

CONTEMPORARY CHIC

DANKOTUWA PORCELAIN PLC | Annual Report 2017/18

DANKOTUWA

World-class tableware

AN AMBEON COMPANY

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An epithet that we have followed through, with a passion that is as vibrant as our offerings, contemporary chic truly reflects what we do at Dankotuwa Porcelain. While retaining and growing a centuries-old craft by bringing it into the future using technology and current trends, we have ensured that our name resounds as a proud local brand both here and abroad by being one of the best porcelain manufacturers in the world. With standards that are truly unmatched and an eye for detail that is extraordinary, we put the art in artisanal and bring contemporary chic to life.

CONTEMPORARY CHIC





INTRODUCTION TO THIS REPORT

Introduction

Always conscious of the need for positive change and development, the Dankotuwa Group decided to change its reporting structure for the year 2017/18, in line with the integrated reporting framework. This new report structure will include a non-financial aspect that presents shareholders and stakeholders with a detailed and holistic account of the Groups' financial, social, human, natural and manufactured capital during the year ended 31 March 2018.

The Group which comprises of Dankotuwa Porcelain PLC and its subsidiaries Royal Fernwood Porcelain Limited and D.P.L. Trading (Private) Limited indicates the Group's future direction and objectives, under the Dankotuwa Vision 2020 Strategy.

The Dankotuwa Group considers this to be a first step in its new reporting process and will continue to learn and develop, keeping a close tab on best practices and excellence in corporate reporting in order to bring you an even more comprehensive, well documented and transparent report in the years to come.



Scope and Boundary

This report contains a range of information extending from quantitative to qualitative data covering the various capitals and operational aspects of the Group.

- The compilation of this annual report is based on the International Integrated Reporting Framework of 2013
- The financial statements have been audited by the external auditors of the Group and the report of the auditors have been included herewith.
- The Group adheres to the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and Colombo Stock Exchange (CSE).



Reporting Guidelines

- The Group has voluntarily adopted the International Integrated Reporting Framework in compiling this report
- The Group adheres to the Companies Act No.7 of 2007
- The Group adheres to the Listing Rules of the Colombo Stock Exchange advocated by Security Exchange Commission
- Financial reporting has been presented under the Sri Lanka Accounting Standards .
- Sri Lanka Financial Reporting Standards



Membership in External Associations

- The Ceylon Chamber of Commerce
- Sri Lanka Pakistan Business Council
- Exporters Association of Sri Lanka
- The Sri Lanka Ceramic and Glass Council
- The Sri Lanka Retail Association
- The Ceylon National Chamber of Industries
- National Chamber of Exporters of Sri Lanka
- National Chamber of Commerce
- The European Chamber of Exporters Sri Lanka
- The Employers Federation of Sri Lanka



Assurance

Assurance on the financial statement have been provided by Messrs. Ernst & Young



Reporting Cycle

- Reporting period is for one year from April 1, 2017 to March 31, 2018
- Reporting cycle is annual

GROUP PROFILE

Our Vision

To be globally known as one of the best lifestyle products and service provider.

Our Mission

To enhance life styles by redefining the art of fine dining in distinctive designs and elegant shapes while providing adequate returns to all stakeholders.

Corporate Values

Integrity and Ethical Conduct

We uphold high ethical standards and ensure honesty in all our interactions

Respect

We treat our working colleagues, customers, suppliers and community with due respect

Responsibility and Dependability

We carry out our functions in a responsible manner and are seen as a dependable organisation

Discussion and Dialogue

We actively promote discussion and dialogue and promote a democratic style of management

Professionalism and Prudence

We maintain a high standard of professionalism in everything we do. While we encourage entrepreneurship and risk taking we simultaneously temper them with prudence

Equality and Fairness

We are guided by the principles of equality and fairness in all dealings with our employees

Transparency and Openness

We maintain transparency and openness in all appropriate transactions

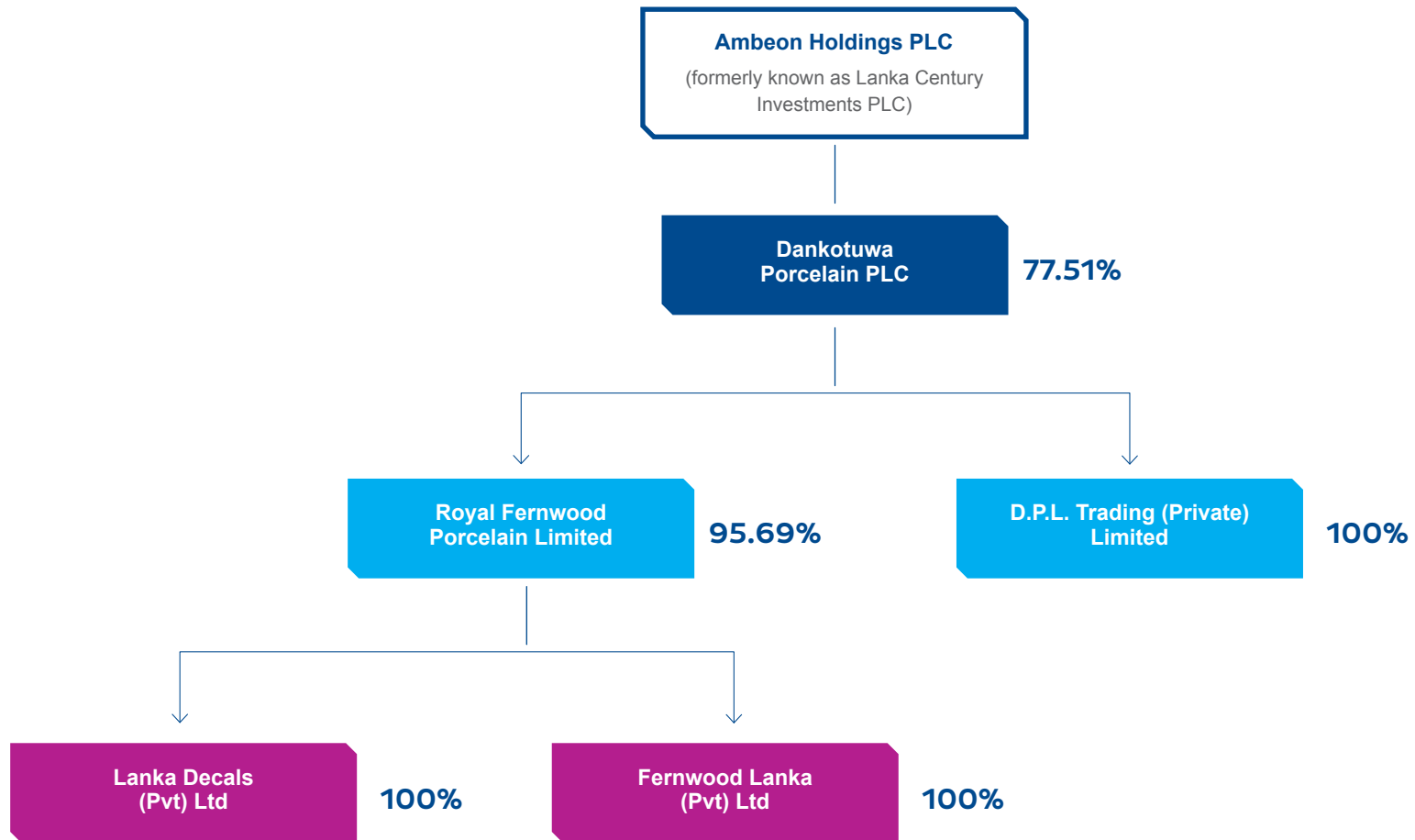
Teamwork and Cohesiveness

We promote a culture where all employees work as a high performing and united team aligned to reach the corporate goals

Creativity and Learning

We actively promote innovation, continuous improvement and the acquisition of skills and knowledge

GROUP STRUCTURE





GREEN LEAF

Witness the European Award
Winning Tableware design by
Dankotuwa!

This is an in-glaze design
produced for the global market
using a special technique called
the embossed reactive process.
Through this method the product
has an embossed effect and it
has the same texture as a hand
feel. Dankotuwa uses the green
leaf, as its in line with the theme of
tropical modernism. This product
is lead and cadmium free and safe
for all aspects of dining. It is also
microwave and dishwasher friendly.

FINANCIAL HIGHLIGHTS

	Group		Company	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Result for the period				
Revenue - Export (LKR '000)	1,356,256	1,342,273	727,545	804,661
Local (LKR '000)	727,190	1,024,051	549,072	848,210
Total Revenue (LKR '000)	2,083,446	2,366,324	1,276,617	1,652,871
Gross Profit (LKR '000)	485,630	562,456	206,348	403,226
Net Profit / (Loss) Before Taxation (LKR '000)	(77,373)	146,848	(153,254)	126,177
Net Profit / (Loss) After Taxation (LKR '000)	3,478	120,904	(80,999)	94,652
Net Current Assets / (Liabilities) (LKR '000)	662,211	749,872	497,999	722,903
Per Ordinary Share				
Earnings / (Loss) (LKR)	0.02	0.74	(0.50)	0.58
Net Asset Value (LKR)	12.15	10.65	11.38	11.38
Market Value (LKR)	6.90	6.00	6.90	6.00
Ratios				
Return / (Erosion) on Capital Employed (%)	(1.23)	8.00	(5.77)	6.67
Equity to Assets (%)	54.65	56.75	62.98	68.00
Interest Cover (Times)	(0.69)	5.15	(6.04)	7.79
Debt to Equity Ratio %	43.09	32.81	29.57	16.88
Current Asset Ratio	1.70:1	2.08:1	1.90:1	2.62:1
Quick Asset Ratio	0.91:1	1.09:1	1.31:1	1.65:1

MATERIALITY MAPPING

At Dankotuwa Group, what we consider material is any topic that is perceived as significantly more pertinent to our operations, our social relevance and our relationships with our stakeholders. To determine the various materials to our business, we commence by understanding the expectations and concerns of our stakeholders in cognizance with the social, economic and environmental context in which we operate. To address each material topic and its topic boundary, we have formulated a management approach to guide the way we use our resources in creating value through our day-to-day operations.


As a subsidiary group of Ambeon Holdings PLC, the Dankotuwa Group has in place standardised stakeholder engagement mechanisms common to the holistic entity of the Group along with specific stakeholder engagement mechanisms developed with regards to distinct requirements of the individual company; namely Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited. These are all aimed at facilitating continuous and open communications with key stakeholder groups to ensure that strategic decisions accommodate stakeholder concerns and expectations. The stakeholder engagement processes are described in the following section. The identified material concerns are continually monitored through the holistic risk management and governance processes to ensure protection of Group assets and reputational integrity.

Materiality Mapping and Prioritisation



MATERIALITY MAPPING

Navigating the Material Topics

Material topic	Reporting section	Page no.
Group Financial Status	<ul style="list-style-type: none"> Acting Chief Executive Officer's review Financial capital 	 20 50 / 62
Status of Compliance	<ul style="list-style-type: none"> Governance and compliance 	 30
Strategic Progress	<ul style="list-style-type: none"> Acting Chief Executive Officer's review Capital management reports 	 20 47 / 61
Stakeholder Value Creation	<ul style="list-style-type: none"> Financial capital 	 50 / 62
Performance of Subsidiaries	<ul style="list-style-type: none"> Acting Chief Executive Officer's review Capital management of Royal Fernwood 	 20 61
Operational Improvements	<ul style="list-style-type: none"> Capital management report 	 47 / 61
Human Capital Development	<ul style="list-style-type: none"> Human capital 	 52 / 65
Corporate Social Responsibility	<ul style="list-style-type: none"> Social capital 	 60 / 73
Environmental Impacts	<ul style="list-style-type: none"> Natural capital 	 59 / 72
Stakeholder Engagement	<ul style="list-style-type: none"> Stakeholder engagement 	 12



THE PEACOCK TEA SET





The Peacock has been historically known for its deep personification of grace and dignity, like that of royalty. Dankotuwa Porcelain has incorporated this historical theme in its newest porcelain tea set by using the peacock motif as a subtle accent that only adds to the Dankotuwa Porcelain traditional Sri Lankan craftsmanship. This designer set is the perfect accent piece to any tea time setting.



STAKEHOLDER ENGAGEMENT

At Dankotuwa Group, we operate on the belief that stakeholder relationships are critical for the organisation to be able to play a positive role in society. Engagement with our stakeholders enables us to gain insight, to sharpen our decision-making process and improve our capacity to generate shared value. In addition, we believe that cultivating mutual trust and respect with stakeholders paves the way for sustainable performance. Our Triple Bottom Line approach to stakeholder engagement therefore aims to build and maintain ongoing business relationships with all material stakeholders of our business.



 <p>INTERMEDIARIES</p>	<p>OBJECTIVE</p> <ul style="list-style-type: none"> • Ensure market access • Ensure brand visibility • Drive sales <hr/> <p>ENGAGEMENT AND FREQUENCY</p> <ul style="list-style-type: none"> • Regular dealer and agent meetings • On-site inspections • Workshops • Awareness programmes 	 <p>COMMUNITIES</p>	<p>OBJECTIVE</p> <ul style="list-style-type: none"> • Build social capital through goodwill and trust • Support community welfare <hr/> <p>ENGAGEMENT AND FREQUENCY</p> <ul style="list-style-type: none"> • CSR activities • Recruitments
 <p>REGULATORS</p>	<p>OBJECTIVE</p> <ul style="list-style-type: none"> • Regulatory compliance • Renewal of licenses • Reputational integrity <hr/> <p>ENGAGEMENT AND FREQUENCY</p> <ul style="list-style-type: none"> • Reports and document submissions • Meetings with regulators • Renewal of licenses 	 <p>OTHER KEY PARTNERS</p> <p>Vendors, Financial Service Providers</p>	<p>OBJECTIVE</p> <ul style="list-style-type: none"> • Enhance business synergies • Improve mutually beneficial future plans • Better cost/profit management <hr/> <p>ENGAGEMENT AND FREQUENCY</p> <ul style="list-style-type: none"> • Engagement forums • Regular meetings and visits • Special events

DANKOTUWA 2020 STRATEGIC VISION



The Dankotuwa Group commenced a new chapter in its existence of over three decades, following the change of ownership which took place in 2015. With the prowess of the Galle Face Hotel Group, Hirdaramani Group and Navitas Investments coupled with the financial stability of the Ambeon Group, Dankotuwa Group commenced its journey of transformation in 2017.

Under the Vision 2020 of the Ambeon Group, a robust business plan for each subsidiary was mooted. With the end customer and business partners in mind, this process commenced with specific emphasis on people, processes and technology. The focal point was to transform the Dankotuwa Group into a future proofed Group, geared to maintain quality across the entire value chain.

The transformation process also encompassed the realigning of the manufacturing process and incorporating several productivity improvement processes across the value chain. This included redesigning the layout of the factory floor, adjusting the capacity, redesigning the production process and revamping the delivery mechanism to cater to current and emerging customer requirements. Production capacity and the product portfolio were rationalised according to cost-benefit assessments and an automation plan was initiated. In addition, channel expansion strategies were mooted.

The current report guides our stakeholders through the progress of the Dankotuwa Group's Vision 2020 during the financial year under review, discussing

the many structural and operational changes that have occurred between the 12 months of April 1 2017 to March 31 2018 within the Group. The report also provides an indication of the future plans of the Group.



