Share Issue Cost		-	-	-	(4,901,640)	(4,901,640)
Balance as at 31 March 2016 (Restated)		**1,402,101,647**	**508,217,619**	**(515,000)**	**(48,752,877)**	**1,861,051,389**
Profit for the Year		-	-	-	94,651,586	94,651,586
Other Comprehensive Income/(Loss)		-	-	(177,907)	155,208	(22,699)
Total Comprehensive Income/(Loss)		**–**	**–**	**(177,907)**	**94,806,794**	**94,628,887**
Dividend Paid		-	-	-	(40,638,230)	(40,638,230)
Dividend Declared		-	-	-	(65,021,168)	(65,021,168)
Balance as at 31 March 2017		**1,402,101,647**	**508,217,619**	**(692,907)**	**(59,605,481)**	**1,850,020,879**

The accounting policies and notes on pages 28 through 69 form an integral part of the Financial Statements.
(Figuers in brackets indicate deductions)

Statement of Cash Flows

LKR		Group		Company	
For the year ended 31 March	Note	2017	2016 Restated	2017	2016 Restated
Cash Flows from / (Used in) Operating Activities					
Profit Before Tax		146,848,207	30,616,355	126,176,869	111,494,451
Adjustments for					
Depreciation	5.2.2	103,605,194	94,358,463	46,368,156	41,321,682
(Profit) / Loss on Sales of Property, Plant and Equipment		(5,423,790)	(5,105,161)	(1,662,789)	(4,222,237)
Amortization of Intangible Assets	6.1	8,214,506	55,821	8,214,506	55,821
Provision for Defined Benefit Plans	14.1	22,827,068	22,560,403	18,799,537	17,740,474
Interest Income	19.1	(29,516,575)	(7,331,352)	(49,464,135)	(34,203,284)
Finance Cost	19.2	35,376,724	63,091,889	18,574,725	43,700,791
Amortization of Deferred Income	17	(423,000)	(423,000)	(423,000)	(423,000)
Provision / (Reversal) for Bad Debts		10,704,145	8,332,213	3,229,832	3,182,323
Reversal from Exchange Fluctuation Reserve	12.2	(177,907)	76,956	(177,907)	76,956
Unrealized Foreign Exchange Difference		10,484,300	17,058,330	–	2,431,716
Net Provision / Write off / Reversal for Slow Moving Inventories	9.1	(20,099,540)	(10,821,848)	21,076,325	6,040,475
Operating Profit/ (Loss) before Working Capital Changes		**282,419,332**	**212,469,069**	**190,712,119**	**187,196,168**
(Increase) / Decrease in Inventories		(67,699,612)	50,838,880	(71,066,588)	46,708,397
(Increase) / Decrease in Trade and Other Receivables		(58,859,094)	(47,089,235)	(71,127,008)	(36,338,057)
Increase / (Decrease) in Trade and Other Payables		98,866,212	(435,683)	106,830,882	5,126,173
Cash generated from Operations		**254,726,838**	**215,783,031**	**155,349,406**	**202,692,681**
Defined Benefit Plan Costs Paid	14	(20,687,481)	(13,128,813)	(18,074,623)	(12,207,013)
Income Tax Paid		(26,729,754)	(4,874,574)	(27,972,157)	-
Finance Cost Paid		(20,004,010)	(24,501,500)	(3,202,066)	(29,074,997)
Net Cash from Operating Activities		**187,305,573**	**173,278,144**	**106,100,620**	**161,410,671**
Cash Flows from / (Used in) Investing Activities					
Investment in Subsidiary		–	-	–	(183,215,328)
Loans given to Subsidiaries	8.1.1	–	-	–	(16,553,618)
Loans repaid by Subsidiary		–	-	–	189,746,112
Interest Income	19.1	29,516,575	7,331,352	34,091,416	7,201,660
Proceeds from Disposal of Shares		–	46,660	–	46,660
Acquisition of Property, Plant and Equipment	5.1.1	(33,310,206)	(55,996,212)	(24,655,844)	(14,456,404)
Proceeds from Sale of Property, Plant and Equipment		5,778,790	7,133,237	2,017,789	6,250,313
Acquisition of Intangible Asset	6.1	(13,614,616)	(41,684,607)	(13,614,616)	(41,684,607)
Net Cash Flows from / (Used in) Investing Activities		**(11,629,457)**	**(83,169,570)**	**(2,161,255)**	**(52,665,212)**
Cash Flows from / (Used in) Financing Activities					
Proceeds from Issuance of Shares		–	722,457,424	–	722,457,424
Share Issue Cost		–	(4,901,640)	–	(4,901,639)
Dividend Paid		(39,421,763)	-	(39,421,763)	-
Proceeds from Interest Bearing Loans and Borrowings	13	161,193,283	509,171,828	–	259,245,010
Repayment of Interest Bearing Loans and Borrowings	13	(232,688,364)	(1,049,325,928)	(17,845,735)	(797,657,338)
Net Cash Flows from / (Used in) Financing Activities		(110,916,844)	177,401,684	(57,267,498)	179,143,457
Net Increase / (Decrease) in Cash and Cash Equivalents		**64,759,292**	**267,510,258**	**46,671,867**	**287,888,916**
Cash and Cash Equivalents at the Beginning of the Year	**15**	**251,396,649**	**(16,113,609)**	**274,207,187**	**(13,681,726)**
Cash and Cash Equivalents at the End of the Year	**15**	**316,155,941**	**251,396,649**	**320,879,054**	**274,207,190**

The accounting policies and notes on pages 28 through 69 form an integral part of the Financial Statements.
(Figuers in brackets indicate deductions)

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Dankotuwa Porcelain PLC ("the Company") is a Public Listed Company incorporated and domiciled in Sri Lanka, and is listed on the Colombo Stock Exchange. The registered office of the Company is located at No.10, 5th Floor, Gothami Road, Colombo 08 Sri Lanka and the principal place of business is situated at Dankotuwa.

The Company has its own branch operated in Chennai, India.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2017, comprise "the Company" referring to Dankotuwa Porcelain PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

1.3 Date of Authorisation for Issue

The Consolidated Financial Statements of Dankotuwa Porcelain PLC, for the year ended 31 March 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 23 August 2017.

1.4 Directors' Responsibility Statement

The Board of Directors take the responsibility for the preparation and presentation of these financial statements as per the provisions of the companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKASs and SLFRs (hereafter "SLFRS")

1.5 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent entity is Lanka Century Investments PLC ("LCI") and the Company's ultimate parent is CHC Investments (Pvt) Ltd. Lanka Century Investments PLC and CHC Investment (Pvt) Ltd are Companies incorporated in Sri Lanka.

1.6 Principal Activities and Nature of Operations

Holding Company

The principal activity of the Company was manufacturing and selling porcelain tableware to export and domestic markets.

Subsidiaries

Taprobane Capital (Private) Limited

The principle activity of the company is Investment holding of Royal Fernwood Porcelain Limited. However, there were no operations during the year.

Royal Fernwood Porcelain Limited

The principal activity of the Company was manufacturing and selling porcelain tableware to export and domestic markets.

Sub–subsidiary through Royal Fernwood Porcelain Limited – Lanka Decals (Private) Limited

The principle activity of the Company was to print decals. However, there were no operations during the year.

Sub–subsidiary through Royal Fernwood Porcelain Limited – Fernwood Lanka (Private) Limited

The principal activity of the Company was selling porcelain tableware to domestic markets. However, there were no operations during the year.

2. BASIS OF PREPARATION

2.1.1 Statement of Compliance

The Consolidated Financial Statements (Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2017 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.1.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on accrual basis and under the historical cost convention except for, Land and Buildings, that have been measured at fair value.

2.1.3 Materiality & Aggregation

In compliance with LKAS 01 on Presentation of Consolidated Financial Statements, each material class of similar items is presented separately in the Consolidated Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation as specifically disclosed in the accounting policies.

2.1.4 Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year. Effects of prior year adjustment are presented in note No. 29.

2.1.5 Presentation and Functional Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

2.1.6 Basis of Consolidation

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

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

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

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. There are no Subsidiaries that have been consolidated with equity control equal to or less than 50%.

Subsidiaries that are consolidated have been listed in Note 7 to these Financial Statements.

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 attribute 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. The Financial Statements of the Subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

All intra-group Assets, 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 the Income Statement. Any investment retained is recognised at fair value.

The total Profits and Losses for the year of the Company and of its Subsidiaries included in consolidation are shown in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its Subsidiaries included in consolidation are shown in the consolidated Statement of Financial Position.

Non-Controlling Interest which represents the portion of Profit or Loss and Net Assets not held by the Group, are shown as a component of profit for the year in the Consolidated Income Statement and Statement of Comprehensive Income and as a component of Equity in the Consolidated Statement of Financial Position, separately from Equity attributable to the shareholders of the parent.

The Consolidated Statement of Cash Flows includes the Cash Flows of the Company and its Subsidiaries.

Business combinations and goodwill on acquisitions

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether to measure the Non-Controlling Interest in the acquiree at fair value or at the proportionate share of the acquiree at the 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 Expense.

When the Group acquires a business, it assesses the Financial Assets and Liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is premeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

Contingent consideration which is deemed to be an Asset or Liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in Profit or Loss or as a change to Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable Assets acquired and Liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other Assets or Liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill

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disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the group requires the application of certain critical accounting judgements, estimates and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of Revenues, Expenses, Assets and Liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the Asset or Liability affected in future periods.

I. 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.

Useful lives estimated by the company are given in Note 5.11.

II. Going Concern

The Directors have made an assessment of both the company's and Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon both the company's and Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

III. Defined Benefit Plans

The cost of defined benefit plan (Gratuity) is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group.

Details of the key assumptions used in estimating the defined benefit plan (Gratuity) liability are disclosed in Note 14.

IV. Provision for Slow moving Inventories:

A provision for slow moving Inventories is recognized based on the best estimates available to management on their future usability. 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.

V. Impairment of trade and other receivables:

The Group reviews at each reporting date all receivables to assess whether impairment should be recorded in the Statement of Profit or Loss. The management uses judgment in assessing objective evidence to estimate specific impairment of all receivables. Set out below is a summary of the Company's impairment policy for Trade Receivables.

Category of Debtors	Amount of provision
Balances which are over LKR 1 Mn and 6 months old (Significant Debtors)	100%
Balances which are below LKR 1 Million (Insignificant Debtors)	Range of percentages Based on the probability analysis of past debtor recovery records

VI. 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 value 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.

VII. Valuation of Property, Plant and Equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of equity. The Group engaged independent valuation experts to determine fair value of land and buildings as at 31 March 2016 and 31 March 2017.

The valuer has used valuation techniques such as market values and discounted cash flow methods where there was a lack of comparable market data available based on the nature of the property.

The methods used to determine the fair value of Land and Building, are further explained in note 5.5

VIII. Deferred Tax Assets / Liabilities

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 21.2

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Company's financial statements are presented in Sri Lankan Rupees, which is also the parent Company' s functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary Assets and Liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

(b) Foreign Operations

The Assets and Liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their Income Statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is recognised in the Income Statement.

2.3.2 Taxation

a) Current Taxes

Current Income Tax assets and liabilities for the current period 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 balance sheet 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 is recognised in Equity and not in the Income Statement.

Income tax has been provided on overseas operations in accordance with the relevant statutes enforced in the countries in which operations are carried out.

The liability for taxation is computed according to the provisions of the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto. The relevant details are disclosed in Note No.21 to the Financial Statements.

b) Deferred Taxation

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

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

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

c) Sales Tax

Revenues, Expenses and Assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of asset or service 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 item as applicable and receivable and payable that are stated with the

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amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

2.3.3 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.4 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an Asset, it is recognised as income in equal amounts over the expected useful life of the related Asset.

2.3.5 Intangible Assets

Intangible Assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the income statement when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

2.3.6 Inventories

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

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

Raw Materials, Indirect Materials, Packing Materials and General Inventory	- At weighted average cost
Work-in-Progress and Semi Finished Goods	- At factory cost. Cost is determined by accruing all direct material, direct labour and appropriate apportionment of fixed production overheads based on normal operating capacity
Consumables & Spares	- At purchase cost on weighted average basis
Finished Goods	- At the cost of direct material, direct labour and appropriate Apportionment of fixed production overheads, based on normal operating capacity
Goods in Transit	-At Purchase price

2.3.7 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.8 Property, Plant and Equipment

Property, plant and equipment is initially stated at cost. Such costs includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Profit or Loss as incurred. (if applicable) The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Depreciation is calculated on a straight-line basis over the useful life of assets or components. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 Income Statement, in which case the increase is recognised in the Income Statement. 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.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

2.3.9 Operating Leases

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

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards.

Company as a lessee:

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Income Statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases, where the lessor effectively retains substantially all of the risk and benefits of ownership over the term of the lease are classified as operating leases. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.3.10 Financial Instruments – Initial recognition and subsequent measurement

a. 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 transaction costs, in the case of assets not at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial Assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in Finance Income or finance Cost in the Income Statement.

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

Loans and receivables

Loans and Receivables are Non-Derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such Financial Assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in Finance Income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in Administrative Expenses.