CHAIRMAN'S REVIEW



Rajan Asirwatham
Chairman

As your Chairman, it is with both pride and pleasure that I present to you the Dankotuwa Group's Annual Report for the financial year 2017/18. This year too, the Group has made excellent strides in bringing you positive results despite challenging economic, political and environmental factors.

Both Dankotuwa Porcelain and Royal Fernwood effected many significant structural changes to its operating processes. These changes, which came about with the adoption of the change management programmes spearheaded by the Dankotuwa Group's Vision 2020, are aimed at building a stronger foundation for future growth. The companies have expedited many production automations and process rationalisations that have accrued cost savings across the value chain. This has resulted with productivity and efficiency levels continuing to improve during the year. I am indeed happy to note that these changes to the operative framework which are intended for lucrative benefits in the middle and long term have already proven results as indicated in this report.

As porcelain manufacturers, competing in the global and digital market place, both Dankotuwa Porcelain and Royal Fernwood are continually subject to the dynamics of changing customer preferences. During the year under review, the companies have strengthened these essential aspects through investments in R&D and new product development. New designs, shapes and applications have been introduced both locally and internationally taking into consideration both global fashion and design trends.

“Innovation lies at the heart of our business philosophy and during the years to come we will continue to blaze a trail of innovation in design, texture and product efficiencies introducing new sizes and designs through both companies. Our commitment to our customers has always been of the utmost importance and true to our commitment, we will ensure we continue to deliver on our promise and brand identity”

Making headway in domestic expansion as a key strategic growth component, the Dankotuwa Group launched its first Signature Showroom at Guildford Crescent, Colombo 7. The launch which was a huge success has now positioned Dankotuwa Porcelain and Royal Fernwood as elite lifestyle brands among the Sri Lankan consumers, paving the way for further market expansion which has been clearly mapped out by the Group's 2020 vision.

Contribution to Stakeholders

At Group level, the Dankotuwa Group achieved a total revenue of Rs. 2,083 Mn, resulting in a net profit of Rs 3.5 Mn, in comparison to Rs. 120.9 Mn achieved during the previous financial year. This dramatic reduction in profitability was due to various production disruptions experienced at Dankotuwa Porcelain's manufacturing facility, which resulted in large revenue losses for the Company. Although the Company made a strong comeback in the final quarter of the year, production disruption had a negative impact on the overall Group's turnover and performance.

At a Company level, Dankotuwa Porcelain recorded a total turnover of Rs. 1,277 Mn compared to Rs. 1,653 Mn in the previous year. This drop-in turnover was a consequence of the above mentioned production disruption, which impacted both retail and export sales. The dip in topline caused the bottom line to move down to Rs. 80.9 Mn negative as against Rs. 94.6 Mn positive in 2016/17.

Royal Fernwood Porcelain Limited on the contrary, continued to maintain a growth momentum during the year supported by a strong export performance. The company reported a 11% increase in total turnover from Rs. 760 Mn to Rs 843.8 Mn for the current year. An increase in gross profit from Rs. 157.2 Mn to Rs. 278.1 Mn and the Profit Before Tax (PBT) from Rs 22.4 Mn to Rs 75.8 Mn was also reported during the year under review.

CHAIRMAN'S REVIEW



Plans for the Future

Innovation lies at the heart of our business philosophy and during the years to come we will continue to blaze a trail of innovation in design, texture and product efficiencies introducing new sizes and designs through both companies. Our commitment to our customers has always been of the utmost importance and true to our commitment, we will ensure we continue to deliver on our promise and brand identity.

In closing, I take this opportunity to thank our shareholders for their continued confidence placed in the Board and myself. I also acknowledge the wisdom and expertise that the Board of Directors have placed at the disposal of the Company to drive its next phase of growth. As always, I am highly appreciative of the services provided by our bankers and suppliers and our customers for their continuous patronage of our products. I also extend my appreciations to

the management and employees of the Dankotuwa Group for being change agents and executing this transformation.

Sgd.
Rajan Asirwatham
 Chairman

12 July 2018



THE FLOWER GARDEN TEA SET

Afternoon tea, the most quintessential of English customs is, perhaps surprisingly, a relatively new tradition. The Dankotuwa Porcelain has chosen to Celebrate the vintage art of afternoon tea with the “pretty in pink” Tea Time Garden Set exclusively by Dankotuwa Porcelain collection. Honouring the most English of pastimes, this fairy tale themed collection brings a beautiful tradition to contemporary living - with striking floral motifs and vibrant colours that will uplift any tea-taking occasion.



ACTING CHIEF EXECUTIVE OFFICER'S REVIEW



Dr. Sajeewa Narangoda
Acting Chief Executive Officer

This year, the Dankotuwa Group continued its business transformation, taking great strides in aligning functional verticals and implementing efficient business processes, coupled with an effective people strategy.

The Group, which has a reputation for producing high quality porcelain ware for more than three decades, has persisted in its mission to delight both Sri Lanka and the world with its innovative, exquisite and sophisticated products. It is with great pride that I present to you our achievements thus far.

Financial Performance

Consolidating the groundwork for sustained future growth, the Dankotuwa Group consisting of both Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited has overcome significant challenges during the year 2017/18, to emerge stronger and more efficient. The Group achieved a total revenue of Rs. 2,083 Mn and an after-tax profit of Rs. 3.5 Mn for the financial year 2017/18.

Performance of Dankotuwa Porcelain PLC.

As a company, Dankotuwa Porcelain experienced a downturn during its first three quarters of 2017/18. This was mainly due to work disruptions and realignment of the manufacturing process within the factory premises. However, the Company reversed the negative trend by earning a revenue of Rs. 300 Mn and a gross profit of Rs. 63.4 Mn in the final quarter, which could be recognised as one of the best performing quarters for any year. Even though the Company experienced poor performance during the

“We understand the need and value of superior customer service. Therefore, in line with our new vision, we are realigning our structure with increased customer service levels. We believe that greater depth in our service arm will help us become more customer friendly thus enabling us to get closer to our valued stakeholders“

second and third quarters which resulted in a net loss of Rs 80.9 Mn, I must place on record that overheads of the Company have reduced significantly, while the average gross profit margin has improved. Please refer the Financial Capital chapter of the Dankotuwa Porcelain section for more details on the financial position of Dankotuwa Porcelain as at end March 2018.

Performance of Royal Fernwood Porcelain Limited

During the year under review, Royal Fernwood has sustained its revenue and profit growth momentum despite extensive operational adjustments which included changes to top management and ongoing process improvements which proved positive for the Company.

At the end of the financial year, Royal Fernwood achieved a total revenue of Rs 844 Mn, which increased from Rs 760 Mn achieved during the previous year. Improvements in operational efficiencies, that included a reduction in material

wastage by 25%, an increase in per head output by 12% and yield efficiency increasing to 77%, aided in the management of the bottom line despite rising cost structures. These gains contributed towards a 238% year-on-year growth in profit before tax.

Sales, Marketing and Distribution Activities

In December 2017, under the Dankotuwa 2020 Strategy, the Dankotuwa Porcelain business model was recalibrated with improvements to the domestic sales channels and the rationalising of the production process of the Dankotuwa Porcelain factory. New marketing and distribution strategies were unrolled in Sri Lanka in line with the enhanced domestic focus, utilising traditional distribution channels and digital platforms, to reposition this iconic brand, while further ensuring market presence and customer access to products. Dankotuwa Porcelain and Royal Fernwood have their own positioning in the market across various customer segments. While Dankotuwa Porcelain offers a much more premium offering known worldwide for its remarkable whiteness that radiates a sense of pristine beauty,

ACTING CHIEF EXECUTIVE OFFICER'S REVIEW

Royal Fernwood is known for its vibrant colours in decorated porcelain tableware and figurine ornaments positioned towards a more casual market segment, particularly the millennial age group.

During the current financial year, both companies benefited from the domestic expansion strategy by acquiring new showroom space. The highlight of the year was the inauguration of the Signature Showroom at Guildford Crescent, Colombo 7. In addition to this, new channels such as pop-up sales have been explored to the advantage of the Group.

The Group made further gains in the international market in the past year and our long-term business strategy to establish our own brand by retailing products under the Dankotuwa Porcelain brand is gaining traction with our efforts in the Middle East, India and other parts of South Asia. Our goal is to introduce our own brand to the major markets in which we already operate as an OEM supplier within the next two years. On the other hand, Royal Fernwood, which prides itself for servicing over 40 countries, continues to respond to global customer trends by enhancing outputs in colored products, new types of glazed products, figurines, decals and gold-worked products.

More information on our market development activities during the year can be found in the Social Capital sections within this report.

Human Capital Development

Our new business strategy has ushered in extensive changes to human resource management. A new two-year collective agreement was signed with the trade union to improve employee engagement mechanisms such as grievance handling processes and systems for suggestions, as well as implementing performance evaluations. Clearly defined top-down and bottom-up communication lines were established to facilitate smooth, unhindered communications and build internal trust and cooperation. All these enhancements are driving a dramatic change in our culture, which we believe is for the betterment of the Group. Please refer the Human Capital chapter of this report for more information.

Production Processes

The focal point this year was to elevate the Group into organisations that are geared to maintain quality across the production process, ensure timely delivery and provide superior customer service levels to all our valued stakeholders. The Group also introduced world-class technology coupled with innovation and creativity, ensuring that our customers receive only the best world-class tableware, which is a standard that the iconic Dankotuwa Porcelain is recognised for. During the transformation process, we have achieved much success in realigning the manufacturing process and incorporating several productivity improvement processes across the value chain. This included redesigning the layout of the factory floor, adjusting the capacity, redesigning the production

process and revamping the delivery mechanism to cater to current and emerging customer requirements.

Technology

Technology-enabled future-centric capability enhancements are also part of this venture. 3D design concepts, ERP systems for greater efficiencies, production optimisation (including supply chain management) has been identified and included as an integral part of this transformation process that shall be introduced at the appropriate time intervals for optimum results.

Customer Service

We understand the need and value of superior customer service. Therefore, in line with our new vision, we are realigning our structure with increased customer service levels. We believe that greater depth in our service arm will help us become more customer friendly thus enabling us to get closer to our valued stakeholders. Geographical representation will increase with improvements in communications across all levels.

Governance, Risk and Compliance

The Group is fully compliant with all applicable laws and regulations. All relevant statutory reports and financials pertaining to required disclosures are included in this annual report. In addition, the Group maintains buyer compliance standards for many international brands, including brands such as Country Road, Crate & Barrel, Lenox, Migross and Macy's, to name a few.



Dankotuwa Porcelain products generates the best possible publicity for the Company within the British porcelain market.

Progressing into the Future

Sri Lanka's porcelain manufacturing sector faces a daunting challenge with continuous rupee depreciation, escalating international competition and energy costs. In addition, changes to the tax structures has resulted in a doubling of corporate tax on both Dankotuwa Porcelain and Royal Fernwood. Our 2020 Strategy is focused and well underway to achieve bottom line growth through a robust market expansion strategy and efficiency gains through technology innovations.

During the current financial year, Dankotuwa laid the groundwork for both domestic and export market growth and I am confident of sustaining this growth momentum in the new financial year. In Sri Lanka, Dankotuwa will continue to maintain marketing momentum by expanding the number of customer touch points including the dealer network. Two more showrooms will be opened at Crescat Boulevard and in Negombo. At the same time, non-traditional channel strategies such as pop up sales and shop-in-shop are being explored. For exports, Dankotuwa Porcelain will be targeting emerging markets, Australasia, South Asia, the US and Scandinavian countries, where the Company has received positive market indications. In addition to this, digital/e-commerce platforms and social media will be used strategically as they have been identified as an essential component of the Group's market development strategy.

With regards to Governance and Risk Management, the Group has maintained significant improvements to internal control aspects and overall governance at company level with the assistance of an external specialist. The Dankotuwa Porcelain Enterprise Resource Planning system was given a complete overhaul in the final quarter of this year, which has shifted the entire manufacturing process online. This has resulted in better visibility of the production flow with real time data on production status. Additionally, the supply chain and warehousing models have also been restructured.

The Group has also implemented a new and more stringent Risk Management System and is continuously monitoring identified risks. The company has also improved the Quality Control System by

implementing ISO 9001-2015, which has streamlined and rationalised the overall management of the production process.

Accolades

During the financial year 2017/18 Dankotuwa Porcelain was adjudged the winner of the Gold award while Royal Fernwood Porcelain was the recipient of the Silver in the large scale industrial sector for Ceramics and Porcelain products at the NCE Export Awards 2017.

I am proud to report that the 'Choices' range manufactured at the Dankotuwa Porcelain factory for the British brand Portmeirion, was selected for display at the Victoria and Albert Museum, UK. This independent assurance of the premium quality of

ACTING CHIEF EXECUTIVE OFFICER'S REVIEW



Royal Fernwood will continue to accompany the expanding footprint of the parent company within Dankotuwa Porcelain showrooms, while maintaining its own identity. Progressing into the new financial year, Royal Fernwood will continue to focus on coloured products and new markets for coloured products. The company has already initiated negotiations to manufacture figurines for a foreign brand that has expanded the Company's product portfolio.

Both companies will continue to leverage new technologies and automation solutions for cost and production efficiency gains. In this regard, we are already experimenting with new technologies

such as 3D printing for product samples and have commenced automating processes that were previously manual. We are exploring the options available for kiln loading automation to improve efficiencies and obtain consistent products and quality improvements, with minimum variation. Both companies will continue introducing new innovations in line with their distinct brand identities, promising many exciting new designs, shapes and products for our customers. Sri Lankan consumers can expect dramatic improvements in their dining etiquette thanks to many new dining and lifestyle products that we will be introducing to the retail market in the near future.

Conclusion

The current financial year has been a significant one in the history of Dankotuwa Porcelain due to the initiation of many changes and improvements across the width and breadth of the Company. Internal changes have strengthened operational efficiency and overall organisational cohesion. These have been supported by enhanced governance and risk management systems, which I believe have laid the foundation for stronger financial growth.

With the Group now geared to transform for the next tier of growth, I take this opportunity to thank the Chairman, Board of Directors for the confidence, support and guidance during a challenging year. I also thank our shareholders for the continued trust placed in the Company. A warm thank you to the management and employees of Dankotuwa Porcelain and Royal Fernwood whose unstinted support and cooperation has been a great source of strength during this phase of change. I acknowledge with gratitude the services provided by our bankers and suppliers and thank our customers for their continued patronage.

Sincerely

Sgd.

Dr. Sajeewa Narangoda
Acting Chief Executive Officer

12 July 2018



BOARD OF DIRECTORS



Mr. Rajan Asirwatham
Chairman/Independent, Non-Executive Director



Mr. Ajith Devasurendra
Deputy Chairman/Non Independent, Non-Executive Director



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



Mr. Dilush Perera
Independent, Non-Executive Director

PROFILE OF BOARD DIRECTORS

Mr. Rajan Asirwatham

Chairman/Independent, Non-Executive Director

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 is the Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka and the Chairman of the Audit Committee of the Institute of Chartered Accounts of Sri Lanka.

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

Mr. Ajith Devasurendra

Deputy Chairman/Non Independent, Non-Executive Director

Mr. Ajith Devasurendra is a veteran in the financial services industry in Sri Lanka and counts more than 34 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 an USAID project.

Mr. Devasurendra is the Chairman of South Asia Textiles Limited, Deputy Chairman of Ambeon Capital PLC, and Director of Ceylon Hotels Corporation PLC.

Mr. Mangala Boyagoda

Independent, Non-Executive Director

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.

Chairman of Wealth Lanka Management (Pvt) Limited. Director of Wealth Trust Securities Limited, SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Ceylon Hotel Corporation PLC, Ambeon Holdings PLC, Ceylinco General Insurance Limited, Sierra Construction (Pvt) Limited, Cargills Bank Limited, Royal Fernwood Porcelain Limited, Faber Capital (Pvt) Limited, United Hotel (Pvt) Limited, C A Crushing (Pvt) Limited, Sri Lanka Gateway Industries (Pvt) Limited, Chemanex PLC, Asset Holding (Pvt) Limited and Dhamma Parami Trust.

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

Mr. Sanjeev Gardiner

Non Independent, Non-Executive Director

Mr. Sanjeev Gardiner counts over 28 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 organisations 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

PROFILE OF BOARD DIRECTORS

Mr. Priyantha Maddumage

Non Independent, Non-Executive Director

Mr. Priyantha Maddumage is the Group Chief Investment Officer of the Galle Face Hotel Group of Companies and counts over 24 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 Accountants of Sri Lanka.

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

Mr. Revantha Devasurendra

Non Independent, Non-Executive Director

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.

Mr. Murali Prakash

Non Independent, Non-Executive Director

Mr. Murali Prakash is currently the Group Managing Director / Chief Executive Officer of Ambeon Capital PLC and Ambeon Holdings PLC. Ambeon Capital PLC is the Investment company and the parent of Ambeon Holdings PLC, the Investment Holding and Management Company of Ceylon Leather Products PLC., Colombo City Holdings PLC., Dankotuwa Porcelain PLC., Millennium Information Technologies (Pvt) Ltd., Royal Fernwood Porcelain Limited, South Asia Textiles Limited and Taprobane Capital Plus (Pvt) Ltd. Mr Prakash serves as a Director on respective boards of all 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, 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, a public quoted conglomerate involved in trading, manufacturing, finance, leisure, plantations,

healthcare and strategic investments, 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.

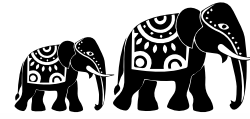
Mr. Prakash holds an MBA from University of Southern Queensland and is also a Certified Professional Marketer (Asia Pacific) and a Certified Management Accountant (Aus.). He also holds an Executive Diploma in Business Administration from the University of Colombo and is an Alumnus of the National University 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.

Mr. Dilush Perera

Independent, Non-Executive Director

Mr. Dilush Perera counts for over 17 years of experience and is a passed finalist of the Chartered Institute of Management Accountants (UK) and holds a MBA from the University of Southern Queensland, Australia.

Mr. Perera currently functions as the Chief Financial Officer of Hirdaramani Group. He is also the Chief Executive Officer of H Connect (Pvt) Limited, the shared services arm of the Hirdaramani Group which he was instrumental in setting up. Previously he was the CFO of Regency Garments Bangladesh. He serves in the Board of Saraketha Holdings (Pvt) Ltd.



**PINNEWALA
RAJA**

The Sri Lankan subspecies is the largest and the darkest of the Asian elephants. Dankotuwa has created one of the native animals of Sri Lanka from the finest porcelain and these are either hand-painted or glazed on 24 carat gold or platinum.

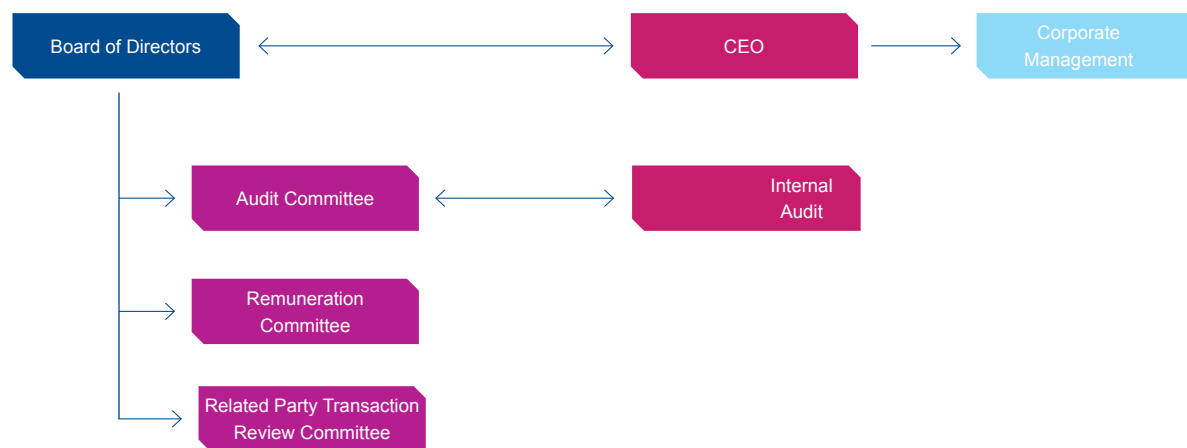


GOVERNANCE, RISK AND COMPLIANCE REPORT

Dankotuwa Porcelain PLC (DPL), manages its business operations in accordance with appropriate standards for good corporate governance, risk and compliance. The Board is committed to enhancing stakeholder value whilst ensuring that proper internal control systems are in place by complying with generally accepted practices as well as specific requirements outlined in the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practices, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka on matters relating to the financial aspect of corporate governance as a useful guideline. DPL's GRC guidelines provide Directors and Management with a road map of their respective responsibilities. These guidelines, which will be updated periodically, detail clearly those matters requiring Board and Committee approval, advice or review.

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

Strategies are subjected to a comprehensive annual review by the Board and are discussed further as necessary during the year. The Corporate Management has been delegated the authority to formulate strategies, seek approval for such strategies and implement them within the policy framework established by the Board.



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.

The Board

The Board, comprises of professional and experienced business leaders of high repute, who are entrusted with the responsibility of providing strategic direction to the Company in an honest, fair, diligent and ethical manner.

The Board, is the ultimate decision making body of the Company. The primary function of the Board is to exercise its collective business judgment to act in what it reasonably believes to be in the best interests of the Company and its Stakeholders. In exercising its business judgment, the Board acts as an advisor and

counsellor to the senior management and defines and enforces standards of accountability – all with a view to enabling senior management to execute their responsibilities fully and in the interests of Stakeholders. The following are the Board’s primary responsibilities, some of which may be carried out by Sub-Committees of the Board or the independent Directors as appropriate:

- 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.
- Overseeing the conduct of the Company’s business so that it is effectively managed in the long-term interests of Shareholders.
- Selecting, evaluating and compensating the management and succession planning for key executives.
- Overseeing the Company’s compliance with applicable laws and regulations; and overseeing the processes that are in place to safeguard the Company’s assets and mitigate risks.

The composition of Board of Directors as at date are 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	Non-Independent, Non-Executive Director
Mr. N H D R Perera	01 April 2018	Independent, Non-Executive Director

Table 1 – Composition of the Board

The profiles of the Directors are found on pages 27 to 28 of this Report.

- **Composition and Balance of the Board**

The Board comprises of Eight (08) 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 three 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 and Mr. N H D R Perera are 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.

GOVERNANCE, RISK AND COMPLIANCE REPORT

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 Ambeon Holdings 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 organisation 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 Acting CEO, Dr. Sajeeva Narangoda, 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 maximisation of shareholder value.

- **Board Meetings and Attendance**

The Board meetings for each financial 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 financial 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 quarterly 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 four 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	3/4
Mr. A L Devasurendra	3/4
Mr. M Boyagoda	3/4
Mr. S E Gardiner	0/4
Mr. P P Maddumage	1/4
Mr. R T Devasurendra	3/4
Mr. N M Prakash	4/4
Mr. N H D R Perera (Appointed on 01 April 2018)	N/A

Table 2 – Board Meeting Attendance

- **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 conducted by the Audit Committee are set out in the Audit Committee Report on pages 76 to 77.

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

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.

GOVERNANCE, RISK AND COMPLIANCE REPORT

The director retiring by rotation and eligible for re-election this year is mentioned in the Notice of Meeting on page 178.

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 2017/18.

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. 8.9 million was paid to the directors as fees for the financial year 2017/18.

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 declare 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.

Internal Control

The Board places a high priority on internal controls to manage the day-to-day affairs of the Company. The Board is responsible for the Group's internal control

and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management.

The Group's Internal Audit Department plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where necessary. The Internal Audit reports are made available to the Chief Executive Officer, Chief Financial Officer and the Audit Committee.

The Group also obtains the services of independent professional accounting firms other than the statutory auditors to carry out internal audits and reviews to supplement the work done by the Internal Audit Department. The Board has reviewed the effectiveness of the system of financial controls for the period up to date of signing the accounts.

Underpinning our Corporate Governance Framework are three key principles; Leadership, Accountability and Continuous Improvement.

LEADERSHIP	ACCOUNTABILITY
The Board	Boards Responsibility
The Board collectively provides effective leadership and oversight to ensure that the Company grows in the long term in order to meet the interests of shareholders and all other stakeholders.	The Board is responsible for providing leadership, oversight, control, development and long-term success of the Company. It is also responsible for instilling the appropriate culture, values and behaviour at all levels of operation.
Our Governance Structure establishes the fundamental relationships between the Board, its sub committees, management, shareholders and other stakeholders.	In carrying out its duties, the Board is governed by the rules set out in Section 7.10 of the Colombo Stock Exchange's Listing Rules and the Code of Best Practices, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka

Integrated Risk Management

Keeping with the Group's sustainability principles, Dankotuwa Group decided to invest in a fully-fledged ERM (Enterprise Risk Management) solution for its overall risk management to support the Group. CAMMS ERM solution is coupled with preconfigured risk, incident and hazard management templates, matrices, registers, controls and key risk indicators. The system enabled implementation of best practices with regards to ERM by deploying frameworks that comply with the COSO Enterprise Risk Management Integrated Framework. This system also ensures compliance with the ISO 1000:2009 international risk management standard.

The steps taken towards promoting the Dankotuwa Group's integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/ managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking.

The risk management programmes have allowed greater visibility of risk appetites. Risks and impacts are identified from a triple bottom line perspective, emanating from the socio/economic environment the Group operates in. Risks emanating from its value chain are also assessed in order to consider the entire value chain and not just the operations of the Group. From an economic perspective, the Group identified the weakened global economy, possible volatility in interest and foreign exchange rates and ambiguous and out dated laws as key areas of risk impacting the business operations of the Group.

Treasury and Financial Operations

The Financial and Treasury management were subjected to greater supervision and management oversight to maximise returns for shareholders, while ensuring commensurate benefits for other key stakeholder groups. Hence the design and development of a modern, centralised, treasury function and formulating a policy for strategic investments was implemented under the expert guidance of KPMG. This process which has been broken down into three phases, transmit the following objectives;

GOVERNANCE, RISK AND COMPLIANCE REPORT

Phase 1- Developing a Treasury Policy and Centralised Monitoring Mechanism



Centralised to-be Processes

Current operating processes were re-engineered and restructured with common controls and approval levels which was standardised across the Group. Processes which were standardised are:

- i. Short term Liquidity Management
 - Cash flow Forecasting
 - Working capital monitoring
- ii. Corporate Finance
 - Borrowings Management
 - Intra Group Funding
- iii. Investment Management
- iv. Foreign Currency Management

Dankotuwa Group Policies

The Policies would cover aspects of Treasury function and Roles & Responsibilities, Grant of Authority for transactions and managing relationship with counter parties.

- Dankotuwa Group Treasury Policy
- Investment Policy (IPS)

Treasury Reporting Formats

Formats were standardised across the Dankotuwa group in order to support in evaluating subsidiary treasury performance.

Phase 2- Developing a Policy and Procedures for Finance Process Integration



Centralised to-be Processes

Current operating processes were re-engineered and restructured with common controls and approval levels which were standardised across the Group. Processes which were standardised are:

<p>i. Procure to Pay</p> <ul style="list-style-type: none"> • Sourcing and Contracting • Requisition and Procurement • Payments • Production Planning and Reporting (Management 	<p>ii. Order to Cash</p> <ul style="list-style-type: none"> • Customer Acceptance (Credit Management and Customer Creation) • Order Management and Fulfillment (Invoicing and Quote Management) • Collection Strategy <p>iii. Record to Report</p> <ul style="list-style-type: none"> • Fixed Assets • Petty Cash • General Accounting • Payroll
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Dankotuwa Group Policies

Current group policies were revised and new policies were introduced based on the identified dissimilarities and control weaknesses, which will help the lower level management to deal with problems and issues without consulting top level management every time for decisions.

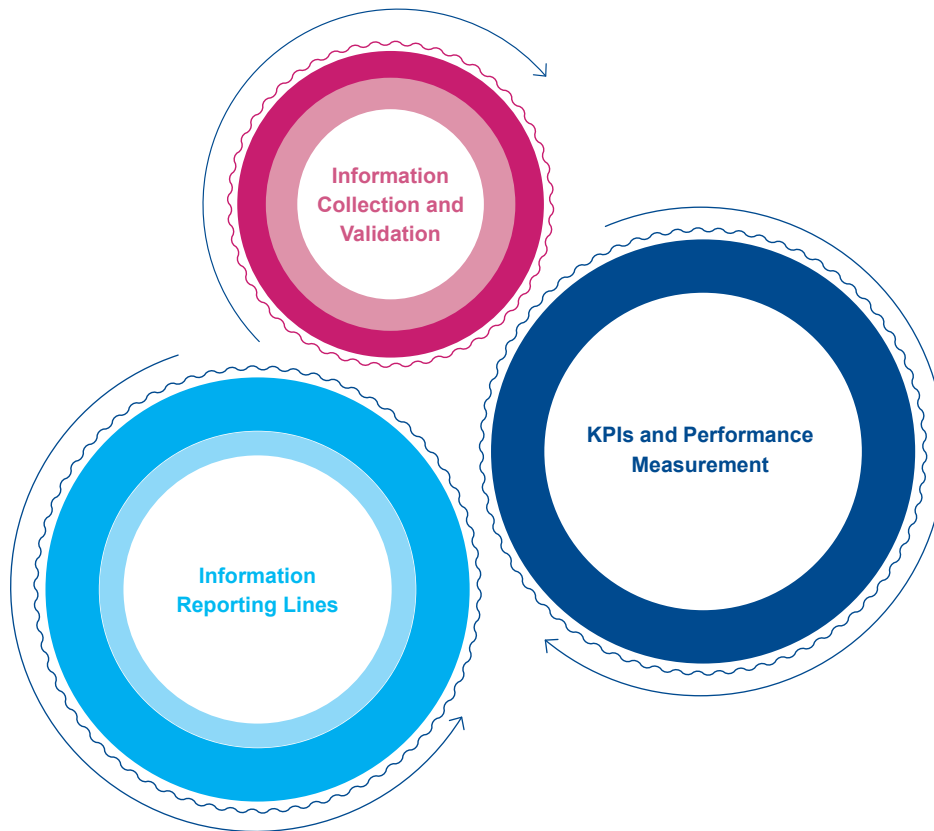
- Group Credit Policy
- Fixed Asset Policy (Acquisition, Capitalisation and Disposal)
- Accounts Payable and Procurement Policy
- General Accounting and Management Reporting Policy

Dankotuwa Group Reporting Formats

Financial reporting formats were standardised across the Group centred on the best practices within and outside the Group, which will support the holding company in comparing and evaluating.