Derecognition

A Financial Asset (or, where applicable, a part of a

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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 without material delay to a third party under a 'pass through' arrangement; and either (a) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an Asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. 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, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred' loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, 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 asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Finance Income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized 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 write-off is later recovered, the recovery is credited to finance costs in the income statement.

c. 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 amortized cost. This includes directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

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

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

Derecognition

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

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

d. Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.11 Provisions

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

2.3.12 Retirement Benefit Obligations

(i) Defined Benefit Plan – Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS No 19, Employee Benefits.

The item is stated under Defined Benefit Liability in the Statement of financial position.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in full in the Other Comprehensive Income.

(ii) Defined contribution plan

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Group contributes to the following Schemes:

- Employees' Provident Fund

The Group and employees contribute 12% and 10% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund.

- Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

2.3.13 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, or when annual impairment testing for an asset is required, 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, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount

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cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash – generating units (or Group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.14 Revenue Recognition

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

a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

b) Interest

For all financial instruments measured at amortised cost and interest bearing financial assets classified as loans & receivables, 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 comprehensive statement.

c) Dividends

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

d) Rental income

Rental income is recognised on an accrual basis.

e) Others

Other income is recognised on an accrual basis.

2.3.15 Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

2.3.16 Finance costs

Finance costs comprise interest expense on borrowings are recognised in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.4 CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies used by the Group in the preparation and presentation of the financial statements with that of the previous year.

3. EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company 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 1st 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 1st January 2018, with early adoption permitted.

SLFRS 16 – Leases

SLFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model requiring lesses recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a lower value. The Lessors continue to classify leases as operating or finance as SLFRS 16's approach for lessor accounting substantially unchanged from its predecessor. SLFRS 16 is effective for financial reporting periods beginning on or after 1st

January 2019, with early adoption permitted.

An external specialist has carried out and awareness session on the possible impact from these standards.

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9, SLFRS 15 and SLFRS 16 is not reasonably estimable as of the reporting date.

LKAS 7: Statement of Cash flow

The amendments to LKAS 7: Statement of Cash Flows are a part of the CASL'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 1st January 2017, with early application permitted. Application of amendments will result in additional disclosure to be provided by the Group.

Notes to the Financial Statements

4. REVENUE

	LKR	Group 2017	Group 2016	Company 2017	Company 2016
4.1	**Revenue**				
	Exports	1,342,272,757	1,312,747,844	804,661,464	827,548,559
	Local	1,024,050,860	1,066,409,747	848,209,902	787,839,401
		2,366,323,617	**2,379,157,591**	**1,652,871,366**	**1,615,387,960**

4.2 Revenue from Local Sales, consists of Revenue generated from Showrooms for the period ended 31 March 2017 amounting to LKR.180,396,791/- (2016 LKR.170,378,845/-).

5. PROPERTY, PLANT & EQUIPMENT

5.1 Gross Carrying Amounts

GROUP

	LKR	Balance as at 01.04.2016 Reclassified	Additions	Disposals	Revaluation	Balance as at 31.03.2017 Reclassified
5.1.1	**At Cost**					
	Buildings - Leasehold	6,280,113	5,382,381	-	-	11,662,494
	Roadways & Fence	2,687,404	-	-	-	2,687,404
	Plant & Machinery	1,567,989,139	22,896,017	(6,048,454)	-	1,584,836,702
	Motor Vehicles	24,269,812	-	(5,775,000)	-	18,494,812
	Office Equipment	61,312,259	2,678,704	(4,616)	-	63,986,347
	Furniture & Fittings	17,145,669	3,817,894	-	-	20,963,563
	Computer Equipment	40,778,404	4,037,552	-	-	44,815,956
		1,720,462,800	**38,812,548**	**(11,828,070)**	**–**	**1,747,447,278**
5.1.2	**At Valuation**					
	Land	513,186,763	26,500	-	54,603,500	567,816,763
	Buildings - Freehold	535,690,167	2,471,158	-	(4,653,756)	533,507,569
		1,048,876,930	**2,497,658**	**–**	**49,949,744**	**1,101,324,332**
		2,769,339,730	**41,310,206**	**(11,828,070)**	**49,949,744**	**2,848,771,610**

5.2 Depreciation

GROUP

	LKR	Balance as at 01.04.2016 Reclassified	Charge for the Year	Disposals	Revaluation	Balance as at 31.03.2017 Reclassified
5.2.1	**At Cost**					
	Buildings - Leasehold	4,679,853	680,205	-	-	5,360,058
	Roadways & Fence	1,720,749	72,134	-	-	1,792,883
	Plant & Machinery	1,309,310,302	66,963,746	(6,048,454)	-	1,370,225,594
	Motor Vehicles	18,789,496	1,164,716	(5,420,000)	-	14,534,212
	Office Equipment	45,329,168	6,463,555	(4,616)	-	51,788,107
	Furniture & Fittings	12,055,348	1,573,948	-	-	13,629,296
	Computer Equipment	30,410,858	2,928,494	-	-	33,339,352
		1,422,295,774	**79,846,798**	**(11,473,070)**	**–**	**1,490,669,502**
5.2.2	**At Valuation**					
	Buildings - Freehold	31,969,679	23,758,396	-	(43,074,606)	12,653,469
		31,969,679	**23,758,396**	**–**	**(43,074,606)**	**12,653,469**
		1,454,265,453	**103,605,194**	**(11,473,070)**	**(43,074,606)**	**1,503,322,971**

5.3 Net Book Values

	LKR	Group 2017	Group 2016
5.3.1	**At Cost**		
	Buildings - Leasehold	6,302,436	1,600,260
	Roadways & Fence	894,521	966,655
	Plant & Machinery	214,611,108	258,678,833
	Motor Vehicles	3,960,600	5,480,316
	Office Equipment	12,198,240	15,983,091
	Furniture & Fittings	7,334,267	5,090,321
	Computer Equipment	11,476,604	10,367,546
		256,777,776	**298,167,022**
5.3.2	**At Valuation**		
	Land	567,816,763	513,186,763
	Buildings - Freehold	520,854,100	503,720,488
		1,088,670,863	**1,016,907,251**
		1,345,448,639	**1,315,074,273**

5.3.3 The Group acquired Property, Plant and Equipment to the aggregate value of LKR. 41,310,206/- during the financial year (2016 - LKR. 55,996,212/-). Cash payments amounting to LKR. 33,310,206/- (2016 - LKR. 55,996,212/-) were made during the year for purchase of Property, Plant and Equipment.

5.4 Property, Plant and Equipment. was pledged as securities for borrowing given under Note 13.4.

Notes to the Financial Statements

5. PROPERTY, PLANT & EQUIPMENT (Contd..)

5.5 Revaluation of Land and Building

The Group uses the revaluation model for measurement of land and buildings. The Group engaged independent expert valuer to determine the fair value of its land and buildings. Fair value is determined using the market comparable method. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The most recent revaluations were carried out on 31 March 2016 for company and on 31 March 2017 for Royal Fernwood Porcelain Limited by Mr. Chulananda Wellapplli, an Independent Valuer who has valuation experience for similar properties.

Details of Group Land and Building stated at valuation are indicated below;

Company	Property	Method of Valuation	Value LKR	Valuers Details	Effective Date of Valuation
Dankotuwa Porcelain PLC	Land of Dankotuwa	Open Market Value Method	341,206,763	Mr. Chulananda Wellappili,	31 March 2016
	Buildings of Dankotuwa		258,116,100	Independent Incorporated Valuer	
Royal Fernwood Porcelain Ltd	Land of Kosgama	Open Market Value Method	226,610,000	Mr. Chulananda Wellappili,	31 March 2017
	Buildings of Kosgama		274,098,594	Independent Incorporated Valuer	

5.5.1 Fair Value Hierarchy and Significant Unobservable Valuation Input:

Type of Property	Extent	No of Buildings	Fair Value Hierarchy	Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Dankotuwa Porcelain PLC					
Freehold Land - Dankotuwa	7,481 p	-	Level 3	Estimated price per perch	Positively correlated
				LKR 90,000 - LKR 250,000	
Freehold Buildings - Dankotuwa	260,015 sq.ft.	29	Level 3	Estimated price per square	Positively correlated
				foot LKR 500 - LKR 3,250	
Royal Fernwood Porcelain Ltd					
Freehold Land - Kosgama	4,006 p	-	Level 3	Estimated price per perch LKR 43,735	Positively correlated
Freehold Buildings - Kosgama	172,320 sq.ft	18	Level 3	Estimated price per square foot LKR 1,599	Positively correlated

Further information in relation to the fair value hierarchy of the Company is provided in Note No. 23.2

5.6 The carrying amount of revalued Assets of the Group that would have been included in the Financial Statements had that been carried at cost less depreciation is as follows:

	LKR			Net Carrying Amount	
	Type of Property	Cost	Cumulative Depreciation If Assets were carried at cost	2017	2016
5.6.1	**Dankotuwa Porcelain PLC**				
	Land - Freehold	250,000	-	250,000	250,000
	Building - Freehold	165,081,657	82,662,248	82,419,409	79,732,005
5.6.2	**Royal Fernwood Porcelain Ltd**				
	Land - Freehold	18,590,108	-	18,590,108	18,590,108
	Building - Freehold	16,730,181	836,509	15,893,672	16,730,181

5.7 Gross Carrying Amounts

COMPANY

	LKR	Balance as at 01.04.2016 Reclassified	Additions	Disposals	Balance as at 31.03.2017 Reclassified
5.7.1	**At Cost**				
	Buildings - Leasehold	6,280,113	5,382,381	–	11,662,494
	Roadways & Fence	2,687,404	-	–	2,687,404
	Plant & Machinery	1,004,134,015	19,162,791	(6,048,454)	1,017,248,352
	Motor Vehicles	14,673,435	-	(1,775,000)	12,898,435
	Office Equipment	34,118,843	1,528,246	–	35,647,089
	Furniture & Fittings	13,916,750	2,995,191	(4,616)	16,907,325
	Computer Equipment	32,102,367	2,294,359	–	34,396,726
		1,107,912,927	**31,362,968**	**(7,828,070)**	**1,131,447,825**
5.7.2	**At Valuation**				
	Land - Freehold	341,206,763	-	–	341,206,763
	Buildings - Freehold	258,116,100	1,292,875	–	259,408,975
		599,322,863	**1,292,875**	**–**	**600,615,738**
		1,707,235,790	**32,655,843**	**(7,828,070)**	**1,732,063,563**

5.8 Depreciation

	LKR	Balance as at 01.04.2016 Reclassified	Charge for the Year	Disposals	Balance as at 31.03.2017 Reclassified
5.8.1	**At Cost**				
	Buildings - Leasehold	4,679,853	680,205	–	5,360,058
	Roadways & Fence	1,720,749	72,134	–	1,792,883
	Plant & Machinery	899,162,834	25,730,893	(6,048,454)	918,845,273
	Motor Vehicles	9,193,119	1,164,716	(1,420,000)	8,937,835
	Office Equipment	21,771,077	3,109,155	(4,616)	24,875,616
	Furniture & Fittings	9,682,799	718,948	–	10,401,747
	Computer Equipment	26,767,352	2,238,636	–	29,005,988
		972,977,783	**33,714,687**	**(7,473,070)**	**999,219,400**
5.8.2	**At Valuation**				
	Buildings - Freehold	–	12,653,469	–	12,653,469
		–	**12,653,469**	**–**	**12,653,469**
		972,977,783	**46,368,156**	**(7,473,070)**	**1,011,872,869**

Notes to the Financial Statements

5. PROPERTY, PLANT & EQUIPMENT (Contd..)

	LKR	2017	2016
5.9.1	**At Cost**		
	Building - Leasehold	6,302,436	1,600,260
	Roadways & Fence	894,521	966,655
	Plant & Machinery	98,403,079	104,971,181
	Motor Vehicles	3,960,600	5,480,316
	Office Equipment	10,771,473	12,347,766
	Furniture & Fittings	6,505,578	4,233,951
	Computer Equipment	5,390,738	5,335,015
		132,228,425	**134,935,144**
5.9.2	**At Valuation**		
	Land - Freehold	341,206,763	341,206,763
	Building - Freehold	246,755,506	258,116,100
		587,962,269	**599,322,863**
	Total Carrying Amount of Property, Plant and Equipment	**720,190,694**	**734,258,007**

5.10 The Company acquired Property, Plant and Equipment to the aggregate value of LKR.32,655,843/- during the financial year (2016 - LKR.14,456,404/-). Cash payments amounting to LKR. 24,655,844/- (2016 - LKR. 14,456,404/-) were made during the year for purchase of Property, Plant and Equipment.

5.11 The useful lives of the Assets of the Companies in the Group are estimated as follows.

	Group		Company	
	2017	2016	2017	2016
Buildings Leasehold	Over the Lease Period	Over the Lease Period	Over the Lease Period	Over the Lease Period
Buildings Freehold				
Buildings Freehold	10-40 years	10-40 years	40 years	40 years
Roadways & Fence	40 years	40 years	40 years	40 years
Plant & Machinery				
Plant & Machinery	10-33 years	10-33 years	10-33 years	10-33 years
Lab Equipment's	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Tools	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Power Supply Equipment	25-50 years	25-50 years	50 years	50 years
Factory Equipment	5 -20 years	5 -20 years	10 -20 years	10 -20 years
Wells & Tanks	40 years	40 years	40 years	40 years
Kilns	15-34 years	15-34 years	15-34 years	15-34 years
Office Equipment				
Office Equipment	5-6 2/3 years	5-6 2/3 years	6 2/3 years	6 2/3 years
Sound Equipment	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Welfare Equipment	5- 6 2/3 years	5- 6 2/3 years	6 2/3 years	6 2/3 years
Security Equipment	6 2/3 years	6 2/3 years	6 2/3 years	6 2/3 years
Telephone	5 years	5 years	5 years	5 years
Shop Assets	10 years	10 years	10 years	10 years
Motor Vehicles	4 - 6 Years	4 - 6 Years	4 to 6 Years	4 to 6 Years
Furniture & Fittings	5-10 years	5-10 years	10 years	10 years
Computer Equipment	4 years	4 years	4 years	4 years

6. INTANGIBLE ASSETS

	Carrying Amount			
	Group		Company	
LKR	2017	2016	2017	2016
Summary				
Computer Software (Note 6.1)	47,028,896	41,628,786	47,028,896	41,628,786
Goodwill on Consolidation (Note 6.2)	198,340,084	198,340,084	–	-
Brand Name (Note 6.3)	14,787,753	14,787,753	–	-
	260,156,733	**254,756,623**	**47,028,896**	**41,628,786**

6.1 Computer Software

LKR	Group / Company	
Cost	**2017**	**2016**
As at the beginning of the year	3,783,768	2,444,161
Acquired / Incurred during the period	13,614,616	1,339,607
Transferred from Work in Progress	40,345,000	-
As at the end of the year	**57,743,384**	**3,783,768**
Intangible Assets - Work in Progress	–	40,345,000
	–	**40,345,000**
Amortisation		
As at the beginning of the year	2,499,982	2,444,161
Amortisation for the year	8,214,506	55,821
As at the end of the year	10,714,488	2,499,982
Net book value as at the end of the year	**47,028,896**	**41,628,786**

Computer Software consisted of Microsoft Open Licences, which were amortized over the useful life of 24 months, cost of new ERP system amortized over the usefull life of 48 months.

6.2 Goodwill on Consolidation

	Group	
LKR	**2017**	**2016**
Balance at the beginning of the year	198,340,084	198,340,084
Balance at the end of the year (Note 6.2.1)	**198,340,084**	**198,340,084**

6.2.1 Goodwill represents the excess of an acquisition over the Group's interest in the net fair value of the Identifiable Assets, Liabilities and Contingent Liabilities as at the date of acquisition, and is carried at cost less accumulated impairment losses.

Goodwill is not amortized, but is reviewed for impairment annually and whether there is an indication that goodwill may be impaired.

Notes to the Financial Statements

6.3 Brand Name

	Group	
LKR	2017	2016
Balance at the beginning of the year	14,787,753	14,787,753
Balance at the end of the year (Note 6.3.1)	**14,787,753**	**14,787,753**

6.3.1 Brand Name represents that of "Royal Fernwood Porcelain Limited" which has been recognized during the measurement period.

6.4 Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

	Goodwill		Brand Name	
LKR	2017	2016	2017	2016
Royal Fernwood Porcelain Limited (Note 6.2 & 6.3)	198,340,084	198,340,084	14,787,753	14,787,753
	198,340,084	**198,340,084**	**14,787,753**	**14,787,753**

The Group performed its annual impairment test in March 2017 and 2016. The Group considers the relationship between its recoverable amount and its book value, among other factors, when reviewing for indicators of impairment. As at 31 March 2017.

The recoverable amount of the RFPL Group, involved in the manufacturing of porcelain products has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a four year period. The projected cash flows have been updated to reflect the decreased demand for services.

Key assumptions used in the Value In Use (VIU) calculation and sensitivity to changes in assumptions

Gross margins

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

Discount rates

The discount rate used is the risk free rate which is the long term bond rate as published by Central Bank of Sri Lanka, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions as published by Central Bank of Sri Lanka.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

Sensitivity to Changes in Assumptions

A 0.5% change in the discount rate does not result in an Impairment Loss.

7. INVESTMENT IN SUBSIDIARIES - COMPANY

Non-Quoted	Country of Incorporation	No of Ordinary Shares	Holding %	2017 LKR	2016 LKR
Royal Fernwood Porcelain Ltd	Sri Lanka	1,900,710,972	95.69%	250,569,870	250,569,870
Taprobane Capital (Pvt) Ltd	Sri Lanka	18,200,002	100%	232,645,458	232,645,458
Total Non–Quoted Investment in Subsidiary				**483,215,328**	**483,215,328**

The Principle Activities of the subsidiaries are disclosed in Note 1.6.

7.1 MATERIAL PARTLY OWNED SUBSIDIARIES – GROUP

Financial information of Subsidiaries that have material Non-Controlling Interests is provided below;

7.1.1 Proportion of Equity Interest held by Non–Controlling Interests:

Name of the Subsidiaries	Proportion of NCI		Accumulated Balances of NCI		Total Comprehensive Income allocated to NCI	
LKR	2017	2016	2017	2016	2017	2016
Non–Controlling Interests material individually						
Royal Fernwood Porcelain Ltd	4.31%	4.31%	8,219,681	3,059,229	5,160,451	(15,091,533)

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	LKR	2017	2016
7.1.2	**Summarized statement of Profit or Loss for the year ended 31 March**		
	Revenue	760,049,620	766,541,823
	Operating Cost	(706,178,196)	(793,393,382)
	Other Income	6,677,481	10,456,597
	Finance Cost	(38,326,403)	(62,802,582)
	Finance Income	161,791	129,693
	Tax (Expense) / Reversal	5,580,769	14,603,159
	Profit or Loss from Continuing Operations	**27,965,062**	**(64,464,692)**
	Other Comprehensive Income/(Loss)	91,767,020	1,569,530
	Total Comprehensive Income/(Loss)	**119,732,082**	**(62,895,162)**
7.1.3	**Summarized Statement of Financial Position for the year ended 31 March**		
	Current Assets	416,586,594	310,842,291
	Non-Current Assets	625,257,945	580,816,270
	Total Assets	**1,041,844,539**	**891,658,561**
	Current Liabilities	388,759,044	346,091,431
	Non-Current Liabilities	462,500,863	474,714,581
	Total Liabilities	**851,259,907**	**820,806,012**
7.1.4	**Summarized Cash Flow Information for the year ended 31 March**		
	Operating	3,564,599	(21,503,331)
	Investing	(4,731,571)	(40,410,114)
	Financing	19,256,406	41,541,663
	Net increase/(decrease) in Cash and Cash Equivalents	**18,089,434**	**(20,371,782)**

Notes to the Financial Statements

8. OTHER FINANCIAL INVESTMENTS - COMPANY

8.1 Loans Given to Subsidiaries

LKR	Amount Repayable Within 1 Year 2017	Amount Repayable After 1 Year 2017	Total 2017	Amount Repayable Within 1 Year 2016	Amount Repayable After 1 Year 2016	Total 2016
Taprobane Capital (Pvt) Ltd.	–	30,540,547	30,540,547	-	28,979,317	28,979,317
Royal Fernwood Porcelain Ltd.	–	270,178,206	270,178,206	-	256,366,715	256,366,715
	–	**300,718,753**	**300,718,753**	**–**	**285,346,032**	**285,346,032**

	LKR	As at 01.04.2016	Loans Granted	Repayment	Interest Accrued During the Year	As at 31.03.2017
8.1.1	**Movement In the Loan Balance**					
	Taprobane Capital (Pvt) Ltd.	28,979,317	-	-	1,561,230	30,540,547
	Royal Fernwood Porcelain Ltd.	256,366,715	-	-	13,811,491	270,178,206
		285,346,032	**–**	**–**	**15,372,721**	**300,718,753**

	LKR		Taprobane Capital (Pvt) Ltd. 31.03.2017	Royal Fernwood Porcelain Ltd. 31.03.2017	Total 31.03.2017
8.1.2	**Reconciliation of the Loan Balance is set out below:**				
	Loans Granted	-in 2014	25,756,788	227,858,467	253,615,255
	Interest Accrued	-in 2014	391,881	3,485,198	3,877,079
		-in 2015	1,345,276	11,882,634	13,227,910
		-in 2016	1,485,373	13,140,415	14,625,788
		-in 2017	1,561,230	13,811,492	15,372,722
			30,540,548	**270,178,206**	**300,718,753**

		Loan Capital		Repayment Terms	Interest Rates	Security
		Taprobane Capital (Pvt) Ltd LKR	Royal Fernwood Porcelain Ltd LKR			
8.1.3	**Terms and Conditions**					
	Loan No. 01- Loan assumed at the time of acquisition of Royal Fernwood Porcelain Ltd (RFPL) and Taprobane Capital (Pvt) Ltd. (Refer Note 27.3.1)	25,756,788	227,858,467	Loan together with the interest accrued is repayable in full after 5 years (31 December 2018)	6% per annum	None

9. INVENTORIES

	Group		Company	
LKR	**2017**	**2016**	**2017**	**2016**
Raw Materials	207,741,693	104,478,041	108,343,733	56,794,487
Indirect Materials	25,172,165	13,067,078	25,172,165	13,067,078
Packing Materials	13,523,575	29,288,843	8,638,549	9,086,090
Spare Parts	33,157,824	30,970,515	33,157,824	30,970,515
General Inventory	9,984,449	5,283,773	9,984,449	5,283,773
Consumables	10,251,352	18,493,526	10,251,352	18,493,526
Semi Finished Goods	204,948,771	119,171,075	204,948,771	119,171,075
Work in Progress	45,226,178	164,636,705	13,548,207	104,183,037
Finished Goods	241,519,077	268,905,730	118,213,183	134,611,878
Others	30,797,316	8,962,390	30,797,315	8,962,390
Less : Allowance for Obsolete & Slow Moving Inventories (Note 9.1)	(145,029,886)	(165,129,426)	(140,294,461)	(119,218,136)
	677,292,514	**598,128,248**	**422,761,088**	**381,405,713**
Goods in Transit	9,789,449	1,154,561	9,789,449	1,154,561
Total Inventories at the Lower of Cost and Net Realizable Value	**687,081,963**	**599,282,810**	**432,550,537**	**382,560,274**

9.1 Provision for Inventories

Balance as at the Beginning of the Year	165,129,426	175,951,274	119,218,136	112,816,338
Provision Made During the Period	21,076,325	6,401,798	21,076,325	6,401,798
Reversal of Provisions / Write Off	(41,175,865)	(17,223,646)	–	-
Balance as at the End of the Year	**145,029,886**	**165,129,426**	**140,294,461**	**119,218,136**

9.2 Inventories Pledged for borrowings as securities are given under Note 13.4.

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES

LKR		Group 2017	Group 2016	Company 2017	Company 2016
Trade Debtors	- Related Parties (10.1)	26,787	150,242	15,379,097	13,299,281
	- Others	319,742,987	286,195,590	234,343,797	219,266,386
Less: Impairment for Doubtful Debts (10.4)		(39,896,441)	(29,192,296)	(16,060,015)	(12,830,183)
		279,873,333	**257,153,536**	**233,662,879**	**219,735,484**
Other Debtors	- Related Parties (10.2)	2,644,261	5,719,518	94,093,311	40,699,567
	- Others	26,030,165	19,741,511	26,030,165	19,741,511
		308,547,759	**282,614,565**	**353,786,355**	**280,176,562**
Advances and Prepayments		99,699,567	74,829,700	48,787,745	51,852,251
Loans Given to Employees (10.3)		6,799,990	9,448,102	6,799,990	9,448,102
		415,047,316	**366,892,367**	**409,374,090**	**341,476,913**

	LKR	Relationship	Group 2017	Group 2016	Company 2017	Company 2016
10.1	**Trade Receivables – Related Parties**					
	Lanka Century Investments PLC	Parent	–	113,455	–	113,455
	Colombo City Holdings PLC	Fellow Subsidiary	–	10,000	–	10,000
	Palla & Company (Pvt) Ltd	Fellow Subsidiary	26,787	26,787	26,787	26,787
	Royal Fernwood Porcelain Ltd	Subsidiary	–	-	15,352,310	13,149,039
			26,787	**150,242**	**15,379,097**	**13,299,281**
10.2	**Other Receivables – Related Parties**					
	Royal Fernwood Porcelain Ltd	Subsidiary	–	-	90,962,833	34,650,265
	Palla & Company (Pvt) Ltd	Fellow Subsidiary	347,438	347,438	347,438	347,438
	Colombo City Holdings PLC	Fellow Subsidiary	2,259,418	5,372,080	2,259,418	5,372,080
	Taprobane Capital (Pvt)Ltd	Subsidiary	–	-	486,217	329,784
	South Asia Textiles Ltd	Fellow Subsidiary	37,405	-	37,405	-
			2,644,261	**5,719,518**	**94,093,311**	**40,699,567**
10.3	**Loans to Company Employees**					
	Summary					
	Balance as at the Beginning of the Year		10,911,454	15,374,363	10,911,454	15,374,363
	Loans Granted During the Year		5,399,219	10,338,884	5,399,219	10,338,884
	Less: Repayments During the Year		(8,063,425)	(14,801,793)	(8,063,425)	(14,801,793)
			8,247,248	**10,911,454**	**8,247,248**	**10,911,454**
	Less: Provision for Loans		(1,447,258)	(1,463,352)	(1,447,258)	(1,463,352)
	Balance as at the End of the Year		**6,799,990**	**9,448,102**	**6,799,990**	**9,448,102**
10.4	**Provision for Debts**					
	Balance as at the Beginning of the Year		29,192,296	21,291,235	12,830,183	10,079,012
	Provision Made / (Reversal) During the Period		10,704,145	8,332,213	3,229,832	3,182,323
	Write off During the Period		–	(431,152)	–	(431,152)
	Balance as at the End of the Year		**39,896,441**	**29,192,296**	**16,060,015**	**12,830,183**

10.5 Aging Analysis of trade receivables as follows;

		Past Due but Not Impaired			
LKR	Neither past due nor impaired	31 to 60 days	61 to 90 days	More than 91 days	Total
Group					
2017	233,613,996	26,498,114	6,708,191	13,053,032	279,873,333
2016	153,413,501	53,977,129	26,072,195	37,837,094	271,299,919
Company					
2017	182,760,261	6,349,663	384,732	44,168,223	233,662,879
2016	120,349,707	50,358,871	25,336,193	23,690,711	219,735,482

11. STATED CAPITAL

	2017		2016	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares				
Balance at Beginning of the Year	162,552,920	1,402,101,647	72,245,742	679,644,223
Issue of Shares for Cash	-	-	90,307,178	722,457,424
Balance at the End of the Year	**162,552,920**	**1,402,101,647**	**162,552,920**	**1,402,101,647**

11.1 The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at a meeting of the shareholders or one vote per share in the case of a poll. All shares ranked equally with regard to the Company's residual assets.