GOVERNANCE, RISK AND COMPLIANCE REPORT

Phase 3 – Facilitating Group Finance Monitoring Policy



Dankotuha Groups Finance Monitoring Policy

- A standardised reporting process which shall include periodic reporting requirements
- Mapping reporting lines and information validation between the entities and the relevant personnel in the Group
- Ensuring a focused reporting mechanism which would be relevant to holding company decisions
- Designing entity level KPI's on financial performance
- Identifying information reporting barriers in terms of technology and process to devise alternatives in order to receive the required information on a timely manner

Information Technology Security

The Dankotuwa Group places great emphasis on harnessing Information Technology to obtain a competitive advantage, whilst also recognising the need for internal controls, IT governance policies and the appropriateness and the return on IT investments. The Dankotuwa Group's IT governance structures and policies were revisited and strengthened during the year.

Enterprise Risk Management

Enterprise risk management in the Group is intrinsically interwoven into its framework during the financial year under review. This was launched internally with a series of 'Risk Management Awareness Workshops', involving all the Business Heads and Senior Managers of the business units. The key objective of these workshops was to identify the different types of risks faced by the business units within the Group in relation to strategic, operational and project risks.

The treatment of risk across the Group companies occurs through a process of mitigation, acceptance and/or transfer of risk and is implemented at each business unit through operational and management controls. Mitigation plans are subjected to periodic verification by an independent internal audit. Business units are the ultimate risk owners, responsible for the identification and mitigation of risks pertaining to their specific businesses on an ongoing basis.

During the year under review the following risk management framework was implemented in order to comply with the Risk Management Objectives.

Steps	Activities
Data Collection and Analysis	<ul style="list-style-type: none"> • The Management Information System (MIS) to pick-up relevant business-critical information. • Review and validation before it is submitted to senior management.
Assess	<ul style="list-style-type: none"> • Agree and implement measurement and reporting standards and methodologies.
Control	<ul style="list-style-type: none"> • Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements. • Monitor the operation of the controls and adherence to risk direction and limits. • Provide early warning of control or appetite breaches. • Ensure that risk management practices and conditions are appropriate for the business environment.
Report	<ul style="list-style-type: none"> • Interpret and report on risk exposures, concentrations and risk-taking outcomes. • Interpret and report on sensitivities and Key Risk Indicators. • Communicate with relevant parties.
Manage	<ul style="list-style-type: none"> • Review aspects of the Company's risk profile. • Assess new risk-return opportunities. • Advise on optimising the Company's risk profile. • Review and challenge risk management practices.

GOVERNANCE, RISK AND COMPLIANCE REPORT

Internal, External Audits

Internal and external audits are crucial in the risk management process. The following table shows the various risks for the Dankotuwa Group and the respective remedial actions to mitigate them.

Description of risks	Mitigating actions
Price pressure and other competitive challenges especially imports from countries such as China and India may cause the profitability of Dankotuwa Group's Activities to deviate from the expected levels.	Cost reductions in all businesses are being continued to increase competitiveness. Further innovation and quality consciousness drives a focus to deliver a superior product range.
The implementation of the business strategy is supported by organisational measures to enhance regional and functional effectiveness. These measures may lack sufficient clarity and/or speed, resulting in inadequate collaborative and result-oriented behaviour and/or insufficient speed in achieving the projected diverse and international human resource base.	Dankotuwa Group constantly focuses on: <ul style="list-style-type: none"> • External Orientation • Accountability for Performance • Collaboration with Speed • Inclusion & Diversity Attention will be given to the implementation of stronger regional and functional talent efforts and career development.
Global financial economic and technical developments	Dankotuwa Group has made corporation with global industry giants to be updated with technological advancement and global trends
An economic downturn could have a significant detrimental effect on the achievement of the targets. This effect could be aggravated by volatility in currencies.	Dankotuwa Group will proceed with its profit protection plans, including further control on operating working Capital.

Other Risks

Description of risks	Mitigating actions
Acquisitions & Partnerships	The risk on Acquisitions & Partnerships shifted from finding sufficient additional value adding acquisitions to getting the recent acquisitions effectively integrated. The company has developed good practices and structured processes to ensure this runs smoothly.
Innovation	The current outlook is that Dankotuwa Group is on track to realise the innovation ambitions as set in its strategy and it's Brand Promise.
Raw material and energy price and availability risks	Dankotuwa Group has implemented various policies to avoid supply chain disruptions (e.g. multiple supplier strategy) and decrease price volatility.
Intellectual property (IP) risks.	The policy of accelerated growth through speeding up innovation and expansion in high growth economies holds the risk of increased exposure in the IP area. Measures will continue to be taken to contain these risks, but these may not always be completely effective in mitigating IP risks.
Security	Especially in the area of the security of and access to data in ICT systems, a continued focus on monitoring and mitigating actions is required, given the increasing tension between the growing professionalism of cybercrime and widespread use of IT.
Business continuity risks.	Major disruptions, especially in the supply chain, in manufacturing and in the ICT environment, remain a low likelihood but possibly a high impact risk. Actions are being continued to recognise and prepare for the most important scenarios.
Production process risks	These risks are identified and mitigated frequently. This demonstrates awareness for the normal operational risks of the Company

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.

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:-

GOVERNANCE, RISK AND COMPLIANCE REPORT

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 Communications.

- 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

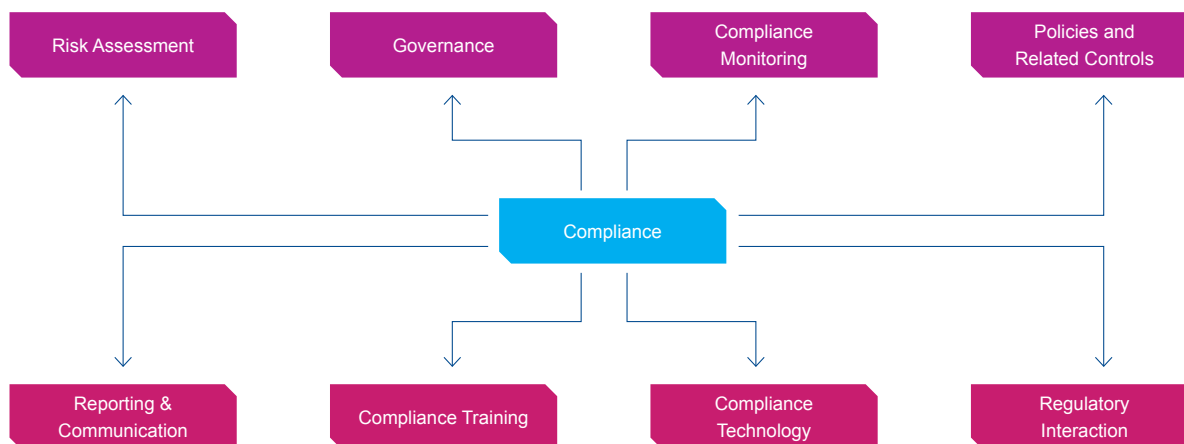
There were no transactions during the financial year deemed as a "major transaction" in terms of the definition stipulated in the Companies Act No. 7 of 2007.

Compliance

Compliance is an integral component of DPL's DNA and it reflects the Company's ongoing commitment to professionalism and ethical conduct. The role of the Compliance function is to ensure that, in conducting its day-to-day functions, the Company remains compliant with all laws and regulations currently applicable to the business. To achieve this, the Compliance function proactively engages in building a corporate culture based on ethical values, professional conduct and the highest standards of integrity, in turn ensuring that these principles are applied to the Company's activities at all times.

New Developments

Stemming from previous years' commitment to strengthen compliance, efforts for the year were spearheaded by a new eight pillar compliance model introduced with the aim of promulgating the risk-based compliance culture at all levels.



Compliance Training

The training plan was updated with a strong emphasis on Risk Based Compliance Modules to raise awareness, specifically at senior and middle management levels. In addition to the above, training programmes were also deployed to improve compliance awareness among all employees.

Compliance Technology

Steps were taken to leverage on the technology to update compliance monitoring and testing mechanisms in line with current global standards and best practices. The main aim was to manage compliance risk more proactively through automation of monitoring process of key compliance areas.

Future Plans

Moving forward, the key priority would be to use the new compliance model for the effective management of all risks. Accordingly, the focus for the immediate future would be to ensure that GRC framework is integrated into the strategy development process at unit level, as a proactive measure thereby strengthening the Company's holistic GRC culture.

THE GLOBAL AND LOCAL OPERATING ENVIRONMENT

Source: Central Bank Annual Report,

The external operating landscape has a significant impact on our ability to create value for our stakeholders. This year has been a particularly challenging year, as moderating economic growth, political uncertainty and reduced consumer discretionary spending impacted the holistic economy. Key drivers which impacted profitability during the year were consumer spending, inflation and government policy changes.

The global economy continued to gain momentum in 2017 with a substantial majority of the world's economies registering a pickup in growth. Two-thirds of the world economies – emerging and developing as well as advanced economies registered higher growth rates in 2017, compared to 2016. In the US growth picked up in 2017 supported by strengthening private investment, while growth in the EU region gained substantial momentum, reaching an estimated 2.4% in 2017, 0.7% higher than previously expected being the result of broad-based improvements across member countries. Growth in the East Asian region is estimated to have reached 6.4% in 2017, amidst the expansion of global trade and a recovery in commodity prices. Growth in the East Asian region is estimated to have reached 6.4% in 2017, amidst the expansion of global trade and a recovery in commodity prices. The region continues to be a major driver of global growth, mostly due to China's significant contribution. Growth in Myanmar also rebounded in 2017 notwithstanding policy

uncertainty. Growth in South Asia, while slowing down still remained at a robust 6.5% for 2017, marginally below the June 2017 forecast. The drop was mainly on account of the temporary disruptions from adverse weather conditions across the region

With adverse weather conditions and their spillover effects continuing to affect broad-based economic activity, Sri Lanka tabled a disappointing economic performance with GDP growing by only 3.2%, short of projections and below 4.5% reported in 2016. Among the sectors of the economy, agriculture related activities contracted against the backdrop of adverse weather conditions that continued from 2016, although estimates for quarter four, 2017 appear to indicate a slight recovery in the sector. A slowdown in economic activity in both services and industrial sectors was also seen. Growth in industry related activities was the slowest in two years, reaching only 3.9% in 2017 amidst a notable deceleration in construction activities, which has been mainstay of the economy throughout the post-conflict period. The growth rate of services related activities, which accounts for over 56% of real GDP, also moderated during 2017. Consequently growth in the service sector, which stood 4.7% in 2016, decelerated to 3.2% in 2017

Inflation

Inflationary pressures were felt during most part of the year, stemming from tax revisions, rising

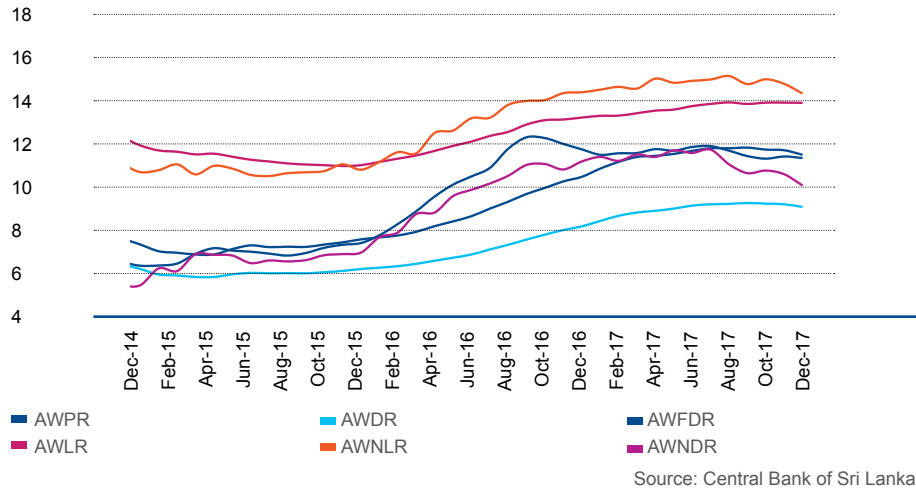
international commodity prices as well as supply constraints of domestic produce amidst inclement weather conditions. Volatilities in food inflation were reflected in the Headline National Consumers' Price Index (NCPI). The Central Bank of Sri Lanka (CBSL) plans to move to a flexible inflation targeting (FIT) regime, over the medium term enabling a low inflation environment to be sustained underpinned by a strong fiscal position, effective monetary policy and regulator credibility.

Interest Rates

The CBSL continued to maintain its tight monetary policy stance in 2017 in an attempt to curtail the possible acceleration of demand driven inflationary pressures due to excessive monetary and credit expansion. Following the increase in inflation during early 2017, the CBSL raised policy interest rates with the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) being increased by 25 basis points in March 2017 to 7.25% and 8.75%.

Deposit and lending interest rates of commercial banks continued to increase during most of 2017 raising the cost of funds in the economy. However, some moderation in deposit rates was observed towards the end of the year, while lending rates stabilised at elevated levels.

Commercial Bank Lending and Deposit Rates



Source: Central Bank Annual Report, Chapter 7

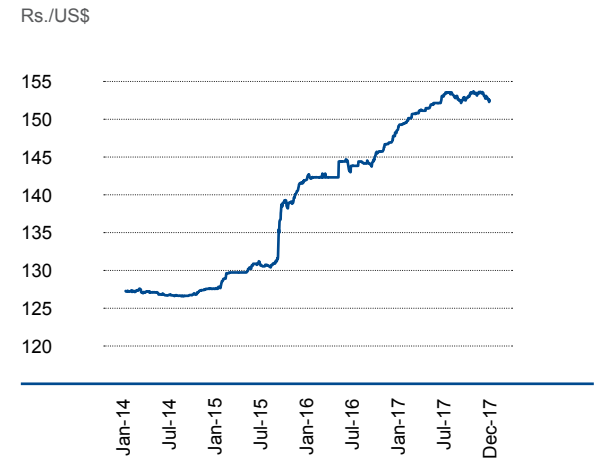
Energy Prices

With the consumer spending power decreasing during the year due to external economic environment, many households were pressurised in sourcing their daily income. In this back drop it was indeed a positive sign that the year did not witness any increments to electricity and water tariffs, including the prices of diesel and petrol. However the increment in the price of domestic liquid petroleum gas cylinder's, which was revised in September 2017, has contributed to the increment in household expenditure. This increase was reflected by an increase of 0.9% on NCPI, which is an upsurge of 0.1 from the previous year. While the private consumption expenditure (PCE) which grew at an alarming 13.7% during the previous year showed a miniscule growth of 5.7%.

Rupee Depreciation

The Rupee remained broadly stable, depreciating by 2% against the US dollar in 2017, supported by the market-based exchange rate policy implemented by the Central Bank during the year. The depreciation pressure on the rupee further eased from May onwards with the receipt of the proceeds from the International Sovereign Bonds, the foreign currency term financing facility and disbursements of two tranches of the International Monetary Fund-Exchange Fund Facility programme, which also helped improve investor confidence.