12. RESERVES

	Group		Company	
LKR	2017	2016	2017	2016
Revaluation Reserve (12.1)	590,069,715	508,217,619	508,217,619	508,217,619
Exchange Fluctuation Reserves (12.2)	(692,907)	(515,000)	(692,907)	(515,000)
	589,376,808	**507,702,619**	**507,524,712**	**507,702,619**
12.1 Revaluation Reserve				
Balance as at the Beginning of the Year	508,217,619	249,416,000	249,416,000	249,416,000
Revaluation Reserve Identified During the Year	81,852,096	258,801,619	258,801,619	258,801,619
Balance as at the End of the Year	**590,069,715**	**508,217,619**	**508,217,619**	**508,217,619**

12.1.1 Revaluation reserves consist of surplus resulting on valuation of free hold land & buildings as more fully described in Note 5.5.

Notes to the Financial Statements

	LKR	Group / Company 2017	Group / Company 2016
12.2	**Exchange Fluctuation Reserves**		
	Balance as at Beginning of the year	(515,000)	(591,956)
	Reversal from Exchange Fluctuation Reserve	(177,907)	76,956
	Balance as at the End of the year	**(692,907)**	**(515,000)**

12.2.1 All resulting exchange differences on the conversion of foreign branch operations which is in functional currency of Indian Rupees (INR) to the presentation currency of Sri Lankan Rupees (LKR) have been recognized under Exchange Fluctuation Reserve as a separate component of Equity.

13. INTEREST BEARING LOANS AND BORROWINGS

	LKR	Amount Repayable Within 1 Year 2017	Amount Repayable After 1 Year 2017	Total 2017	Amount Repayable Within 1 Year 2016	Amount Repayable After 1 Year 2016	Total 2016
13.1	**Summary – Group**						
	Loans from Non Financial Institutions(13.2)	–	300,718,756	300,718,756	500,000	285,346,035	285,846,035
	Bank Loans (13.3)	99,840,923	141,213,206	241,054,130	105,621,552	195,943,361	301,564,911
	Bank Overdrafts (15.2)	26,076,037	–	26,076,037	43,031,749	-	43,031,749
		125,916,960	**441,931,962**	**567,848,923**	**149,153,301**	**481,289,396**	**630,442,695**
13.1.1	**Summary – Company**						
	Loans from Non Financial Institutions (13.2)	–	300,718,754	300,718,754	-	285,346,035	285,346,035
	Bank Loans (13.3)	5,002,696	–	5,002,696	17,845,748	5,002,684	22,848,432
	Bank Overdrafts (15.2)	6,646,972	–	6,646,972	8,048,594	-	8,048,594
		11,649,668	**300,718,754**	**312,368,422**	**25,894,342**	**290,348,719**	**316,243,061**

13.2 Loans from Non Financial Institutions

LKR	As at 01.04.2016	Loans Obtained	Repayments	Interest Accrued During the Year	As at 31.03.2017
Browns Investments PLC	70,429,594	-	-	3,794,323	74,223,917
S.F.L. Services (Pvt) Ltd.	75,453,957	-	-	4,065,002	79,518,959
Brown & Company PLC	139,462,484	-	-	7,513,394	146,975,878
Loans from Non Financial Institutions – Company	**285,346,035**	**–**	**–**	**15,372,719**	**300,718,754**
Browns Investments PLC	500,000	-	(500,000)	-	–
Loans from Non Financial Institutions – Group	**285,846,035**	**–**	**(500,000)**	**15,372,719**	**300,718,754**

These loans have been assumed by the Company as at 31 December 2013, at the time of acquisition of Royal Fernwood Porcelain Ltd (RFPL) and Taprobane Capital (Pvt) Ltd. Refer Note 27.1.3 for more details.

13.2.1 Terms and Conditions

Security : None

Loan Repayment Terms: Loan together with the interest accrued is repayable in full after 5 years (31 December 2018)*

Interest Rate - 6% per annum

13.3 Bank Loans

LKR	Notes	As at 01.04.2016	Loans Obtained	Repayment	Exchange (Gain) / Loss	As at 31.03.2017
Bank of Ceylon - Term Loan	13.3.1	10,460,200	-	(5,457,504)	-	5,002,697
Bank of Ceylon - Packing Credit Loan	13.3.2	12,388,231	-	(12,388,231)	-	–
Bank Loans – Company		**22,848,432**	**–**	**(17,845,735)**	**–**	**5,002,697**
Hatton National Bank PLC - Term Loan - USD	13.3.9	172,142,557	-	(25,933,004)	8,317,524	154,527,077
Hatton National Bank PLC - Term Loan	13.3.10	18,798,120	-	(2,819,640)	-	15,978,480
Hatton National Bank PLC - Packing Credit Loan	13.3.11	27,014,905	27,663,161	(39,940,791)	1,223,192	15,960,467
Hatton National Bank PLC - Import Loan	13.3.12	9,305,036	14,645,081	(18,726,977)	708,140	5,931,280
Peoples Bank - Packing Credit Loan	13.3.13	20,535,375	29,943,966	(28,277,139)	235,444	22,437,646
Peoples Bank - Import Loan	13.3.14	30,920,487	88,941,075	(98,645,078)	-	21,216,484
		278,716,480	**161,193,283**	**(214,342,629)**	**10,484,300**	**236,051,434**
Bank Loans – Group		**301,564,911**	**161,193,283**	**(232,188,364)**	**10,484,300**	**241,054,131**

Notes to the Financial Statements

13. INTEREST BEARING LIABILITIES (Contd..)

13.4 Security, repayment terms and other significant details of facilities

	Lending Institution	Nature of Facility	Purpose of the Facility	Repayment Terms	Interest Rate	Security	Carrying Value of the Assets Pledged 2017 LKR	2016 LKR
	Dankotuwa Porcelain PLC – Company							
	Bank of Ceylon							
13.3.1		Term Loan (LKR 21.83 Mn)	To finance import of De Airing Pug Mill	48 monthly installments	AWPLR + 2.5%. additional 4% p.a. for overdue	Mortgage over machinery	16.5 Mn	18 Mn
13.3.2		Packing Credit Loans	To finance local orders	Maximum 4 months	3 Months LIBOR + 4.5% p.a. (effective rate 5.25%), additional 2% p.a. for overdue Loans	Floating hypothecation over Stocks and Book Debts	666 Mn	602 Mn
13.3.3		Overdraft Facilities	To finance working capital requirements	-	AWPLR + 2.5% p.a.			
	Sampath Bank PLC							
13.3.4		Packing Credit Loans LKR 50 Mn	To finance working capital relating to export orders	Maximum 3 months	AWPLR + 2.0% p.a.	Hypothecation Bond for Rs. 100 Mn over Stocks and Book Debts of the Company	100 Mn	100 Mn
13.3.5		USD 0.5 Mn	To finance working capital relating to export orders	Maximum 3 months	3 months LIBOR + 2% subject to minimum of 5.25% p.a			
13.3.6		Overdraft Facilities	To finance working capital requirements		AWPLR + 2.0% p.a			
	Pan Asia Banking Corporation PLC							
13.3.7		Packing Credit Loans USD 1 Mn	To finance working capital relating to export orders	Maximum 4 months	3 months LIBOR + 4.0% subject to minimum of 4.25% p.a.	Mortagage bond for USD 1,000,000 over Stocks and Book Debts for the value of 1.5 times of the facility.	666 Mn	-
13.3.8		Overdraft Facilities	To finance working capital requirements	On demand	3 months LIBOR + 4.0% subject to minimum of 4.25% p.a			
	Royal Fernwood Porcelain Ltd							
	Hatton National Bank PLC							
13.3.9		Term Loan (LKR 19 Mn)	Reschedule of Over due Outstanding	83 Equal monthly Installments	AWPLR + 2.0% p.a.	Primary mortgage bond over immovable property in the factory at Kosgama	500 Mn	325 Mn
13.3.10		Term Loan (USD 1.2 Mn)	Reschedule of Over due Outstanding	83 Equal monthly Installments	LIBOR + 5.25%			
13.3.11		Packing Credit Loans (LKR 50 Mn)	To finance working capital requirements	Settlement through sales proceeds	AWPLR + 2.0%			
13.3.12		Term Loan (LKR 50 Mn)	To finance working capital requirements	Settlement through sales proceeds	AWPLR + 2.0%	Secondary mortgage bond over Land & Building at Kosgama for LKR 40 Mn	40 Mn	40 Mn
	Peoples Bank							
13.3.13		Packing Credit Loans (LKR 50 Mn)	To finance working capital requirements	90 days from the letter of credit granted	Sight : Commission of 0.25% Usance : Commission of 0.325%	Title of goods shipped and indemnity of the company	–	-
13.3.12		Import letter of credit (LKR 50 Mn)	To finance working capital requirements	90 days from the letter of credit granted	Sight : Commission of 0.25% Usance : Commission of 0.325%	Title of goods shipped and indemnity of the company	–	-

14. POST EMPLOYMENT BENEFIT LIABILITY

LKR	Balance 01.04.2016	Charge for the Year	Payments during the Year	Balance 31.03.2017
Retirement Benefits Obligation - Gratuity - Group	134,811,709	15,161,317	(20,687,481)	129,285,545
	134,811,709	**15,161,317**	**(20,687,481)**	**129,285,545**
Retirement Benefits Obligation - Gratuity - Company	113,886,228	18,605,236	(18,074,623)	114,416,841
	113,886,228	**18,605,236**	**(18,074,623)**	**114,416,841**

14.1 Expense on Defined Benefit Plan

	Group		Company	
LKR	**2017**	**2016**	**2017**	**2016**
Interest Cost on Benefit Obligation	13,350,746	11,827,984	11,258,198	9,934,029
Current Service Cost	9,476,322	10,732,419	7,541,339	7,806,445
Recognition in the statement of Profit or Loss	**22,827,068**	**22,560,403**	**18,799,537**	**17,740,474**
Actuarial (Gain)/Loss for the year	(7,665,751)	5,214,098	(194,301)	7,126,293
Recognition in the Other Comprehensive Income	**(7,665,751)**	**5,214,098**	**(194,301)**	**7,126,293**
Recognition in the total Comprehensive Income	**15,161,317**	**27,774,501**	**18,605,236**	**24,866,767**

14.2 Messrs. Actuarial & Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the Defined Benefit Plan Gratuity of the Group on 31 March 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

Principal Actuarial Assumptions

The principal financial assumptions underlying the valuation are as follows:

	Group/Company	
	2017	**2016**
Discount Rate	12.5% per annum.	8% - 10% per annum.
Future Salary Increase Rate	7.5%	10%
Normal Retirement Age	55 Years	55 Years

14.3 Maturity Profile of the Defined Benefit Plan

	Group		Company	
LKR	**2017**	**2016**	**2017**	**2016**
Within Next 12 Months	8,813,874	12,791,788	6,833,348	11,456,735
Between 1 - 2 Years	5,015,791	8,777,222	2,280,818	6,119,763
Between 2 - 5 Years	36,890,802	28,625,536	34,103,027	24,896,589
Between 5- 10 Years	74,184,532	75,527,819	71,199,648	71,413,141
Beyond 10 years	4,380,536	9,089,344	–	-
	129,285,545	**134,811,709**	**114,416,841**	**113,886,228**
Weighted Average Duration of Defined Benefit Obligation (Years)	5.8–7.85	1.62 - 5.8	5.84	5.78

Notes to the Financial Statements

14.4 Break up of the Actuarial (Gain)/ Loss

LKR	Group 2107	Group 2016	Company 2017	Company 2016
Actuarial (Gain)/ Loss Resulting from Changes in Financial Assumptions	(7,665,751)	5,214,098	(194,301)	7,126,293
	(7,665,751)	**5,214,098**	**(194,301)**	**7,126,293**

14.5 Sensitivity Analysis

LKR Actuarial Assumptions			Group 2017	Group 2016	Company 2017	Company 2016
If a one percentage change in the assumed discount rate would have the following effects.	Change in Discount Rate	+1%	(6,121,134)	(7,289,215)	(5,140,963)	(5,161,064)
		-1%	6,728,868	3,827,418	5,615,858	5,654,725
If a one percentage change in the assumed salary increment rate would have the following effects.	Salary Increment Rate	+1%	7,353,426	6,199,613	6,130,523	6,126,589
		-1%	(6,769,821)	(5,737,619)	(5,680,820)	(5,663,216)

15. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

	LKR	Group 2017	Group 2016	Company 2017	Company 2016
15.1	**Favourable Cash and Cash Equivalents Balance**				
	Cash and Bank Balances	106,265,786	42,902,889	91,559,834	30,730,275
	Short Term Deposits (Note 15.3)	235,966,192	251,525,509	235,966,192	251,525,509
		342,231,978	**294,428,398**	**327,526,026**	**282,255,784**
15.2	**Unfavorable Cash and Cash Equivalent Balances**				
	Bank Overdraft (Note 13)	(26,076,037)	(43,031,749)	(6,646,972)	(8,048,594)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	**316,155,941**	**251,396,649**	**320,879,054**	**274,207,190**

15.3 Short Term Deposits includes an amount of LKR 222,457,424 pertaining to the balance amount of right issue funds raised

16. TRADE AND OTHER PAYABLES

LKR		Group 2017	Group 2016	Company 2017	Company 2016
Trade Payables	- Related Parties (Note 16.1)	2,229,493	19,250	32,140,709	6,801,125
	- Others	214,050,988	160,953,207	136,846,706	94,639,176
Other Payables	- Related Parties (Note 16.2)	7,124,106	936,464	12,095,398	2,036,112
	- Others	110,222,944	43,140,835	58,647,715	44,938,668
		333,627,531	**205,049,756**	**239,730,528**	**148,415,081**
Sundry Creditors Including Accrued Expenses		131,985,257	152,480,352	92,203,131	68,345,307
		465,612,788	**357,530,109**	**331,933,659**	**216,760,388**

	LKR	Relationship	Group 2017	Group 2016	Company 2017	Company 2016
16.1	**Trade Payables – Related Parties**					
	South Asia Textiles Ltd	Fellow Subsidiary	44,000	19,250	44,000	19,250
	Royal Fernwood Porcelain Ltd	Subsidiary	–	-	32,072,909	6,781,875
	Ceylon Leather Products PLC	Fellow Subsidiary	1,876,580	-	23,800	-
	Palla & Company	Fellow Subsidiary	308,913	-	–	-
			2,229,493	**19,250**	**32,140,709**	**6,801,125**
16.2	**Other Payables – Related Parties**					
	Lanka Century Investments PLC	Parent	4,705,154	520,626	2,577,126	520,626
	Colombo City Holdings PLC	Fellow Subsidiary	2,068,952	65,838	2,068,952	65,838
	Royal Fernwood Porcelain Ltd	Subsidiary	–	-	7,449,320	1,449,648
	ARRC Capital Ltd	Affiliate	350,000	350,000	–	-
			7,124,106	**936,464**	**12,095,398**	**2,036,112**

17. DEFERRED INCOME

LKR	Group/Company 2017	Group/Company 2016
Balance as at the Beginning of the Year	810,745	1,233,745
	810,745	1,233,745
Less : Amortization for the Period	(423,000)	(423,000)
Balance as at the End of the Year	**387,745**	**810,745**

17.1 The waste water treatment project was completed in March 2008 and it is capitalized under the relevant classification of Property, Plant & Equipment. Hence, corresponding grant component is reflected under Deferred Income which is amortised over the useful life of (10 years), which is the estimated life of the Assets.

18. OTHER INCOME

LKR	Group 2017	Group 2016	Company 2017	Company 2016
Miscellaneous Income	10,653,322	16,881,954	9,720,997	13,505,992
Dividend Income	–	351	–	351
Profit on Disposal of Property, Plant & Equipment	5,423,790	5,105,161	1,662,789	4,222,237
Share Trading Profit	–	3,488	–	3,488
	16,077,112	**21,990,954**	**11,383,786**	**17,732,068**

Notes to the Financial Statements

19. FINANCE COST / INCOME

19.1 FINANCE INCOME

	Group		Company	
LKR	2017	2016	2017	2016
Interest on Short Term Investments	28,165,805	4,963,408	28,024,890	4,833,715
Interest on Loans given to Subsidiaries	–	-	20,109,351	27,001,625
Interest on Staff Loans	937,315	1,028,101	937,315	1,028,101
Interest on Foreign Currency Savings Accounts	413,455	349,459	392,579	349,459
Interest on REPO Investments	–	990,384	–	990,384
	29,516,575	**7,331,352**	**49,464,135**	**34,203,284**

19.2 FINANCE COST

	Group		Company	
LKR	2017	2016 Restated	2017	2016 Restated
Overdraft Interest	3,660,251	2,974,109	1,175,040	1,433,572
Interest on Bank Loan	7,221,957	18,171,303	1,979,323	3,625,664
Interest on Intercompany Loan	15,372,719	40,082,641	15,372,719	38,590,386
Discount Interest	47,643	51,169	47,643	51,169
Import Bill Interest	9,074,154	-	–	-
Bank Charges	–	1,812,667	–	-
	35,376,724	**63,091,889**	**18,574,725**	**43,700,791**

20. PROFIT / (LOSS) BEFORE TAX

	Group		Company	
LKR	2017	2016	2017	2016
Stated after Charging / (Crediting)				
- Included under Cost of Sales				
- Depreciation	90,382,687	84,615,326	37,790,629	35,830,483
- Salaries	389,206,056	412,193,984	275,750,041	270,563,594
- Employee Benefits Liability	19,486,959	16,959,105	15,714,961	15,159,105
- Defined Contribution Plan Cost - EPF & ETF	51,296,246	50,074,225	32,209,129	33,078,578
- Other Staff Cost	70,746,784	65,606,643	51,827,444	50,930,336
- Research & Development	174,220	851,726	174,220	851,726
– Included under Administration Expenses				
- Depreciation	10,059,042	8,017,548	5,414,062	3,765,610
- Amortization of Intangible Assets	8,214,510	55,817	8,214,510	55,817
- Directors' Remuneration	10,964,884	8,200,000	8,064,884	5,200,000
- Salaries	47,751,707	55,592,878	39,698,756	43,397,250
- Employee Benefits Liability	1,249,122	3,744,114	994,732	1,625,930
- Defined Contribution Plan Cost - EPF & ETF	6,441,260	6,186,144	4,815,356	4,669,044
- Other Staff Cost	8,306,320	17,779,279	6,771,995	8,668,233
- Legal Fees	1,170,984	2,014,498	1,148,484	176,240
- Auditors' Fee and Expenses - Current Year	1,953,500	2,177,140	1,123,500	1,123,500
- Auditors' Fee and Expenses - Under Provision for Last Year	116,921	-	–	164,500
- Auditors' Fee and Expenses - Other Services and Branch	724,491	701,428	81,078	201,428
- Net of Provision / Write off / Reversal for Obsolete & Slow Moving Inventories	(20,099,540)	(10,821,848)	21,076,325	6,401,798
- (Profit) / Loss from disposal of Property, Plant & Equipment	(5,423,790)	-	(1,662,789)	-
– Included under Selling & Distribution Expenses				
- Depreciation	3,160,662	1,730,630	2,480,456	1,730,630
- Amortization	680,206	833,982	680,206	833,982
- Salaries	52,698,184	47,611,623	49,807,299	39,645,171
- Employee Benefits Liability	2,002,209	1,965,222	1,912,287	955,439
- Defined Contribution Plan Cost - EPF & ETF	7,648,311	5,545,356	6,118,036	5,545,356
- Other Staff Cost	4,704,202	6,774,143	4,590,367	5,755,343
- Provision for Doubtful Debts	10,704,145	8,332,213	3,229,832	3,182,222

Notes to the Financial Statements

21 INCOME TAX EXPENSE

	Group		Company	
LKR	2017	2016	2017	2016
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (21.1)	39,965,720	24,997,717	36,224,045	24,997,717
Under / (Over) Provision of Current Taxes in respect of Prior Years (21.1.2)	(1,111,797)	362,609	4,199,418	(874,073)
Current Tax Expense relating to branch operation in India, Chennai	314,311	-	314,311	-
Deferred Income Tax		-	–	
Deferred Taxation Charge / (Reversal) (21.2.1)	(13,223,720)	95,934	(9,212,491)	15,935,775
Income Tax Expense/(Reversal) Reported in the Statement of Profit or Loss	**25,944,514**	**25,456,260**	**31,525,283**	**40,059,419**

21.1 Reconciliation Between Current Tax Expense and the Product of Accounting Profit.

	Group		Company	
LKR	2017	2016 Restated	2017	2016 Restated
Accounting Profit / (Loss) Before Tax	146,848,206	30,616,355	126,176,869	111,494,451
Income Exempt from tax	(392,579)	662,136	(392,579)	(349,459)
Aggregate Disallowed Items	119,547,794	109,551,041	69,345,188	40,778,673
Aggregate Allowable Items	(97,005,529)	(67,893,147)	(68,293,620)	(42,299,675)
Dividend Income	–	(351)	–	(351)
Trade Profit/(Loss)	**168,997,898**	**72,936,034**	**126,835,658**	**109,623,639**
Taxable Business Profit	**168,997,898**	**109,623,639**	**126,835,658**	**109,623,639**
Other Sources of Income				
Miscellaneous Income	2,095,764	-	2,095,764	-
Interest on Loans given to Subsidiaries	20,109,351	27,001,626	20,109,351	27,001,626
Interest on Staff Loans	937,316	1,028,101	937,316	1,028,101
Interest on Deposit	28,045,766	4,833,715	28,024,890	4,833,715
Interest on Repurchase Agreements	–	990,384	–	990,384
Total Statutory Income	**220,186,095**	**143,477,465**	**178,002,979**	**143,477,465**
Less-Carried forward tax loss utilized (Note 21.1.1)	(15,999,755)	(2,864,997)	–	(2,864,997)
Less-Qualified payments (Note 21.1.2)	(13,347,418)	(19,243,939)	(13,347,418)	(19,243,939)
Taxable Income	**190,838,922**	**121,368,529**	**164,655,561**	**121,368,529**
Income Tax attributable to Local Sales - 28% (2016 - 28%)	28,814,411	18,258,614	28,814,411	18,258,614
Income Tax attributable to Export Sales - 12% (2016 - 12%)	11,151,309	6,739,103	7,409,634	6,739,103
Current Income Tax Expense	**39,965,720**	**24,997,717**	**36,224,045**	**24,997,717**

21.1.1 Tax Losses Carried Forward

LKR	Group 2017	Group 2016	Company 2017	Company 2016
Tax Losses Brought Forward	596,718,252	664,902,050	–	105,221,645
Adjustment with respect to Prior Years	–	350,242	–	-
Tax Losses Incurred During the Year	353,655	36,687,605	–	-
Disallowed Accumulated Losses	–	(102,356,648)	–	(102,356,648)
Tax Losses Utilized	(15,999,755)	(2,864,997)	–	(2,864,997)
Tax Losses Carried Forward	**581,072,152**	**596,718,252**	**–**	**–**

21.1.2 Qualifying Payments – Group / Company

LKR	Year of Investment	Cost of Investment	Relief Claimed on Investment
	2011/2012	37,899,163	-
	2012/2013	8,988,154	-
	2013/2014 *	6,502,360	(13,347,419)
	2014/2015	-	(13,347,419)
	2015/2016	-	(13,347,419)
	2016/2017	-	(13,347,419)

The Company is engaged in manufacturing Porcelain Tableware targeted to the export and domestic market. It has made investments in fixed assets after 01.04.2011 exceeding LKR 50 million. Therefore, a qualifying payment relief at 25% of the total cost of investment has been claimed.

* During the year the Company received a tax assessment for the year of assessment 2013/14 disallowing the deduction of qualifying payment amounting to Rs. 23,586,080/- as the investment was not treated as expansion. Accordingly tax was computed on the revised investment cost and additional liabilities arising for the year of assessments 2013/14, 2014/15 and 2015/16 was accounted under 'Current Taxes with Respect to Prior Years' in Note 21.