Exchange Rate Movement - Rupees per US\$



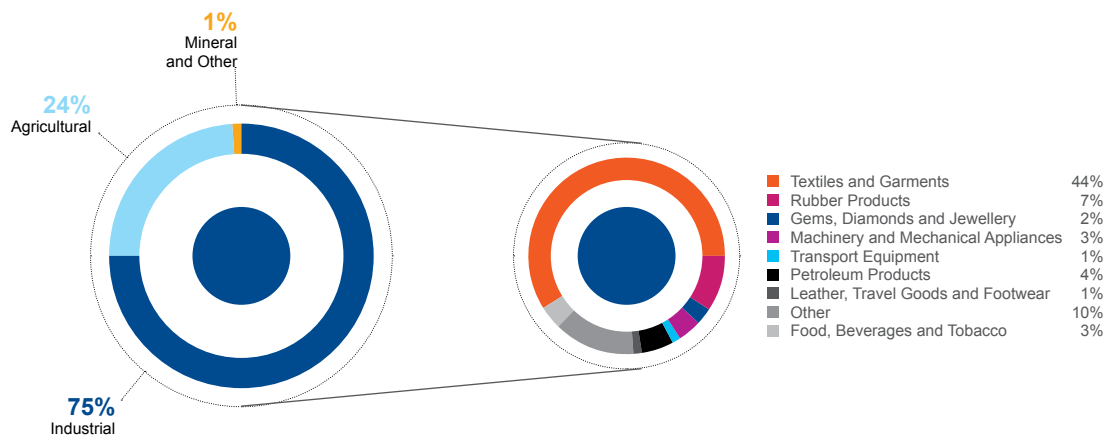
Source: Central Bank Annual Report, Chapter 5

THE GLOBAL AND LOCAL OPERATING ENVIRONMENT

Exports

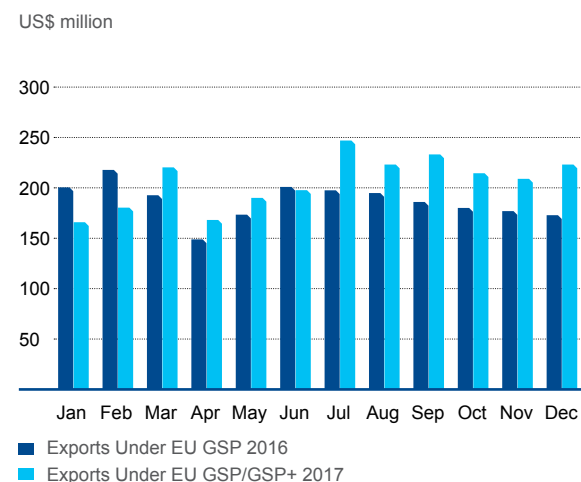
Sri Lanka's external sector improved gradually in 2017, as export earnings recorded a notable double digit growth in 2017, partly supported by the reinstatement of the EU's GSP+ facility (European Union's Generalised System of Preferences plus). Strong external demand especially for tea, increased commodity prices in the international market, conducive external trade policies together with strong institutional support and the favourable impact of the flexible exchange rate policy maintained by the Central Bank were among the other factors that contributed towards the improvement in export earnings. However, higher than expected expenditure on imports, particularly on fuel and rice imports, aimed at managing the impact of disruptive weather conditions, caused a widening of the trade deficit. The trade deficit expanded to US dollars 9,619 million in 2017, compared to US dollars 8,873 million recorded in 2016. As a percentage of GDP, the trade deficit was at 11% in 2017, marginally above the 10.9% recorded in the previous year.

Composition of Exports - 2017



Source: Central Bank Annual Report, Chapter 5

Exports Under EU GSP/GSP+ Scheme



Source: Central Bank Annual Report, Chapter 5

Imports

The adverse weather conditions which prevailed during the last two years, has taken its toll on the agriculture sector, thus increasing imports of food and other items. The expenditure on non-fuel imports increased by 5.1% to US dollars 17,552 million during the year under review. The firming of international commodity prices also had its effects on this sector. The increase in fuel imports created a historical high on the total value for imports which increased by 9.4% to US dollars 20,980 million.

The above information was obtained from the Central Bank of Sri Lanka

CAPITAL MANAGEMENT REPORT OF DANKOTUWA PORCELAIN PLC

DANKOTUWA

World-class tableware

AN AMBEON COMPANY

Synonymous for its elegant tableware and upscale dining culture, Dankotuwa Porcelain is a household name in Sri Lanka. Established in 1984, Dankotuwa Porcelain is differentiated within the markets it operates by the brilliant whiteness of its porcelain, one that radiate a sense of pristine beauty. For over three decades, the time-tested designer and creator has exceeded the expectations of elite societies across the globe through its unique and enchanting creations.



Our Global Clients



PORTMEIRION®

ONEIDA®

DANSK®



RITZENHOFF



Crate&Barrel

COUNTRY ROAD

MIGROS

RIPLEY



NARUMI

LADURÉE



notNeutral



HOUSE OF FRASER



John Lewis





FINANCIAL CAPITAL

The Dankotuwa Porcelain financial capital base remained resilient in the current financial year recovering rapidly from unexpected production disruptions demonstrating the prudent financial administration of the Company. Although business interruptions during the middle of the year prevented the Company from achieving financial targets set for the year under review, the rapid reversal of production aspects and revenues have contributed towards regaining financial strength and stability under a disciplined comprehensive financial strategy harnessing efficiencies and productivity gains across the value chain.

	2017/18	2016/17	% change
Equity (Rs)	1,849,285,607	1,850,020,878	-
Debt (Rs)	546,891,275	312,368,422	75
Retained loss (Rs)	(155,869,105)	(59,605,481)	162
Reserves (Rs)	603,053,065	507,524,712	19

Capital Employed

Capital Employed	2017/2018	2016/2017
Capital (Rs)	1,402,101,647	1,402,101,647
Reserve (Rs)	603,053,065	507,524,712
Non-Current Liabilities (Rs)	533,491,529	424,035,762
Total Capital Employed (Rs)	2,538,646,241	2,333,662,121

Assets

Assets Employed	2017/2018	2016/2017
Property Plant and Equipment (Rs)	891,066,362	720,190,694
Investment Property (Rs)	210,795,000	-
Current Assets (Rs)	1,051,687,796	1,169,450,653
Total Assets Employed (Rs)	2,153,549,158	1,889,641,347



Expenditure

Expenses Category	Amount
Direct Cost (Rs)	810,997,623
Factory Overheads (Rs)	259,272,232
Administration Expenses (Rs)	209,549,624
Selling and Distribution Expenses (Rs)	182,610,126
Finance Charges (Rs)	21,776,925
Total Cost (Rs)	1,484,206,532

Revenue and Profits

Despite a strong recovery in revenue during the final quarter reaching Rs 300 Mn, Dankotuwa Porcelain recorded a year-end net loss of Rs 80.9 Mn for the financial year 2017-18, from the profit of Rs 94 Mn in 2016-17. This lower than anticipated outcome is due to the sharp downturn in revenues of the Company during the year due to internal work interruptions. Despite this downturn, Dankotuwa continues to be resilient, expanding its footprint both within local and international markets.

Revenue	2017/2018	2016/2017
Direct Exports (Rs)	727,545,048	804,661,463
Local Sales (Rs)	549,072,315	848,209,902
Total Turnover (Rs)	1,276,617,363	1,652,871,366

Earnings	2017/2018	2016/2017
Profit / (Loss) Before Tax (Rs)	(153,254,019)	126,176,868
Profit / (Loss) After Tax (Rs)	(80,999,836)	94,651,586

HUMAN CAPITAL



Our human capital represents the collective skills, knowledge and other intangible assets of our employees that can be harnessed to create world class, award winning porcelain. Therefore, we believe in developing our human capital base which in turn will continually add value to our business and create wealth for our stakeholders. This is the guiding philosophy of Dankotuwa Porcelain in its new era of growth and transformation, as the Company forges ahead with a path spearheaded by technology and innovation. Our ultimate objective is the creation of a highly flexible and competitive business, powered

by people with the right attitude, coupled with a performance-oriented culture that would make Dankotuwa - a truly premium brand.

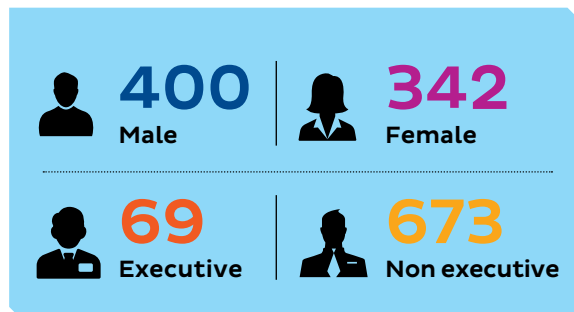
We engage and facilitate activities with our human capital as an essential aspect of their development. We continuously upgrade technical and professional skills and competencies providing them with opportunities for career development. We continuously strive to maintain a safe, competitive and supportive work place, while adhering to compliance and regulatory frameworks.

HR Profile

The total workforce of Dankotuwa Porcelain reduced to 742, during the current financial year. The gender breakdown of the workforce was 400 male and 342 female workers.

A key improvement in Human Resource Management at Dankotuwa has been the gradual culture change towards a more accountable and performance-oriented mind-set. All employees have been empowered by re-alignment of attitudes towards work and work ethics. In addition, the Company continued to integrate with industry stakeholders for technology

and market intelligence exchanges which also contributed towards internal improvements.



Labour Relations

Employee engagement and relationship building was a priority for the Company during the year under review. Consequently, the Company has improved its relationship with the workers and the trade union by facilitating cordial and open discussions which has resulted in the overall employee productivity and factory floor efficiency. These achievements have been accompanied by improved employee motivation and a more cooperative work environment. Employee motivation was addressed through a range of participatory activities and a new incentive scheme that recognises performance and contributions by individuals.

Grievance Management

At Dankotuwa Porcelain, we have adopted a system that caters to timely and effective grievance management. We believe this is essential for smooth, uninterrupted business operations and overall workplace harmony and cooperation. Therefore, we attempt to address any employee grievance or concerns immediately by encouraging employees to bring such matters to the notice of the management and the organisation.

During the current financial year, a formal grievance handling policy was introduced across the Group and channels for redress were established. This was made accessible to employees of all levels, thereby facilitating more transparent, open communication between management and employees.

Performance Evaluation

An appraisal and evaluation was conducted through the Performance Management System which catered to all executives and non-executives. This was completed by 31 March 2018.

Employee Benefits

Employees are encouraged to be the owners of their wellbeing and are given the opportunity to benefit from medical and life insurance schemes subsidised by the Company.



Training and Development

At Dankotuwa Porcelain we believe in investing in the development of skills and knowledge of our employees. Therefore, training and development remains an important strategic component. While this helped improve production efficiencies and overall company competitiveness, it also was a positive factor appreciated by the employees. During the year under review, we conducted many training events for our employees with the objective of enhancing knowledge and safety practices at the Company.

Employee Events

While focusing on workplace benefits, the Company also organised informal social events for employees to facilitate networking and relationship building outside the work environment.



GINGER JAR

The majestic ginger jar, a piece of art and craft which goes back centuries and is steeped in Chinese heritage. Ginger jars came in many different forms, but they always boasted of fine artwork and craftsmanship, whatever the shape it came in. Due to the timeless beauty of the ginger jars, they were also used as gifts.



INTELLECTUAL CAPITAL

Our primary intellectual capital asset is the registered trademarks of Dankotuwa and Laklain. However, with three decades of operations, Dankotuwa Porcelain is rich in intellectual assets that includes an ever growing design portfolio, product innovations, software systems, quality management systems and specialised knowledge and applications (organisational knowledge base) unique to the Company.

Organisational Knowledge

Dankotuwa Porcelain products are renowned globally for their unmatched whiteness, achieved through specific production practices, unique to the Company. This inhouse capability positions Dankotuwa among premium porcelain manufacturing facilities in Sri Lanka and differentiates Dankotuwa porcelain products from the international competition.

While been in business for over three decades, the Company has a flamboyant international clientele which consists of brands such as Macy's, Debenhams, Portmerion, Oneida, House of Fraser, John Lewis, Jashanmal, Jumbo Retail, Joules, Crate & Barrel, Country Road, Laduree, Tchibo, Notneutral, XXX Lutz, Lenox, Porsgrund, Fischer, Ritzenhoff, Migross, Ripley, Thun, Narumi, El Corte Ingles, Berghoff, Yalco, Weissesstal and Galeria Kaufhof. With its international presence in place, the Company is now looking at developing its local clientele. Dankotuwa is indeed a force to reckon with and its foray into technologically advanced products will further establish its brand presence cross both global and local markets.

DANKOTUWA

World-class tableware

AN AMBEON COMPANY



INTELLECTUAL CAPITAL

Internal Processes

Many process improvements were introduced during the year under review.

- **Standard Operating Procedures**

In a move to enhance overall governance, internal controls and risk management, Dankotuwa Group deployed the Standard Operating Procedures for the key value functions of supply chain management, financial administration and treasury operations. The objective was to enhance transparency and controls over all operational aspects.

- **E-Commerce initiatives at Dankotuwa Porcelain.**

Dankotuwa Porcelain is in the process of developing an e-commerce portal which will facilitate e-commerce facilities for Royal Fernwood Porcelain as well. The site will showcase all product ranges from both brands and will be equipped with a payment gateway which accepts any digital payment method available up to date.

- **ERP Dashboard Developments**

A new ERP system has been implemented to facilitate real time information flows across the Company and is said to be integrated with the entire Group for overall enhancement at group level and company level supervision and controls.

- **Document Management System**

A document management system is being implemented using Microsoft Sharepoint technology which helps the designing groups to share their related artworks, product diagrams and other

important documents with the innovation team stationed at the centralised Corporate Office.

Quality Systems

All products at Dankotuwa Porcelain conform to European as well as American quality standards and all international food health and safety standards. All products and raw materials are Cadmium and Lead free and are regularly tested for compliance. Many product ranges are manufactured to microwave and dishwasher safety standards. In addition, the Dankotuwa production facilities are continuously audited by prominent international buyers for systemic, labour and environmental compliance.

Dankotuwa Porcelain has the unparalleled distinction of being the first tableware manufacturer in Sri Lanka to obtain ISO 9001/2008 certification. The company also complies with the California Proposition 65, also known as the Prop 65 Standard, USA.

The company is currently in the process of qualifying for Business Social Compliance Initiative (BSCI) Monitoring System accreditation, which demonstrates the Company's commitment towards maintaining overall social standards while conducting its business.

New Product Development (NPD)

A key component driving future strategic growth will be the continuous innovation and product development for which a channel has already been established. During the year we relooked at product development, reengineering and designing aspects with greater emphasis on new shapes,

designs, decals, glazing that are being tested under the guidance of the senior management and design committee. Many new prototypes have been developed through the strategic incorporation of cutting-edge technologies such as 3D Printing that will ensure the sustainability of the Company's product portfolio into the future.

During the year we also released many new products and designs to both domestic consumers and export markets, including microwave friendly gold designs that are not only user friendly and practical but also retains the elite elegance associated with Dankotuwa Porcelain.

MANUFACTURED CAPITAL



The Dankotuwa manufactured capital base is managed with strategic intent of enhancing shareholder and other stakeholder returns through optimum utilisation of available manufactured capitals. Our approach to manufacturing capital management is well-planned and pragmatic. Our capital expenditure is based on an annual plan, considering the factory gaps against technologically innovation plans as well as cost factors and budgets. We give precedence to consistent maintenance of machinery and equipment within the factories and ensure the availability of quality spares; whilst looking at long-term investments with continuous research to bring in modernity to operations. Machinery and equipment are purchased on proper procurement

procedures and best practices. The material manufactured capitals of the Company comprises factory facilities, plant and equipment, inventory.