21.2 DEFFERED TAX LIABILITY

21.2.1 Group

LKR	Deferred Tax Liabilities 2017	Deferred Tax Liabilities 2016	Statement of Profit or Loss 2017	Statement of Profit or Loss 2016	Other Comprehensive Income 2017	Other Comprehensive Income 2016
At the beginning of the year	49,209,012	47,020,369	–	-	–	-
Charge/(release) Statement of Profit or Loss	(13,223,715)	(6,304,604)	(13,223,715)	95,934	–	-
Charge/(release) Statement of Other Comprehensive Income	8,767,873	8,493,247	–	-	8,767,873	8,493,247
Total	**44,753,170**	**49,209,012**	**(13,223,715)**	**95,934**	**8,767,873**	**8,493,247**

Notes to the Financial Statements

21. INCOME TAX EXPENSE (Contd..)

The Closing Deferred Tax Asset and Liability Balances Relate to the following;

	Deferred Tax Liabilities	
LKR	**2017**	**2016**
Revaluation of land and building to fair value	32,733,481	36,532,395
Accelerated depreciation and amortization for tax purposes	118,672,845	125,202,596
Employee benefit liability	(25,598,686)	(26,283,166)
Losses available for offset against future taxable income	(49,454,015)	(60,092,829)
Provision for Inventory and Debtors	(31,600,455)	(26,149,984)
	44,753,170	**49,209,012**

The effective Tax rate used is 20.12% (As at 31 March 2016-19.8%).

21.2.2 Company

	Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
LKR	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	63,237,408	66,936,513	(3,699,105)	(31,743)	–	9,561,588
Deferred Tax Assets						
Defined Benefit Plans - Comprehensive Income	23,124,533	22,533,345	(630,281)	(1,350,654)	39,093	(1,411,006)
Bad Debt Provision	3,245,854	2,540,805	(705,049)	(572,159)	–	-
Inventory Provision	28,354,601	23,609,179	(4,745,422)	(1,573,747)	–	-
Carry Forward of Unused Tax Losses	–	-	–	19,464,078	–	-
Others	–	567,365	567,365	-	–	-
	54,724,988	**49,250,694**	–	-	–	-
Deferred Income Tax – Expense/(Income)			**(9,212,492)**	**15,935,775**	**39,093**	**8,150,582**
Net Deferred Tax Liability / (Assets)	**8,512,422**	**17,685,819**				

The effective Tax rate used is 20.12% (As at 31 March 2016-19.8%).

21.3 As per the agreement No. 261 which the company has entered into with BOI supplemented by agreement No. 32 & 303 the export profits and income from the "export business" are chargeable to tax at a concessionary rate of 12% (2016 - 12%), profit from local sales and other business income are chargeable to income tax at 28% (2016 - 28%) under the Inland Revenue Act No 10 of 2006 and subsequent amendments thereto.

The Company entered into a supplementary agreement with Board of Investment of Sri Lanka (BOI) on 30 December 2009 whereby the Company has been permitted to maintain the local sales up to twenty percent (20%) of the quantity exported as an average for the cumulative local sales for the period of five (05) years commencing from year 2009 and ending on year 2013 subject to the payment of customs duty and other applicable levies, and subject to the terms and conditions stipulated in the agreement.

On 30 November 2016 the Company signed a further supplementary agreement to convert to Temporary Import and Export Procedure (TIEP Scheme) for a period of two (02) years.

22. EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) Per Share ('EPS') is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and 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 computation.

	Group		Company	
LKR	**2017**	**2016 Restated**	**2017**	**2016 Restated**
Amount Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	**119,698,400**	**20,628,233**	**94,651,586**	**71,435,032**
Number of Ordinary Shares Used as Denominator:				
Weighted Average Number of Ordinary Shares in Issue	162,552,920	72,245,742	133,577,355	72,245,742
Applicable to Basic Earnings Per Share				
Bonus Element relevent to Rights Issue	–	3,380,483	–	3,380,483
Fair Value Element relevent to Rights Issue	–	57,951,130	–	57,951,130
Weighted Average Number of Ordinary Shares Adjusted for the Effect of Dilution Applicable to Diluted Earnings Per Share	**162,552,920**	**133,577,355**	**162,552,920**	**133,577,355**
Earnings Per Share	0.74	0.15	0.58	0.53

23. FINANCIAL INSTRUMENTS

23.1 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES – GROUP

Financial Assets and Liabilities in the tables below are split into categories in accordance with LKAS 39.

23.1.1 Financial assets by categories

Group

		Loans and receivables*	
		Group	**Group**
LKR	**Notes**	**2017**	**2016**
Financial instruments in Current Assets			
Trade & Other Receivables	10	308,547,759	282,614,565
Loans given to Employees	10.3	6,799,990	9,448,102
Cash and Cash Equivalents	15.1	342,231,978	294,428,398
Total Assets		**657,579,727**	**586,491,065**

Notes to the Financial Statements

23. FINANCIAL INSTRUMENTS (Contd..)

23.1.2 Financial Liabilities by Categories

Group

		Financial liabilities measured at amortized cost**	
LKR	Notes	Group 2017	Group 2016
Financial Instruments in Non–Current Liabilities			
Bank loans	13	141,213,206	195,943,361
Loan due to Non Finance Institutions	13	300,718,756	285,346,035
Financial Instruments in Current Liabilities			
Loan due to Non Finance Institutions	13	–	500,000
Bank Loans	13	99,840,923	105,621,552
Trade and Other Payables	16	333,627,731	205,049,956
Bank Overdrafts	13	26,076,037	43,031,749
Total Equity and Liabilities		**901,476,653**	**835,492,653**

* The fair value of loans and receivable does not significantly vary from the value based on the amortized cost methodology

** Long-term fixed-rate and variable-rate borrowings are evaluated by the Company based on parameters such as interest rates and other economic factors. As at 31 March 2017, the carrying amounts of such borrowings were not materially different from their calculated fair values.

The management assessed that the fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

23.2.1 Financial Assets by Categories

Company

		Loans and receivables*	
LKR	Notes	Company 2017	Company 2016
Financial Instruments in Non–Current Assets			
Financial Investments - Loans and Receivables	8.1	300,718,753	285,346,032
Financial Instruments in Current Assets			
Trade & Other Receivables	10	353,786,355	280,176,561
Loans given to Employees	10.3	6,799,990	9,448,102
Cash and Cash Equivalents	15.1	327,526,026	282,255,784
Total Equity and Liabilities		**988,831,124**	**857,226,479**

23.2.2 Financial Liabilities by categories

		Financial liabilities measured at amortized cost**	
		Company	Company
LKR	Notes	2017	2016
Financial Instruments in Non–Current Liabilities			
Bank Loans	13	–	5,002,684
Loan due to Non Finance Organizations	13	300,718,754	285,346,035
Financial Instruments in Current Liabilities			
Bank Loans	13	5,002,696	17,845,748
Trade and Other Payables	16	239,730,727	148,415,281
Bank Overdrafts	13	6,646,972	8,048,594
Total Equity and Liabilities		**552,099,149**	**464,658,342**

* The fair value of loans and receivables does not significantly vary from the value based on the amortized cost methodology

** Long-term fixed-rate and variable-rate borrowings are evaluated by the Company based on parameters such as interest rates and other economic factors. As at 31 March 2017, the carrying amounts of such borrowings were not materially different from their calculated fair values.

The management assessed that the fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

24. COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

The Company and the Group does not have significant Capital Commitments as at the reporting date.

24.2 Contingent Liabilities

The Contingent Liabilities of the Group as at 31 March 2017, relate to the following:

Royal Fernwood Porcelain Ltd has obtained banking facilities amounting to LKR 65 Mn from Peoples Bank where Lanka Century Investments PLC has provided a Corporate Guarantee.

24.3 There were no material issues pertaining to employees and Industrial Relations of the Group.

25. ASSETS PLEDGED

Details pertaining to assets pledged as security for banking facilities of the Group have been disclosed in Note 13.4 to these Financial Statements.

26. EVENTS AFTER THE REPORTING PERIOD

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

Notes to the Financial Statements

27. RELATED PARTY DISCLOSURES

27.1 Transactions with the Parent and Related Entities

Details of Significant Related Party Disclosures are as follows.

	Parent		Subsidiaries		Fellow Subsidiaries *		Others Entities**		Total	
LKR	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Nature of Transaction										
As at 1 April	**(407,170)**	**(488,115,344)**	**325,243,597**	**457,932,509**	**5,650,623**	**5,519,973**	**(284,541,762)**	**(268,801,809)**	**45,945,288**	**(293,464,671)**
Ceased to be Related Parties	–	-	–	-	–	-	285,346,035	-	285,234,383	-
Sale of Goods / Services	–	-	–	15,152,568	64,627	18,303	1,421,080	1,653,397	1,485,707	16,824,268
Purchase of Goods / Services	(13,640,983)	(2,337,445)	(47,060,256)	(685,172)	(11,488,301)	(12,282,880)	–	-	(72,189,540)	(15,305,497)
(Receipt)/Payment of Goods or Services	16,625,280	8,015,068	20,668,876	(1,111,717)	6,354,948	12,377,779	(2,134,217)	(2,767,557)	41,514,886	16,513,573
Advances	–	-	47,000,000	-	–	-	–	-	47,000,000	-
Transfers under Finance arrangements	–	-	–	-	–	-	–	(14,625,793)	–	(14,625,793)
Transfers under reclassification changes	–	-	–	-	–	17,448	–	-	–	17,448
Repayment of Loans	–	505,994,657	–	(198,746,112)	–	-	–	-	–	307,248,545
Loan Interest	–	(23,964,107)	22,145,665	52,701,521	–	-	–	-	22,145,665	28,737,414
As at 31 March	**2,577,126**	**(407,170)**	**367,997,882**	**325,243,597**	**581,897**	**5,650,623**	**(91,136)**	**(284,541,762)**	**371,136,389**	**45,945,288**

Information pertaining to the Parent Entity and Subsidiaries are stated in Note 1.6 and Note 7 respectively.

* Fellow Subsidiaries consists of the following companies:-

Name of the Company	Country of Incorporation
Colombo City Holding PLC	Sri Lanka
Ceylon Leather Products PLC	Sri Lanka
Palla & Company (Pvt) Ltd	Sri Lanka
South Asia Textiles Ltd	Sri Lanka
Enterprise Technology (Pvt) Ltd	Sri Lanka

** Other entities are entities which are controlled, jointly controlled or significantly influenced by the Key Management Personnel ("KMPs") and their Close Family Members ("CFMs") or shareholders who have either control, jointly control or significant influence over the entity.

Other related entities include Ceylon Hotels Corporation PLC, Taprobane Holdings PLC, Suisse Hotel Kandy (Pvt)Ltd.
Entities ceased from being related entities include Browns Investments PLC, S.F.L. Services (Pvt) Ltd & Brown & Company PLC and Taprobane Plantation Limited.

27.1.1 Information relating to the interest bearing loans receivable from/payable to related parties is provided as follows;

	Note reference
Loans receivable from Related Parties	8.1.3

27.1.2 Terms and Conditions:

Sales and purchase of goods / services to Related Parties were made at on the basis of the price lists in force with Non Related Parties, but subject to approved discounts. rendering of services were made at agreed prices. Terms and Conditions on loans from payable to Related Parties are stated in Note 27.1.1 to these Financial Statements.

27.1.3 Debt Novation Agreement:

Upon acquisition of Taprobane Capital (Private) Limited and Royal Fernwood Porcelain Limited (the Acquire) agreed to assume the debt liabilities of Acquire amounting to LKR 253,615,255/- towards Browns Investments PLC, S.F.L. Services (Private) Limited and Brown & Company PLC by way of a 'Debt Novation Agreement.' Pursuant to the 'Debt Novation Agreement,' a 'further Debt Novation Agreement' gives the option to the Company to transfer the said debt obligation novated from the acquisition to Lanka Century Investments PLC (the Parent Company) at the discretion of Lanka Century Investments PLC.

27.2 Transactions with Key Management Personnel

Key Management Personnel ("KMPs"), are those having authority and responsibility for planning, directing and controlling the activities of the entity and include Board of Directors and other key Employees. Accordingly, fees, emoluments and other benefits paid to KMPs are as follows;

LKR	2017	2016
Group		
Short-Term employee benefits	30,491,068	29,578,333
	30,491,068	**29,578,333**
Company		
Short-Term employee benefits	27,591,608	26,028,333
	27,591,608	**26,028,333**

No other significant transactions had taken place involving Key Management Personnel and their close family members.

27.3 Disclosure in terms of Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange.

There were no transactions which exceeded the threshold during the financial year.

28. FINANCIAL RISK MANAGEMENT

Objectives and Policies

The Group's principal Financial Liabilities comprise Loans and Borrowings and Trade and Other Payables including amounts due to Related Parties. The main purpose of these Financial Liabilities is to finance the group's operations and to provide guarantees to support its operations. The Group has Loans, Trade and Other Receivables, and Cash and Short-Term Deposits that arrive directly from its operations.

The Group's Risk Management is overlooked by the Senior Management, in close corporation with the Board of Directors and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long Term Financial Investments are managed to generate lasting returns. The Group does not actively engage in the trading of Financial Assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group's Financial Assets and Liabilities are exposed to the market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk - interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

Foreign Currency 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 trade receivables and trade and other payables held in foreign currency and short term borrowings in foreign currency are the main financial instruments that are exposed to this risk of fluctuating exchange rates.

In order to mitigate this risk the company has set a policy of dealing only in limited number of strong currencies when dealing with its foreign stakeholders. The Group also has a policy of matching the Liabilities held in foreign currency with the financial assets held in the same currency. Apart from that the group constantly monitors the exchange rate movements and make the settlement decisions of liabilities in favour of the Group at the appropriate time when there is an unfavourable movement in exchange rates.

Notes to the Financial Statements

28. FINANCIAL RISK MANAGEMENT (Contd..)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the profit before tax.

	Increase/(Decrease) in basis points	Effect on Profit before Tax (LKR)
Group		
2017	+5	(4,132,340)
	-5	4,132,340
2016	+5	7,096,623
	-5	(7,096,623)
Company		
2017	+5	4,961,166
	-5	(4,961,166)
2016	+5	3,010,311
	-5	(3,010,311)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest bearing loans payable and receivable made at variable interest rates are the main categories of financial intruments that are exposed to this risk.The Group constantly monitors the interest rates and adjust the borrowing levels of each category of financial liabilities and assets depending on the direction of the interest rates.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax (through the impact on floating rate borrowings).

	Increase/(Decrease) in basis points	Effect on Profit before Tax (LKR)
Group		
2017	+1	(4,628,102)
	-1	4,628,102
2016	+1	(5,556,519)
	-1	5,556,519
Company		
2017	+1	(4,509,511)
	-1	4,509,511
2016	+1	(308,970)
	-1	308,970

The assumed spread of the interest rate is based on the current observable market environment.

Other price risks

The investments in equity shares is affected by the fluctuations in market prices. In order to mitigate this risk the Group has set a clear investment policy based on the guidance of the Board and every investment in equity shares is guided by the investment policy and subject to the approval of the Board. As at the year end, the risk arising from the investment in equity shares (quoted) to the Group is minimal as the Group has significantly decreased the similar investments as at the reporting date when compared to the previous year.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Cash and cash equivalents, trade and other receivables and loans granted to related parties are the main instruments that are exposed to the risk of non-payment or payment delays.

28.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

Risk Exposure		Group				Company			
		2017	% of	2016	% of	2017	% of	2016	% of
	Notes	LKR	allocation	LKR	allocation	LKR	allocation	LKR	allocation
Trade and Other Receivables	10	308,547,759	47%	282,614,565	49%	353,786,355	36%	280,176,561	33%
Loan given to Related Parties	8.1	–		-	-	300,718,753	31%	285,346,032	34%
Cash and Short Term Deposits	15.1	342,231,978	53%	294,428,398	51%	327,526,026	33%	282,255,784	33%
Total Credit Risk Exposure		**650,779,737**	**100%**	**577,042,963**	**100%**	**982,031,134**	**100%**	**847,778,377**	**100%**

28.1.2 Trade and Other Receivables

The Group has set a clear credit policy in which guidelines are given for evaluating the credit worthiness, setting credit limits and credit periods for each customer and measures to be taken to ensure the recoverability such as Irrevocable Letters of Credit, Advance Payments etc. The Group regularly monitors the customer outstanding balances each month and take appropriate actions where necessary in respect of long outstanding amounts. The Group does not hold collateral as security against trade and other receivables.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by Letter of Credit or other forms of credit insurance.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Credit quality of trade receivables that are neither past due or impaired is explained in note No 10 .5

28.1.3 Cash and Short term Deposits

In order to mitigate settlement and operational risk related to cash and short term deposits, the Group deals with several banks with acceptable ratings.

The Group held cash & short term deposits of LKR 342,231,978/= as at 31 March 2017 (2016 - LKR 294,428,398/=) as explained in note No 15.1.

The Company held cash & short term deposits of LKR. 327,526,026/= as at 31 March 2017 (2016 - LKR 282,255,784/=) as explained in Note No 15.1.

Liquidity risk

The failure to maintain a sufficient level of liquid assets to meet its obligations in the ordinary course of the business can cause severe interruption to the smooth functioning of the business. The Group assess the liquid asset levels that need to be maintained at periodic intervals.

Apart from that this is further reviewed through the weekly "cash planning process". When the Group anticipate the need to enhance the normal operating capacity due to external factors (demand increases), the Group renegotiate with banks to enhance the short term credit limits and overdraft limits etc. to ensure that a sufficient amount of unutilized facilities are available to maintain the liquidity level.

Notes to the Financial Statements

28. FINANCIAL RISK MANAGEMENT (Contd..)

28.2 Maturity Analysis of Financial Liabilities – Group

LKR	Total	Less than 3 months	3-12 months	1-5 Years	Over 5 Years
As at 31 March 2017					
Trade & Other Payables	465,612,788	465,612,788	-	-	-
Interest Bearing Loans & Borrowings	596,830,004	88,260,688	96,620,367	411,948,949	-
	1,062,442,792	**553,873,476**	**96,620,367**	**411,948,949**	**–**
As at 31 March 2016					
Trade & Other Payables	357,530,309	357,530,309	-	-	-
Interest Bearing Loans & Borrowings	1,019,682,930	110,651,557	218,978,276	683,300,521	6,752,576
	1,377,213,239	**468,181,866**	**218,978,276**	**683,300,521**	**6,752,576**

28.2.1 Maturity Analysis of Financial Liabilities – Company

LKR	Total	Less than 3 months	3-12 months	1-5 Years
As at 31 March 2017				
Trade & Other Payables	331,933,659	331,933,659	-	-
Interest Bearing Loans & Borrowings	341,349,503	-	11,649,668	329,699,835
	673,283,162	**331,933,659**	**11,649,668**	**329,699,835**
As at 31 March 2016				
Trade & Other Payables	216,760,588	216,760,588	-	-
Interest Bearing Loans & Borrowings	363,424,225	4,181,780	38,410,718	320,831,727
	580,184,813	**220,942,368**	**38,410,718**	**320,831,727**

Capital Management

The primary objective of the Group's Capital Management is to ensure that it maintain a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the group may issue new shares or have a Rights Issue.

29. PRIOR YEAR ADJUSTMENT

The Company and Group Financial Statements have been restated in accordance with Sri Lanka Accounting Standard LKAS – 8, Accounting Policies, changes in Accounting Estimates and Errors, to reflect the following;

As per the interpretation of Sri Lanka Accounting & Auditing Standards Monitoring Board (SLAASMB) the Company reversed the derivative financial asset recognized in the books of accounts in 31 December 2013, relating to the option to transfer debt obligations amounting to Rs. 253,615,255/- towards Browns Investments PLC , S.F.L. Services (Pvt) Ltd and Browns & Company PLC, to Lanka Century Investments PLC (Parent Entity).

Accordingly the derivative financial option asset, other component of equity and fair value adjustment relating to the difference between the market interest rate and the interest rate of the underlying asset (6% per annum) which has been previously charged under finance cost have been reversed.

Impact on assets, equity, profit or loss, earnings per share and cash flows in the Company and Group financial statements are as follows:

	Published for FY 2016	Prior year adjustment	Restated for FY 2016	Restated for FY 2015	Prior year adjustment	Restated for FY 2015
Impact on Assets (Group and Company)						
Derivative Financial Option	253,681,327	(253,681,327)	-	260,180,755	(260,180,755)	-
Net Impact on Assets		**(253,681,327)**			**(260,180,755)**	
Impact on Equity (Group)						
Other Component of Equity	(285,345,833)	285,345,833	-	(270,720,044)	270,720,044	-
Retained Losses	312,397,880	(31,664,506)	280,733,174	272,458,851	(10,539,489)	261,919,362
Net Impact on Equity		**253,681,327**			**260,180,555**	
Impact on Equity (Company)						
Other Component of Equity	(285,345,833)	285,345,833	-	(270,720,044)	270,720,044	-
Retained Losses	80,417,583	(31,664,506)	48,753,077	120,110,471	(10,539,489)	109,570,982
Net Impact on Equity		**253,681,327**			**260,180,555**	
Impact on Profit or Loss (Group)						
Finance Cost	84,217,106	(21,125,217)	63,091,889			
Net Impact on Profit or Loss		**(21,125,217)**				
Impact on Profit or Loss (Company)						
Finance Cost	64,826,008	(21,125,217)	43,700,791			
Net Impact on Profit or Loss		(21,125,217)				
Impact on Earnings per share						
Earnings per share (Group)	(0.004)	0.158	0.154			
Earnings per share (Company)	0.377	0.158	0.535			

Impact on Net Cash Flow from Operating Activities - None

Figures in brackets indicate credits

Investor Information

The issued ordinary shares of Dankotuwa Porcelain PLC (DPL) are listed with the Colombo Stock Exchange (CSE). The trading of DPL ordinary shares commenced on 15 February 1995.

Ordinary Shareholders as at 31 March 2017

Range of Shareholding	No. of Shareholders	No. of Shares	%
1 upto 1,000 Shares	3,358	912,768	0.56
1,001 to 10,000 Shares	1,226	4,472,142	2.75
10,001 to 100,000 Shares	339	9,849,370	6.06
100,001 to 1,000,000 Shares	40	9,477,688	5.83
Over 1,000,000 Shares	6	137,840,952	84.80
TOTAL	**4,969**	**162,552,920**	**100.00**

Public Shareholding

	2016/17	2015/16
No. of Shares	35,349,291	35,344,860
Percentage	21.75%	21.74%
No. of Shareholders	4,963	4,960

Market Values (LKR) (traded dates)

Market value per share as at last traded date (LKR)	6.00 (31.03.2017)	6.80 (31.03.2016)
Highest value per share recorded during the period (LKR)	8.70 (19.05.2016)	15.10 (22.07.2015)
Lowest value per share recorded during the period (LKR)	5.30 (28.03.2017)	6.00 (15.03.2015

Share Trading

No. of Transactions	5,619	8,636
No. of Shares Traded	14,856,592	31,062,173
Value of Shares Traded (LKR)	112,658,465	309,508,377

There were 4,969 registered shareholders as at 31 March 2017 (4,966 as at 31 March 2016).

Ratio Analysis – Company

Earnings per Share (LKR)	0.58	0.53
Net Assets Value per Share (LKR)	11.38	11.45
Dividend per Ordinary Share (LKR)	0.65	-
Dividend Payout Ratio	1.12	-
Quick Assets Ratio	1.65:1	2.34:1

Twenty Largest Shareholders

Name of Shareholder	as at 31 March 2017		as at 31 March 2016	
	No. of Shares	%	No. of Shares	%
Seylan Bank PLC/Lanka Century Investments PLC (Margin+Collateral)	125,988,380	77.51	125,988,380	77.51
Kokyo Tatemono Co. Ltd	6,156,266	3.79	6,156,266	3.79
K H R Investment Services (Private) Limited	2,828,755	1.74	2,800,000	1.72
People's Leasing & Finance PLC/Mr D M P Disanayake	1,667,551	1.03	1,378,200	0.85
DOH Investment Lanka (Private) Limited	1,200,000	0.74	1,200,000	0.74
Mr. P G Piyasiri	939,864	0.58	839,864	0.52
Merchant Bank of Sri Lanka Ltd a/c no. 1	630,668	0.39	630,668	0.39
First Capital Markets Limited/Mr. S P Jayakumar	483,574	0.30	483,574	0.30
Seylan Bank PLC/Carlines Holdings (Private) Limited	466,846	0.29	942,377	0.58
Mr. D L B C Perera	395,289	0.24	395,289	0.24
People's Leasing & Finance PLC/Mr. E Thawagnasundaram	380,925	0.23	380,925	0.23
Mr. S M Masoor	377,035	0.23	377,035	0.23
Seylan Bank PLC/ A M Nimesha Anuruddha Abeykoon	360,000	0.22	283,716	0.17
Mr. A K Palliya Guruge Don	298,600	0.18	298,600	0.18
Colombo Trust Finance PLC/M.P.P.N. Jayasinghe	296,323	0.18	-	-
Acuity Partners (Private) Limited/Mr. S.N.M. Semasinghe	289,456	0.18	-	-
Mr. R Gautam	260,000	0.16	237,000	0.15
First Capital Markets Limited/Mr T. Loganathan	259,924	0.16	200,125	0.12
Mr. S M Nazeer	248,601	0.15	213,500	0.13
Mr. A M Mansoor	238,765	0.15	238,765	0.15

Director's Shareholdings

Name	as at 31 March 2017	as at 31 March 2016
Mr. R N Asirwatham	3,000	3,000
Mr. A L Devasurendra (appointed on 06 February 2017)	Nil	N/A
Mr. M Boyagoda	Nil	Nil
Mr. S E Gardiner	Nil	Nil
Mr. P P Maddumage	Nil	Nil
Mr. R T Devasurendra	Nil	Nil
Mr. N M Prakash	Nil	Nil