The fully fledged porcelain manufacturing factory in Dankotuwa has a production capacity of roughly over 450,000 pcs per month. The manufacturing process and raw material mix, imparts a high whiteness level which is unmatched by competitors and helps to differentiate Dankotuwa Porcelain from the crowd. The highly trained and experienced workforce provides a skill base with tried and tested capabilities for intricate hand paintings and luxurious gold and platinum applications.

During the year under review the Company continued to focus on driving improvements across the production process to control costs and while enhancing productivity. Labour and energy costs are the main cost components at 40% and 30% respectively of total costs, due to low automation and high labour intensity.

During the current financial year labour costs decreased with total number of employees declining through the process of natural attrition and controls on non-essential new recruitments. Simultaneously a workflow rationalisation programme was conducted to enhance factory floor efficiency by streamlining

MANUFACTURED CAPITAL



employment scope and job descriptions. To eliminate inefficiencies and redundant positions and practices automations were introduced for greater speed and efficiency of workflows. An outsourcing model has been adopted to divest non-essential functions, thereby releasing employees to focus on more productive activities. Currently, factory reorganisation is underway to convert segregated operations into a single, uni-floor format, with streamlined layouts and enhanced automation that will contribute towards labour and energy savings.

	2017-18	2016-17	% change
Land and Buildings (Rs)	944,976,825	587,962,268	61
Machinery (Rs)	83,762,108	98,403,079	(15)
Inventory (Rs)	327,647,853	432,550,537	(24)
Other (Rs)	73,122,429	33,825,345	116

Note: Other includes furniture, IT and other equipment

Improvements and Upgrades to Production Facilities

Well managed and properly maintained factory premises is essential for production growth and continuous, uninterrupted manufacturing. Therefore, at Dankotuwa Porcelain we implement improvements and upgrades to production facilities on a timely and regular fashion. During the current financial year, emphasis was placed on introducing new technologies into the production process and automation of the production lines with the objective of transforming the Dankotuwa manufacturing facility into a modern establishment equipped with modern manufacturing systems and solutions. These widespread changes have already commenced generating encouraging efficiency gains and productivity improvements that have contributed towards financial resilience of the Company.

Widespread productivity and efficiency improvements strategies were deployed successfully during the year to support future growth. While the Company experienced a sharp drop in capacity from 550,000 to 250,000 pieces due to production disruptions, this has now been enhanced to 450,000 pieces by enhancing kiln efficiencies. This remarkable efficiency gain has contributed towards significant savings on energy utilisation. These improvements have been accompanied by per person productivity improvements despite a reduction in workforce. The company also invested in new machinery with new technology to obtain capabilities to manufacture extremely thin porcelain.

NATURAL CAPITAL

The Dankotuwa Porcelain factory is located on a lush and fertile land suitable for coconut and paddy cultivation.

Natural resources are the basis of our business operations as a porcelain manufacturer and we are highly dependent on scarce resources such as energy and water for our business model. Therefore, as a responsible corporate citizen, we are conscious of the necessity to utilise our resources effectively, whilst managing negative operational impacts and minimising our footprint on the environment. We are also conscious of the reality that both the environment and climate directly impact the well-being of our workers and operations. Therefore, our approach to environment management is well in line with the national policies and legislative requirements relating to environmentally responsible manufacturing. Accordingly, we are focused in our efforts and have taken positive measures to align our environment related policies, strategies and programmes to achieve minimum negative impacts upon our environment.

In this regard, Dankotuwa Porcelain does not generate any environmentally harmful or toxic waste, due to the use of natural clays in the manufacturing process. The company also refrains from using animal bone ash in their products. Electricity, consumption has seen a favourable reduction during the year due to accrued benefits from converting fuel kilns into gas. Water for production is obtained from natural wells located within the factory property. The company will continue to focus on enhancing energy efficiencies through new techniques and production restructuring to curtail energy costs and natural resource consumption.

	2017-18	2016-17	% change
Land value (Rs)	409,720,000	341,206,763	20
Electricity (Rs)	77,609,389	95,773,913	(19)
Gas and Diesel (Rs)	137,351,067	185,455,015	(26)



SOCIAL CAPITAL

The social capital of an organisation is an intangible but intrinsic asset which comprises of the entire external social system in which an organisation operates and conducts its business. Our social capital lies at the heart of our business and includes the different stakeholder groups that we collaborate and cooperate with in order to fulfil our potential as a wealth creating entity. We place high emphasis on building and strengthening our social capital base through long term relationships, partnerships based on mutual trust and compliance with all regulatory aspects that apply towards our operations. During the current financial year our brand presence has increased due to the new marketing and brand development campaigns launch across both physical and digital channels. Our brand equity includes the goodwill and reputation that has been built through decades of trust, quality products and unparalleled service levels that has been reinforced by independent awards won by the Company.



Our social presence is primarily defined by our physical and digital retail and distribution network through which we interact with the public. Our product portfolios are our main platform of social interaction.

Our stakeholder engagement strategies and marketing strategies are developed for maximum positive perception among all stakeholders. During the year our shareholder engagements comprised of the annual general meeting in addition to the publication of Dankotuwa Group quarterly accounts.

The growing supplier and business partner base is a key stakeholder group with whom we engage through monthly meetings to raise awareness among our business partners regarding the new products, services and specialisations that we can provide.

During the year we enhanced our customer relationship building activities through interactions with customers by opening new branches, improving customer care systems and strengthening our customer complaints management processes.

Market Expansion

Within the new strategic growth framework of Dankotuwa the Company places equal emphasis upon both global and domestic market growth, which contributes towards more efficient revenue and systemic risk management. Within this framework during the current financial year the Company expanded its footprint aggressively within the local market and continued to forge forward in export market growth. During the year the Company

launched its first Signature Showroom in Colombo, and two more showrooms in Negombo and Crescat Boulevard, Colombo- 3.

Dankotuwa Signature Showroom

The highlight of the year was the opening of the Dankotuwa Signature Showroom at Guildford Crescent Colombo -7. The Signature Showroom displayed the very best of Dankotuwa Porcelain's fine Sri Lankan tableware and giftware, housing an array of modern and elegant products, thus giving consumers, hotel business partners and design professionals a hands-on opportunity to experience world class tableware exclusively from Dankotuwa Porcelain. In addition to this, the Signature Showroom also houses global brands such as Lenox and Portmeirion, giving consumers a very special and unique international shopping experience.

Export Market Growth

Dankotuwa continues to gain momentum within the international market space and our long-term business strategy is to establish our own brand. Efforts of this nature are being made in the Middle East, India and other parts of South Asia. Our goal is to introduce our own brand to the major markets in which we already operate as an OEM supplier.

Corporate Social Responsibility

Dankotuwa Porcelain has a tradition of supporting its local community through employment generation and contributing towards community welfare events.

CAPITAL MANAGEMENT REPORT OF ROYAL FERNWOOD PORCELAIN LIMITED



About the Company

Incorporated in 1994, Royal Fernwood Porcelain Ltd commenced its commercial production in 1997, with the first consignment being exported to the UK during the same year. Hence the year 1997 is indeed an eventful year in the history of the Company. The company has over the years earned a reputation for itself in the local and global market as the producer of exclusive porcelain tableware.



Our Global Clients



PORTMEIRION®

ONEIDA®

DANSK®



RITZENHOFF



Crate&Barrel

COUNTRY ROAD

MIGROS

RIPLEY



NARUMI

LADURÉE



notNeutral

XXXLutz

HOUSE OF FRASER

★ macy's

John Lewis

FINANCIAL CAPITAL

The Royal Fernwood financial capital base-maintained growth in the current financial year backed by strong revenue inflows and improvements to profitability. The company's financial resilience has continued from last year into the current year under review, closing the year on a positive note.

Performance Indicators

The ROA increased from 3% to 6% from 2017 to 2018, while the ROCE declined from 32% to 18%. The ROE fell from 15% to 13%. However the current ratio moved up from 1.07 to 1.34 times and the debt to equity improved from 4.47 to 0.95 times.

Changes to Equity and Other Financial Capitals

The influx of an investment totalling Rs. 350,319,254 done by the parent company, saw the rise of equity capital by 250% from 190,584,631 to 667,776,496 year-on-year. This resulted in a decline in the debt component by 47.97% to Rs. 304,053,434 from Rs. 584,353,949. This inflow has indeed created a ripple effect though out many financial indicators and saw the Company's books indicating a positive in both reserves and its investment.

	2017/2018	2016/2017
Equity (Rs)	667,776,496	190,584,631
Debt (Rs)	304,053,434	584,353,949
Retained loss (Rs)	(1,153,218,368)	(1,234,839,058)
Reserves (Rs)	509,339,506	464,087,585

Capital Employed

The Capital Employed too augmented from Rs. 653,085,495 to Rs. 814,734,013. This included an issuance of Rs. 350,319,254 in Preference Shares. The company's non-current liabilities too declined due to these positives, ending the year at Rs 146,957,518.

Capital Employed	2017/2018	2016/2017
Capital (Rs)	961,336,105	961,336,105
Preference Shares (Rs)	350,319,254	-
Reserve (Rs)	(643,878,864)	(770,751,474)
Non-Current Liabilities (Rs)	146,957,518	462,500,863
Total Capital Employed (Rs)	814,734,013	653,085,495

Assets

The asset base of the Company grew by 25%, which was a total of Rs 1,301,037,574. This was mainly due to the addition of Rs 70,122,800 in investment property and a sharp increase in Current Assets to Rs 650,085,819 from Rs 416,586,594.

Assets Employed	2017/2018	2016/2017
Property Plant and Equipment (Rs)	580,528,955	625,257,945
Investment Property (Rs)	70,122,800	-
Current Assets (Rs)	650,385,819	416,586,594
Total Assets Employed (Rs)	1,301,037,574	1,041,844,539

Expenditure

Expenses Category	Amount (Rs.)
Direct Cost	447,088,639
Factory Overheads	139,649,061
Administration Expenses	105,938,921
Selling and Distribution	55,620,676
Finance Charges	42,102,073
Total Cost	790,399,370

Revenue and Profits

Even after being reliant on imported raw materials in its production process, the fluctuation of the exchange rate had a severe impact on the Company's profits while, local materials and wages were impacted by the rising inflation which was seen during the year.

Exports amplified from Rs 537.6 Mn to Rs 628.7 Mn this indicating a growth of 17%. Profit Before Tax (PBT) was on an uphill climb increasing sharply by 239%. While EBIT figures improved by 94%.

Profit after tax increased by 202% from Rs. 28 Mn to Rs. 85 Mn.



Revenue	2017/2018	2016/2017
Direct Exports (Rs)	628,711,099	537,611,294
Local Sales (Rs)	215,116,257	222,438,326
Total Turnover (Rs)	843,827,356	760,049,620

Earnings	2017/2018	2016/2017
Profit before tax (Rs)	75,881,122	22,384,293
Add:		
Interest on Non-Current Liabilities (Rs)	42,102,073	38,326,403
Earnings before Interest and Tax (EBIT) (Rs)	117,983,195	60,710,696



**HAND-PAINTED VASE
WITH THE TOUCH OF
SRI LANKAN ART**

The significance of these jars are that they are hand-painted with the historical nuances of Sri Lanka. Dankotuwa Porcelain takes pride in crafting gift ware of this nature where every minute detail is painted to precision.



HUMAN CAPITAL



The Royal Fernwood Team of 480 employees is at the core of the Company's innovation and sustainability, driving the growth of diverse businesses and ensuring the creation of shared values. Our employee value proposition has given us a unique competitive advantage as a preferred employer, enabling the Group to attract and retain the country's top talent.

The Company benefits from a diverse mix of skills, industry experience and talent which is managed through formalised governance structures and policy frameworks. All human resource activity within the Company is coordinated centrally with the HR departments to ensure uniformity in policy frameworks and application of policies.

HR Profile

While labour remains an integral part of the Company's growth along with profitability, in this particular industry labour retention remains a dire issue. However, despite these issues the Company was able to end the year with a positive bottom-line.

We ensure that we provide employees with the relevant knowledge and skills which encourage them to innovate and lead change in the industry. Our staff include some of the industry's best, who have been handpicked by the senior management.

Mentoring and Coaching

Our mentoring and coaching system provides an excellent channel which empowers team members to be in control of their careers by obtaining feedback on their concerns regarding their leadership potential, career prospects and competency development.

HUMAN CAPITAL



Labour Relations

We strive to build a good relationship between all tiers of management and employees, ensuring that all disputes are cordially discussed and a mutually agreed upon. In order to further harness this process Royal Fernwood put in motion a Continuous Analysis process to identify workers' problems and also created a skilled workers pool, which acts as a platform for internal communications and dialogue.

Leadership & Performance Evaluations

Leadership development is a key aspect of our employee value proposition and ensures the retention of high-performing employees and effective succession planning. High-performers are identified through performance appraisals and are groomed for leadership positions through cross-functional and cross-sectorial exposure. Internal candidates are also given the opportunity to apply for emerging

vacancies. Performance evaluations were conducted based on formal, transparent criteria which included setting KPIs for the executive category and based on a skill matrix / evaluation criteria for non-executives.

HR achievements during the year include:

- Implemented new code of conduct for workers and communicated this to all grades of employees
- Implemented Joint Consultative Committee
- Organised Executive gathering Labour relations during 2017
- Implementing a 5 day work week
- Controlled Overtime but increasing productivity.
- Implemented Quality Circles
- Introduced an induction programme for new workers to facilitate smooth integration and reduce work disruptions

Improvements to employee benefits were achieved in the following areas:

- Introduced a new incentive scheme
- Provided free transportation for workers
- Improved the relationship with welfare
- Implemented a food committee.
- Increased the subsidies amount for lunch
- Changed the medical room function to accommodate two shifts for better medical care round the clock
- Implemented maternity benefits and protection policy

Training and Development

Training and development remained an important strategic component to help improve production efficiencies. Training events during the year were primarily focused on employee health and safety and obtaining quality accreditation for the Company.

Training events included:

- First AID training
- Health & Safety
- ETI base Code
- Leadership training
- Quality Related Training
- ISO Training
- SLS Training.
- Seminar on Chemical Safety

Workplace Health and Safety

Health and safety is a key priority as a significant proportion of our employees are engaged in manufacturing related activities. A fire audit was conducted, and fire evacuation plans were rewritten with effective procedures and safety systems introduced. All factory employees participate in periodical health checks and a visiting doctor is made available.

Employee Events

Several events were organised by the Company to enhance employee welfare and maintain a work life balance. In addition, work shifts were prepared at the beginning of the month enabling employees to flexibly change work shifts.

INTELLECTUAL CAPITAL

Our core brands 'Royal Fernwood' cater to varied clientele both locally and internationally. Quality and innovative designs are the strengths of our brand that focuses on customer-centricity. We make true the images and perceptions of customers by delivering masterpieces that have an extreme aesthetic appeal in addition to high functionality. This drives our market leadership position across the porcelain tableware sector in Sri Lanka.



Product Knowledge

Royal Fernwood has earned a name for itself over the years as the premier supplier of porcelain tableware. Their organisational expertise contribute towards the unique characteristics and attributes that differentiate our products and contribute towards the brand image. The company's varied product portfolio comprises of crockery of varied designs and a myriad variant of hues. While the Company's customer base consists of many prestigious names and brands spanning many continents, the brands that they serve include names such as Debenhams, Portmerion, Oneida, House of Fraser, John Lewis, Jashanmal, Jumbo Retail, Joules, Crate & Barrel, Country Road, Laduree, Tchibo, Notneutral, XXX Lutz, Lenox, Porsgrund, Fischer, Ritzenhoff, Migross, Ripley, Thun, Narumi, El Corte Ingles, Berghoff, Yalco, Weissesstal and Galeria Kaufhof.

Their conformity to international quality standards has also opened many doors for their products to be displayed, including several up-market department stores. The factory which includes state-of-the-art technologically advanced equipment is able to



INTELLECTUAL CAPITAL

produce pure white and colored ranges of porcelain tableware. While their range of porcelain figurines, and hotel ware have earned a reputation second to none.

In order to create the right quality of each product the reduction firing technique is used, while the biscuit firing technique is implemented for the whiteware range. This process includes two rounds of firing, the first been at 850 degrees and a gloss firing temperature of 1,300 degrees centigrade.

Our Research and Development Team works tirelessly in order to develop new products which are in line with the existing and emerging fashion trends, hence creating a demand for our tableware. The use of coloured glazes to match the body, is indeed a unique feature which has been achieved by this team. The designs and styles which are now reputed around the world include in-glaze decorations, on-glaze decorations, under-glaze decorations, hand painted decorations, etching designs and microwave-safe designs including gold and platinum.

Body shapes are yet another competitive aspect that Royal Fernwood Porcelain has excelled in, encompassing twelve main body shapes, which are currently in their portfolio. These include Oxford, Princeton, Sofia, Helsinki, Coupe, Horizon, Sunil, Colorado, Margo, Romantica, Dima, and Maria. While many unique designs have been created by the moulding unit, for specific customer requirements.

Internal Processes

Many process improvements were introduced during the year at the Holding company level which were cascaded across the subsidiaries.

- **Standard Operating Procedures**

In a process of improving their governance, compliance and risk management, the Standard Operating Procedures for supply chain management, financial administration and treasury operations was deployed.

- **E-Commerce initiatives of Dankotuwa Porcelain.**

In order to better cater to the overseas and local clientele Royal Fernwood is in the process of opening a payment gateway through their E-Commerce portal which is part of the Dankotuwa Porcelain expansion process. This will ensure speedy transactions and a speedy delivery process.

- **Centralised IT help desk support**

With the assistance of technology giant, Spiceworks a helpdesk has been established to support staff in solving their ICT related issues.

- **ERP dashboard developments**

With the growth of the Group, it has been observed that information needs to be able to be obtained super-fast, hence the implementation of a new ERP system took place, during the year under review.

- **Document Management System**

The services of Microsoft Sharepoint have been deployed to generate a document management system, which will avail the designs to share their creations/designs with the relevant groups.

- **Quality systems**

Royal Fernwood obtained both the ISO 9001-2015 certificate and the ISO 9001-2015 international standard specifies requirements for a quality management system (QMS). In addition the Company is in the process of qualifying for the SLS -1222 certification along with the CTPAT standard Implementation, which is in progress.



The company is also aligning with the Customs Trade Partnership Against Terrorism (CTPAT) which is a component of the U.S. Customs and Border Protection's (CBP) multi-layered cargo enforcement strategy.

Research and Development

Being in a business which is constantly churning and changing, it is necessary that innovation is given a lead role in the entire process. In order to further develop this area, the holding company, Ambeon Holdings has created a new job role, titled Head of Innovation. This position will have lower tier which will include an Innovation Team. This Team will handle the end-to-end innovation solutions for Group. Royal Fernwood is in the process of improving production floor efficiencies and introducing technologies such as 3D printing technology to further develop their product portfolio.

New Product Development (NPD)

In keeping up with the evolving industry trends, Royal Fernwood introduced several new product ranges, some customised to specific customer requirements.

The venture into new shapes has increased through clients such as Marcy's, Portmeirion, Oneida, Lenox, SDH, HOLDER S.A.S, Joules, Manses Design, Chalo, Laduree, THUN, LUTZ, MIGROS, and NARUMI. While the venture into new Color Glazes was looked into for clients such as Oneida, Manses Design and Lenox, the revolution into microwave and dish wash safe products was also witnessed during the year under review.



MANUFACTURED CAPITAL



Our manufactured capital comprises of buildings, plant and machinery and other items including motor vehicles, furniture and fittings, tools and equipment. It excludes land and investment property which are included in Natural Capital and amounts to Rs. 70.1 Mn, equivalent to 5% of the Group's Total Assets.

Located on a 25-acre property at Kosgama, the Royal Fernwood factory is located in close proximity to the main port of Colombo. The factory which was upgraded in 2004, comprises of an area of over 15,000 sq. meters. Equipped with high-end machinery to support world class standards, the factory boosts

the ability to produce pure white and colored ranges of porcelain tableware, porcelain figurines, and hotel ware. While the Company's range of finishes which range from in-glaze, on-glaze, under-glaze, hand painted, etching designs and microwave-safe designs including gold and platinum. These along with the vibrant colours ensure that the products stand out from the rest.

Company buildings increased by 6.14% from Rs 274.1 Mn to Rs 290.9 Mn while plant and machinery decreased by 19.13% from Rs. 116.5 Mn to Rs 97.5 Mn and the increase in production saw the increase in raw materials which was approximately 57%.

Improvements and Upgrades to Production Facilities

During the year we invested Rs 17.4 Mn as capital expenditure which supported growth in our production capacity, upgraded technology and enhanced operational excellence. Sound procurement practices ensured that all plant and machinery were acquired after thorough evaluation of supplier profiles, quality and reliability. The upgrades include building a clay aging room, re building a casting mould dryer room and rebuilding the mould dryer room. The company also completed the first phase of the new ERP system deployment.



The investment in a generator to avoid power disruptions and to be used as an alternative source of power along with maintenance work pertaining to the existing gas tank were an initiative which was embarked on by the Company during the year under review. The improvement of processes also saw the increase in capacity from 75% to 80%. We are pleased to report a marked improvement in operational efficiencies during the current financial year.

NATURAL CAPITAL

In our view, success and sustainability are inextricably linked. We are totally committed to ensuring the mitigation of negative impact on the environment. Therefore environmental responsibility and sustainable practices are integral to our operational philosophy. During the year under review, further investments were made throughout the Group to ensure the best possible results in terms of regulatory compliance, energy efficiency and emission

reduction. The use of natural clays in the production process has helped reduce the harmful effect on the environment. While the installation of a gas powered kiln and further migratory power saving mechanisms have helped reduce the electricity consumption and the pressure the Company lays on the national grid.

	2017-18
Land value Rs.	184,296,100
Energy consumption	
• Electricity Rs.	32,170,735
• Gas and Diesel Rs.	135,209,630



SOCIAL CAPITAL

Caring for the communities in which we operate has been the cornerstone of our business philosophy. As such, as our businesses have grown and developed so have the communities that surround them. We make an impact not just in terms of humanitarian aid, but through the use of our knowledge and expertise to create concrete and sustainable areas of improvement, linking our work with the well being of the people and environment around us.

Flood Donation

At Royal Fernwood, the staff stepped in to fund a disaster management project, which included the distribution of lunch packs and dry rations to flood victims along with the disbursement of other types of aid.

Our goal is to see our suppliers grow with us. With this in mind we work through an equitable procurement process, strictly adhering to contractual obligations, maintain open channels of communication, engage in multiple knowledge sharing initiatives and place a strong emphasis on absolute trust and transparency. Supporting our suppliers as they strive for the continuous improvement of their businesses, is something we take very seriously. We are conscious of the need to create multiple opportunities for suppliers to engage with us and to stay up to date with the latest developments. The establishment of an inspection system on the top twenty raw materials were also introduced along with on going negotiations with regard to pricing on all material is currently being conducted.



SOCIAL CAPITAL

The group maintains strong relationships with all government and local authorities in all fields and areas of business. Clear and transparent communication, as well as absolute compliance is paramount.

Relationships with all trade unions remain excellent. A cordial, open door policy allows for clear lines of communication and the swift resolution of any outstanding issues, to the mutual benefit of concerned parties.

The expanding of our branch network which took place during the year under review, paved the way for better interaction with our customers. The rebranding of the Group which included a robust marketing campaign further provided opportunities to interact with our stakeholder groups.

Awards and Accolades

The Company was awarded the Silver Award at the National Exporters Awards 2016/17 in the Large Scale Manufacturing Category for its export performance.

Market Expansion

In line with the growth of our social capital and coherent to the growth strategy which the holistic group has embarked on the Company took initiatives to grow its physical presence through the growth of its number of showrooms. This initiative enabled our brand to commence market penetration and enhanced brand visibility among consumer and corporate markets.

Supplier Engagement

Supplier management is crucial for sustainability in the current economic environment of rising cost structure and escalating competition. Fully cognisant of this reality Royal Fernwood has initiated strategic changes to its supplier management policies and processes to generate cost savings and competitive advantages through new supplies, new suppliers and alternative materials.

During the year under review the Company initiated a raw material incoming inspection for the 20 major raw materials and commenced pricing negotiations with key suppliers including providers of gas, which is an essential energy source. The company is also testing different alternative materials to address any potential raw material and shortage related risks and is expanding the supplier data base to include local material suppliers. A supplier registration is now in progress to expand the supplier data base to address supply chain related risks.

Corporate Social Responsibility

Royal Fernwood regularly contributes to community welfare events in the locality of our manufacturing facility. In addition the Company also organises many CSR events.



JEWELLERY CASKET

Jewellery caskets were in common use as early as 5000 BC in Ancient Egypt. Dankotuwa's copper plated jewellery casket ensembles the unique history of Jewellery and storage.



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. Mangala Boyagoda – Independent, Non-Executive Director

Mr. N M Prakash – Non-Independent, Non-Executive Director

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 27 to 28 of the Annual Report.

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 only two formal meetings but had the quarterly financial statements reviewed by the Members of the Committee before recommending them to

the Board of Directors for release to the Stock Exchange. 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.

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.

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 2019 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.

Rajan Asirwatham
Chairman

12 July 2018

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. R N Asirwatham – Independent, Non-Executive Director

Mr. Mangala Boyagoda – Independent, Non-Executive Director

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

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 recognises and addresses the short and long term needs of the organisation 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 28.2 to the Financial Statements.

Sgd.
Rajan Asirwatham
Chairman

12 July 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Purpose of the Committee

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

Mr. Revantha Devasurendra - 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 27 to 28 of the Annual Report.

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

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 twice during the financial year under review. Proceedings of the Committee meetings are reported to the Board of Directors.

Sgd.

Rajan Asirwatham
Chairman

12 July 2018

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 2018, 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 92 to 167 of this Annual Report.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2018 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 94 to 95 of this Annual Report.

Summarised Financial Statements

	Group		Company	
	2017/2018	2016/2017	2017/2018	2016/2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	2,083,446	2,366,324	1,276,617	1,652,871
Profit/(Loss) Before Tax	(77,373)	146,848	(153,254)	126,177
Income Tax (Expense)/Reversal	80,851	(25,944)	72,254	(31,525)
Profit/(Loss) After Tax	3,478	120,903	(80,999)	94,652

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 100 to 114 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 2018 were audited by M/s Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on pages 88 to 91 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 and as at date are given below:-

- Mr. Rajan Asirwatham (Chairman) – Independent Non-Executive Director
- Mr. Ajith Devasurendra (Deputy Chairman) – Non-Independent, Non-Executive Director
- 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
- Mr. Dilush Perera – Independent Non-Executive Director

The present Directors of the Company and their profiles are shown on pages 27 to 28 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. Dilush Perera retires from office at the conclusion of the forthcoming Annual General Meeting. Mr. Dilush Perera 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. Sanjeev Gardiner and Mr. Murali Prakash 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 composition is given in page 33 under Governance, Risk and Compliance 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. 28 to the Financial Statements on pages 159 to 161.

Directors' Remuneration

The Directors' Remuneration is disclosed in note no. 21 to the Financial Statements on page 149.

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 31/03/2018	As at 31/03/2017
Ambeon Holdings PLC (Represented by M/s N M Prakash, Mangala Boyagoda and Priyantha Maddumage)	125,989,230	125,989,230
DOH Investment Lanka (Pvt) Ltd	1,200,000	1,200,000
Rajan Asirwatham (personally)	3,000	3,000

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 Governance, Risk and Compliance Report is given on pages 30 to 43 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 76 to 77.

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.

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

Donations

The Company has made donations to the value of LKR 50,000/- during the twelve month period under review.

Capital Expenditure

The total capital expenditure for the twelve month period amounted to LKR 51.5 million.

Property, Plant & Equipment

Details of Property, Plant & Equipment are given in note no. 5 to the Financial Statements.

Stated Capital

The stated capital of the Company as at 31 March 2018 was LKR 1,402,101,643/- represented by 162,552,920 fully paid ordinary shares.

Shareholdings

There were 5,061 registered shareholders as at 31 March 2018. The distribution of shareholdings is shown on page 168 of the Annual Report.

Share Information

Information relating to earnings, dividends, net assets and market value per share is available under Shareholder Information on page 169 of the Annual Report along with information on share trading.

Substantial Shareholdings

The twenty major shareholders as at 31 March 2018 are given on page 169 of the Annual Report.

Public Holding

Public shareholding as at 31 March 2018 is 21.75% represented by 35,360,690 shares in the hands of 5,056 shareholders.

Related Party Transactions

There were no other non-recurrent related party transactions entered into by the Company except those disclosed on page 172 in which the aggregative value exceeded the lower of 10% of the equity or 5% of the total assets as per the audited financial statements for the year ended 31

March 2018, which require additional disclosure in terms of Rule 9.3.2 of the Listing Rules of the CSE on related party transactions and the Code of Best Practices on related party transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

There were no recurrent related party transactions carried out during the financial year ended 31 March 2018, the aggregate value of which exceeded 10% of the revenue.

Details of all related party transactions carried out during the financial year are disclosed in note no. 28 to the financial statements.

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 minimise 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. 27 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 2018 have been audited by M/s. Ernst & Young, Chartered Accountants. A sum of LKR 1,223,500/- was paid to them as audit fee during the period under review. In addition, they were paid LKR 4,305,364 /- 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 27 September 2018. The notice of the Annual General Meeting appears on page 178.

For and on behalf of the Board

Sgd.
Rajan Asirwatham
Chairman

Sgd.
Murali Prakash
Director

Sgd.
Nexia Corporate Consultants (Private) Limited
Secretaries

12 July 2018

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 pages 88 to 91.

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 25.2 to the financial statements covering contingent liabilities.

By order of the Board of
Dankotuwa Porcelain PLC

Sgd.
Nexia Corporate Consultants (Pvt) Ltd
Secretaries

Colombo
12 July 2018







BEARDMAN JUG

Also called Bellarmine Jug, usually made from stoneware and manufactured in Europe throughout the 16th and 17th century. They came in various sizes with a signature detail of a bearded face mask appearing on the lower neck of the vessel. These vessels were known to store beer and wine. After the construction of Galle Fort in the 17th century, Galle Harbour became a major anchorage for boats and ships travelling between Europe and Asia. Some ships were wrecked in the Galle Harbour and items salvaged ended their journey as part of Sri Lankan history. If you visit the Colombo National Gallery or Galle Maritime Museum, you will see fine examples of this jug. Dankotuwa has recreated this unique jug from the finest porcelain and glazed in translucent green colour.