Chief Executive Officer's Shareholdings

Name	as at 31 March 2017	as at 31 March 2016
Mr. Wasaba Jayasekera	11,399	11,399

Ten Year Summary - Group

	GROUP				COMPANY					
								SLFRS not compliant		
	Year ended 31 March						for fifteen months ended 31 March	Year ended 31 December		
Period ended (LKR'000)	**2017****	**2016****	**2015****	**2014****	**2013***	**2012***	**2011***	**2009**	**2008**	**2007**
		Restated	Restated							
SUMMARY OF OPERATING RESULTS										
Turnover (Net of Taxes)	2,366,324	2,379,158	2,317,598	1,800,947	1,528,652	1,158,757	1,583,583	1,175,471	1,485,564	1,361,160
Cost of Sales	(1,803,868)	(1,873,994)	(1,964,508)	(1,482,005)	(1,194,802)	(991,444)	(1,286,595)	(952,622)	(1,128,965)	(995,109)
Gross Profit	**562,456**	**505,163**	**353,090**	**318,941**	**333,850**	**167,313**	**296,988**	**222,849**	**356,599**	**366,051**
Other Income/(Expenses)	16,077	21,991	12,128	8,367	4,756	7,630	11,223	3,533	(6,093)	15,904
Distribution Costs	(211,415)	(238,935)	(208,661)	(155,726)	(166,442)	(155,724)	(166,753)	(167,069)	(190,910)	(176,223)
Administrative Expenses	(214,409)	(201,842)	(234,443)	(150,939)	(111,184)	(118,357)	(143,672)	(96,824)	(132,292)	(150,654)
Finance Costs	(35,377)	(63,091)	(78,071)	(49,123)	(24,435)	(22,079)	(26,575)	(42,740)	(49,395)	(55,829)
Finance Income	29,517	7,331	1,088	1,499	2,714	9,588	11,062	1,152	1,860	2,520
Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss) before Tax	**146,848**	**30,617**	**(154,868)**	**(26,981)**	**39,259**	**(111,629)**	**(17,728)**	**(79,100)**	**(20,231)**	**1,770**
Tax Expense	(25,945)	(25,456)	7,973	(1,276)	(7,908)	19,736	857	1,080	9,814	(1,076)
Net Profit/(Loss) after Tax	**120,904**	**5,161**	**(146,895)**	**(28,257)**	**31,350**	**(91,893)**	**(16,870)**	**(78,020)**	**(10,416)**	**694**
Other Comprehensive Income Net of Taxes	**91,744**	**254,733**	**277**	**(3,269)**	**3,056**	**–**	**–**	**–**	**–**	**–**
Total Comprehensive Income for the Year After Tax	**212,648**	**259,893**	**(146,618)**	**(31,526)**	**34,406**	**(91,893)**	**(16,870)**	**(78,020)**	**(10,416)**	**694**
Dividends for the previous period	(40,638)	-	-	(28,898)	-	-	-	-	-	-
Retained Profit/(Loss) for the period	**172,010**	**259,893**	**(146,618)**	**(60,424)**	**34,406**	**(91,893)**	**(16,870)**	**(78,020)**	**(10,416)**	**694**
SUMMARY OF FINANCIAL POSITION										
Stated/Issued Capital	1,402,102	1,402,102	679,644	679,644	679,644	679,644	679,644	246,170	246,169	231,529
Reserves/Other Components of Equity	589,377	507,703	248,824	502,360	249,007	249,276	231,418	133,762	133,768	133,731
Retained Earnings	(260,579)	(280,734)	(261,920)	(150,688)	(102,582)	(137,257)	(45,365)	(90,551)	(12,531)	(2,115)
Non-Controlling Interest	8,220	3,059	(11,867)	23,599	-	-	-	-	-	-
Total Equity	1,739,119	1,632,130	654,681	1,054,915	826,069	791,663	865,697	289,381	367,406	363,145
ASSETS & LIABILITIES										
Current Assets	1,444,364	1,260,604	1,023,477	1,131,421	798,642	723,898	779,549	356,829	471,808	461,249
Current Liabilities	(694,493)	(532,183)	(642,571)	(754,002)	(429,295)	(422,509)	(361,061)	(371,964)	(424,102)	(375,287)
Net Current Assets	749,872	728,420	380,906	377,419	369,347	301,389	418,488	(15,135)	47,706	85,962
Non Current Assets	1,605,605	1,569,831	1,306,630	1,625,043	554,713	588,318	578,676	411,065	445,424	471,727
Non Current Liabilities	(616,358)	(666,121)	(1,032,855)	(947,547)	(97,992)	(98,043)	(131,467)	(106,549)	(125,724)	(194,544)
Net Assets	1,739,119	1,632,130	654,681	1,054,915	826,069	791,663	865,697	289,381	367,406	363,145
FACTORY OUTPUT										
Production Quantity										
White ware (Pcs)	9,112,165	9,755,324	9,302,570	9,411,737	6,161,633	5,612,920	7,518,685	5,410,939	7,547,634	7,681,707
Decorated ware (Pcs)	7,682,267	7,932,158	6,702,737	7,669,636	5,698,552	4,643,749	6,143,542	4,284,103	6,410,510	6,444,478
Sales Quantity										
Export (Pcs)	4,938,857	5,112,899	5,424,802	6,462,284	3,510,984	3,148,396	4,944,487	4,208,748	5,938,014	6,371,165
Local (Pcs)	4,797,240	6,390,460	5,352,911	4,643,717	3,044,118	2,539,444	2,646,383	1,952,109	2,092,130	2,469,659
KEY RATIOS										
Earnings per Share (LKR)	0.74	0.15	(1.70)	(0.22)	0.48	(1.27)	(0.36)	(3.24)	(0.42)	0.03
Net Assets per Share(LKR)	10.65	10.02	12.83	14.28	11.43	10.96	11.98	12.02	15.26	16.06
Dividend per Share(LKR)	0.65	-	-	0.40	-	-	-	-	-	-
Annual Sales Growth / (Decline) (%)	(1)%	3%	29%	18%	32%	(27)%	35%	(21)%	9%	13%
Current Ratio (Times)	2.08	2.37	1.60	1.50	1.86	1.71	2.16	0.96	1.11	1.23
Market Value Per Share (at year end)	6.00	6.80	11.20	11.50	13.80	16.30	59.90	11.25	5.25	15.00

*Presented/Restated in line with SLFRS/LKAS

**DPL has acquired Royal Fernwood Porcelain Ltd on 31 December 2013

The above summarized Financial Information's is extracted from Audited Financial Statements

Statement of Value Added

Group

LKR '000	For Year ended 31 March 2017	For Year ended 31 March 2016
Sales - Exports	1,342,273	1,312,748
Local	1,024,051	1,066,410
Other Income	45,594	29,321
Less: Cost of Materials & Services bought out	(1,561,706)	(1,630,513)
	850,211	**777,966**
Distributed as follows		
To Employees as Remuneration	556,715	595,114
To Government as Taxes	27,227	24,388
To Providers of Fund as Interest	35,377	63,092
	619,319	**682,594**
Retained in Business		
Depreciation	103,605	94,358
Profit /(Loss) Retained	127,287	1,014
	850,211	**777,966**

Status of the utilization of funds raised via the Rights Issue

Objective as per Circular to Shareholders	Amount allocated as per the Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of Utilized against allocation (B/A)	Clarification if not fully utilized including where the Funds are Invested
Retiring part of the borrowings	500,000,000	Immediately upon receipt of the proceeds	500,000,000	69%	500,000,000	100%	n/a
To fund the modernization of the Factory	222,457,424	within 15 months from the date of receipt of the proceeds	222,457,424	31%	9,712,046	4%	Proposals have been obtained from Suppliers ,which are being evaluated.The funds have been invested on Fixed Deposit with Pan Asia Banking Corporation PLC and Seylan Bank PLC
	722,457,424		**722,457,424**		**509,712,046**		

Notice of Meeting

Notice is hereby given that the 33rd Annual General Meeting of the Shareholders of Dankotuwa Porcelain PLC will be held at Havelock City Club House, No. 324, Havelock Road, Colombo 6 on Thursday, 21 September 2017 at 1000 h for the purpose of considering and if thought fit to pass the following resolutions:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2017 together with the Report of the Auditors thereon (Resolution 1).

2. To pass the ordinary resolution set out below to re-appoint Mr. R. N. Asirwatham, who is 75 years of age, as a Director of the Company (Resolution 2).

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R. N. Asirwatham, who is 75 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007."

3. To elect Mr. A L Devasurendra, Director appointed since the last Annual General Meeting, in terms of Article No. 24 (2) of the Articles of Association (Resolution 3).

4. To re-elect Mr. Mangala Boyagoda, Director who retires by rotation and being eligible offers himself for re-election in terms of Article No. 24 (6) of the Articles of Association (Resolution 4).

5. To re-appoint M/s. Ernst & Young, Chartered Accountants the retiring auditors who have consented to be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration (Resolution 5).

6. To authorise the Directors to determine donations for the year ending 31 March 2018 (Resolution 6).

By Order of the Board
Sgd.
Nexia Corporate Consultants (Pvt) Ltd
Secretaries

Colombo
23 August 2017

1. A shareholder who is entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him/her.
2. A proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this notice.
4. Shareholders are requested to bring their National Identity Card or any valid source of identification (eg: Driving License, Passport) when attending the meeting.
5. Shareholders appointing persons (other than Directors of the Company) to attend the meeting as their proxy holders are requested to indicate the number of the National Identity Card or any valid source of identification (eg: Driving License, Passport) number of the proxy holder on the Form of Proxy and request the proxy holder/s to bring with them their National Identity Card or any valid source of identification (eg: Driving License, Passport) when attending the meeting.

Form of Proxy

I/We ....

of ....being a

Shareholder/Shareholders of Dankotuwa Porcelain PLC hereby appoint

Mr. R. N. Asirwatham	or failing him
Mr. A. L. Devasurendra	or failing him
Mr. Mangala Boyagoda	or failing him
Mr. S. E. Gardiner	or failing him
Mr. P. P. Maddumage	or failing him
Mr. R. T. Devasurendra	or failing him
Mr. N. M. Prakash	or failing him

Mr./Mrs. ....

of ....

as my/our proxy to attend and * vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 21 September 2017 and at any adjournment thereof.

Resolutions	For	Against
1. To adopt the Audited Accounts for the year ended 31 March 2017	☐	☐
2. To re-appoint Mr. R. N. Asirwatham	☐	☐
3. To elect Mr. A. L. Devasurendra	☐	☐
4. To elect Mr. Mangala Boyagoda	☐	☐
5. To re-appoint auditors	☐	☐
6. To authorize Directors to make donations	☐	☐

Mark your preference with "X"

Signed on this .... day of .... 2017.

....
Signature

Please furnish following details

Share Certificate No	....
NIC No	....
No. of Shares	....

Instructions as to the completion of Form of Proxy

i. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company.

ii. Kindly perfect the Form of Proxy after filling legibly your full name and address by signing in the space provided and dating same.

iii. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his/her Attorney duly authorized in writing or if such appointer is a company/corporation, either under its common seal, or under the hand of an officer/s or Attorney duly authorized in terms of the Articles of Association/ Statute.

iv. In the case of a proxy signed by an Attorney, the original Power of Attorney must be deposited at the office of the Registrars (i.e. SSP Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 3. Telephone: 011 2573894) for registration.

v. The completed Form of Proxy should be deposited at the office of the Registrars at No. 101, Inner Flower Road, Colombo 3 [not less than 48 hours before the time appointed for the holding of the meeting].

Corporate Information

Name of Company
Dankotuwa Porcelain PLC

Company Registration No.
PQ 79

Nature of Business
Manufacturing and marketing of Porcelain Tableware targeted to export and domestic markets.

Legal Form
A Public Quoted Company with limited liability incorporated under the provisions of Companies Act No. 17 of 1982 (Registered as a Private Limited Company in Sri lanka on 06 January 1984 and converted to a Public Company by a Special Resolution on 08 July 1994). Re-registered under the Companies Act No. 07 of 2007.

Date of Incorporation and Country
06 January 1984 in Sri Lanka

Head Office & Factory
Kurunegala Road, Dankotuwa, Sri Lanka
Telephone: +94-31-550 0500
Fax: +94-31-550 0599
Email: info@dankotuwa.com
Website: www.dankotuwa.com

Registered Office
No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka
Telephone: +94-11 5700700
Fax: +94-11-2680225

Showrooms
No. 194, High Level Road (Opposite Siebel Avenue), Colombo 6, Sri Lanka
Telephone: +94-11 566 5000

No. 505, Union Place, Colombo 2, Sri Lanka
Telephone: +94-11 563 0000

Kurunegala Road, Dankotuwa, Sri Lanka.
Telephone: +94-31-550 0545, +94-31-550 0500 (Ext. 345)

Secretaries
Nexia Corporate Consultants (Private) Limited
181, Nawala Road, Narahenpita, Sri Lanka.
Telephone: +94-11-4510709

Registrars
S S P Corporate Services (Private) Limited
101, Inner Flower Road, Colombo 3, Sri Lanka
Telephone: +94-11-2573894

Auditors
Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10, Sri Lanka
Tele: +94-11-2463500

Lawyers
Nithya Partners
Attorneys-at-Law
No. 97 A, Galle Road, Colombo 3, Sri Lanka.
Telephone: +94-11-471 2625

Bankers
Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Pan Asia Banking Corporation PLC
Sampath Bank PLC

Design by
'C+' designs

DANKOTUWA
World-class tableware