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FINANCIAL CALENDAR

- 1st Quarter Interim Report - 16 August 2017
- 2nd Quarter Interim Report - 15 November 2017
- 3rd Quarter Interim Report - 02 February 2018
- 4th Quarter Interim Report - 21 May 2018
- Annual Report 2017/2018 - 12 July 2018
- 34th Annual General Meeting - 27 September 2018

INDEPENDENT AUDITOR'S REPORT



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Chartered Accountants
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TO THE SHAREHOLDERS OF DANKOTUWA PORCELAIN PLC

Report on the Financial Statements

Opinion

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

In our opinion, the accompanying Financial Statements of the Company and Group give a true and fair view of the financial position of the Company

and Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current

period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

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

A member firm of Ernst & Young Global Limited

Key Audit Matter	How our audit addressed the key audit matter
Annual impairment of Goodwill and Intangible assets with infinite useful life	
<p>Intangible assets include Goodwill on consolidation and Brands with infinite useful life.</p> <p>Goodwill and intangible assets are subject to an annual impairment test using significant estimates as disclosed in Note 7 to the Financial Statements. Therefore, we have determined this to be a Key audit matter.</p>	<p>We performed the following procedures amongst others:</p> <ul style="list-style-type: none"> • We have involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates, used by the management. • We also assessed the adequacy of the related disclosures given in Note 7 to the Financial Statements.
Valuation of Properties	
<p>As at 31 March 2018, land and building carried at fair value amounted to Rs. 1.4 Bn classified as Property, Plant and Equipment and Investment Property. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and building was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in Notes 5 and 6 to the Financial Statements.</p>	<p>Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following;</p> <ul style="list-style-type: none"> • Assessed the competency, capability and objectivity of the external valuers engaged by the Group. • Read the professional valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property. • Engaged our internal experts to assess the reasonableness of the valuation technique, per perch price and value per square foot. • We have also assessed the adequacy of the disclosures made in Notes 5 and 6 to the Financial Statements relating to the valuation technique and estimates used by the professional valuers.

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and those charged with governance

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management

INDEPENDENT AUDITOR'S REPORT

determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

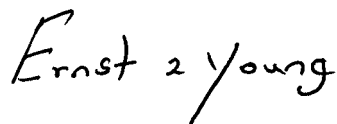
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

Report on other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.



12 July 2018
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Revenue	4	2,083,446,185	2,366,323,617	1,276,617,363	1,652,871,366
Cost of Sales		(1,597,815,854)	(1,803,868,044)	(1,070,269,856)	(1,249,645,426)
Gross Profit		485,630,331	562,455,573	206,347,507	403,225,940
Other Income	19	5,978,113	16,077,112	5,788,255	11,383,786
Selling and Distribution Expenses		(238,230,802)	(211,415,469)	(182,610,126)	(177,975,695)
Administrative Expenses		(318,106,969)	(214,408,861)	(209,549,624)	(141,346,573)
Operating Profit/ (Loss)		(64,729,327)	152,708,355	(180,023,988)	95,287,458
Finance Cost	20	(45,875,750)	(35,376,724)	(21,776,925)	(18,574,725)
Finance Income	20	33,232,181	29,516,575	48,546,894	49,464,135
Profit / (Loss) Before Tax	21	(77,372,896)	146,848,206	(153,254,019)	126,176,868
Income Tax (Expense)/Reversal	22	80,851,295	(25,944,514)	72,254,183	(31,525,283)
Profit / (Loss) for the Year		3,478,399	120,903,692	(80,999,836)	94,651,585
Attributable to:					
Equity Holders of the Parent		3,328,480	119,698,400		
Non-Controlling Interest		149,919	1,205,292		
		3,478,399	120,903,692		
Basic/ Diluted Earnings/ (Loss) Per Share	23	0.02	0.74	(0.50)	0.58

The accounting policies and notes on pages 100 through 167 form an integral part of the Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Profit / (Loss) for the Year		3,478,399	120,903,692	(80,999,836)	94,651,585
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods					
Currency Translation of Foreign Operations	13	(40,515)	(177,907)	(40,515)	(177,907)
Net Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods		(40,515)	(177,907)	(40,515)	(177,907)
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods					
Actuarial Gain/(Loss) on Defined Benefit Plans	15	(24,667,598)	7,665,751	(21,199,707)	194,301
Tax on Actuarial Gain/(Loss) on Defined Benefit Plans	22	6,546,266	(1,282,342)	5,935,918	(39,093)
Revaluation Gain on Land and Building	5	415,545,515	93,024,351	368,949,380	-
Tax on Revaluation Gain	22	(151,363,007)	(7,485,531)	(150,018,792)	-
Net Other Comprehensive Income not to be reclassified to Profit in subsequent periods		246,061,176	91,922,229	203,666,799	155,208
Other Comprehensive Income for the year- Net of Tax		246,020,661	91,744,322	203,626,284	(22,699)
Total Comprehensive Income - Net of Tax		249,499,060	212,648,014	122,626,448	94,628,887
Attributable to:					
Equity Holders of the Parent		244,030,847	207,487,563		
Non-Controlling Interest		5,468,213	5,160,451		
		249,499,060	212,648,014		

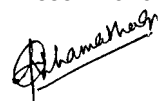
The accounting policies and notes on pages 100 through 167 form an integral part of the Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	5	1,471,595,319	1,345,448,639	891,066,362	720,190,694
Investment Property	6	280,917,800	-	210,795,000	-
Intangible Assets	7	254,343,302	260,156,733	41,215,466	47,028,895
Investment in Subsidiaries	8	-	-	741,700,839	483,215,328
Financial Investments - Loans and Receivables	9	-	-	-	300,718,753
		2,006,856,421	1,605,605,372	1,884,777,667	1,551,153,671
Current Assets					
Inventories	10	742,573,214	687,081,963	327,647,853	432,550,537
Trade and Other Receivables	11	424,717,023	415,047,316	305,913,945	409,374,090
Income Tax Receivable		1,423,084	3,064	1,423,084	-
Cash and Cash Equivalents	16	437,933,073	342,231,978	416,702,914	327,526,026
		1,606,646,394	1,444,364,321	1,051,687,796	1,169,450,653
Total Assets		3,613,502,815	3,049,969,693	2,936,465,463	2,720,604,324
EQUITY AND LIABILITIES					
Equity					
Stated Capital	12	1,402,101,647	1,402,101,647	1,402,101,647	1,402,101,647
Other Components of Equity	13	851,568,444	589,376,808	603,053,065	507,524,712
Retained Earnings / (Losses)		(278,739,986)	(260,579,198)	(155,869,105)	(59,605,481)
Equity Attributable to Equity Holders of the Parent		1,974,930,105	1,730,899,257	1,849,285,607	1,850,020,878
Non Controlling Interest		13,687,893	8,219,681	-	-
Total Equity		1,988,617,998	1,739,118,938	1,849,285,607	1,850,020,878

As at 31 March	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	14	430,868,094	441,931,962	316,919,659	300,718,754
Retirement Benefit Liability	15	161,565,698	129,285,545	145,152,557	114,416,841
Deferred Income	18	-	387,745	-	387,745
Deferred Tax Liability	22	88,015,253	44,753,170	71,419,313	8,512,422
		680,449,045	616,358,422	533,491,529	424,035,762
Current Liabilities					
Interest Bearing Loans and Borrowings	14	420,076,616	125,916,960	229,971,616	11,649,668
Trade and Other Payables	17	520,343,668	465,612,788	323,716,711	331,933,659
Dividend Payable		-	65,021,168	-	65,021,168
Income Tax Liabilities		4,015,488	37,941,417	-	37,943,189
		944,435,772	694,492,333	553,688,327	446,547,684
Total Equity and Liabilities		3,613,502,815	3,049,969,693	2,936,465,463	2,720,604,324

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



Jayamal Wickramatunga
Chief Financial Officer

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



Rajan Asirwatham
Chairman

12 July 2018
Colombo



Murali Prakash
Director

The accounting policies and notes on pages 100 through 167 form an integral part of the Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF CHANGES IN EQUITY - GROUP

Year ended 31 March	Attributable to Equity Holders of the Parent					Total	Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Exchange Fluctuation Reserve	Retained Earnings				
	LKR	LKR	LKR	LKR	LKR			
Balance as at 01 April 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	87,789,163	3,955,159	91,744,322	
Total Comprehensive Income/(Loss)	-	81,852,096	(177,907)	125,813,374	207,487,563	5,160,451	212,648,014	
Dividend Paid - 2015/16	-	-	-	(40,638,230)	(40,638,230)	-	(40,638,230)	
Dividend for 2016/17	-	-	-	(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	
Profit for the Year	-	-	-	3,328,480	3,328,480	149,919	3,478,399	
Other Comprehensive Income/(Loss)	-	262,232,151	(40,515)	(21,489,268)	240,702,368	5,318,293	246,020,661	
Total Comprehensive Income/(Loss)	-	262,232,151	(40,515)	(18,160,788)	244,030,847	5,468,213	249,499,060	
Balance as at 31 March 2018	1,402,101,647	852,301,866	(733,422)	(278,739,986)	1,974,930,105	13,687,893	1,988,617,998	

The accounting policies and notes on pages 100 through 167 form an integral part of the Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF CHANGES IN EQUITY - COMPANY

Year ended 31 March	Notes	Stated Capital LKR	Revaluation Reserve LKR	Exchange Fluctuation Reserve LKR	Amalgamation Reserve LKR	Retained Earnings/ (Loss) LKR	Total Equity LKR
Balance as at 01 April 2016 (Restated)		1,402,101,647	508,217,619	(515,000)	-	(48,752,876)	1,861,051,390
Profit for the Year		-	-	-	-	94,651,585	94,651,585
Other Comprehensive Income/(Loss)		-	-	(177,907)	-	155,208	(22,699)
Total Comprehensive Income/(Loss)		-	-	(177,907)	-	94,806,793	94,628,887
Dividend Paid - 2015/16		-	-	-	-	(40,638,230)	(40,638,230)
Dividend for 2016/17		-	-	-	-	(65,021,168)	(65,021,168)
Balance as at 31 March 2017		1,402,101,647	508,217,619	(692,907)	-	(59,605,481)	1,850,020,878
(Loss) for the Year		-	-	-	-	(80,999,836)	(80,999,836)
Other Comprehensive Income/(Loss)		-	218,930,588	(40,515)	-	(15,263,789)	203,626,284
Total Comprehensive Income/(Loss)		-	218,930,588	(40,515)	-	(96,263,624)	122,626,448
Amalgamation Reserve	13	-	-	-	(123,361,720)	-	(123,361,720)
Balance as at 31 March 2018		1,402,101,647	727,148,207	(733,422)	(123,361,720)	(155,869,105)	1,849,285,607

The accounting policies and notes on pages 100 through 167 form an integral part of the Financial Statements.
(Figures in brackets indicate deductions)

STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash Flows from / (Used in) Operating Activities					
Profit/(Loss) Before Tax		(77,372,896)	146,848,207	(153,254,019)	126,176,868
Adjustments for					
Depreciation	5	85,677,161	103,605,194	37,893,445	46,368,156
(Profit)/Loss on Sales of Property, Plant and Equipment		(1,212,524)	(5,423,790)	(1,200,427)	(1,662,789)
Impairment of Leasehold Building		569,199	-	569,199	-
Amortisation of Intangible Assets	7	11,036,573	8,214,506	11,036,573	8,214,506
Provision for Defined Benefit Plans	15	26,845,551	22,827,068	22,977,511	18,799,537
Interest Income	20	(33,232,181)	(29,516,575)	(48,546,894)	(49,464,135)
Finance Cost	20	45,875,750	35,376,724	21,776,925	18,574,725
Amortisation of Deferred Income	18	(387,745)	(423,000)	(387,745)	(423,000)
Provision / (Reversal) for Bad Debts	11	3,407,314	10,704,145	(5,709,158)	3,229,832
Reversal from Exchange Fluctuation Reserve	13	(40,515)	(177,907)	(40,515)	(177,907)
Unrealised Foreign Exchange Difference		(112,366)	10,484,300	1,275,506	-
Net Provision / Write off / Reversal for Slow Moving Inventories	10	39,405,929	(20,099,540)	26,128,733	21,076,325
Operating Profit/ (Loss) before Working Capital Changes		100,459,249	282,419,332	(87,480,866)	190,712,118
(Increase) / Decrease in Inventories		(94,897,180)	(67,699,612)	78,773,950	(71,066,588)
(Increase) / Decrease in Trade and Other Receivables		(13,077,021)	(58,859,094)	29,028,256	(71,127,008)
Increase / (Decrease) in Trade and Other Payables		54,730,880	98,866,212	(8,216,948)	106,830,882
Cash Generated from Operations		47,215,929	254,726,838	12,104,392	155,349,404
Defined Benefit Plan Cost Paid	15	(19,232,996)	(20,687,481)	(13,441,501)	(18,074,623)
Income Tax Paid		(56,049,333)	(26,729,754)	(40,834,330)	(27,972,157)
Finance Cost Paid		(29,674,845)	(20,004,010)	(5,576,020)	(3,202,004)
Net Cash from / (used in) Operating Activities		(57,741,245)	187,305,573	(47,747,459)	106,100,620

Year ended 31 March	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash Flows from / (Used in) Investing Activities					
Interest Income	20	33,232,181	29,516,575	40,105,706	34,091,416
Acquisition of Property, Plant and Equipment	5	(78,112,622)	(33,310,206)	(51,481,491)	(24,655,844)
Proceeds from Sale of Property, Plant and Equipment		1,559,838	5,778,790	1,498,000	2,017,789
Acquisition of Intangible Assets		(5,223,142)	(13,614,616)	(5,223,142)	(13,614,616)
Net Cash Flows from / (Used in) Investing Activities		(48,543,745)	(11,629,457)	(15,100,927)	(2,161,255)
Cash Flows from / (Used in) Financing Activities					
Dividend Paid		(65,021,168)	(39,421,763)	(65,021,168)	(39,421,763)
Proceeds from Interest Bearing Loans and Borrowings	14	398,291,646	161,193,283	184,030,500	-
Repayment of Interest Bearing Loans and Borrowings	14	(248,073,037)	(232,688,364)	(53,424,121)	(17,845,735)
Net Cash Flows from / (Used in) Financing Activities		85,197,441	(110,916,844)	65,585,211	(57,267,498)
Net Increase / (Decrease) in Cash and Cash Equivalents		(21,087,548)	64,759,292	2,736,825	46,671,867
Cash and Cash Equivalents at the Beginning of the Year	16	316,155,941	251,396,649	320,879,054	274,207,187
Cash and Cash Equivalents at the End of the Year	16	295,068,393	316,155,941	323,615,879	320,879,054

The accounting policies and notes on pages 100 through 167 form an integral part of the Financial Statements.
(Figures 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 2018, 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 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 12 July 2018.

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 Ambeon Holdings PLC (Formerly known as “Lanka Century Investments PLC”) and the ultimate parent undertaking is CHC Investments (Pvt) Ltd. Ambeon Holdings PLC and CHC Investment (Pvt) Ltd are Companies incorporated and domiciled in Sri Lanka.

1.6 Principal Activities and Nature of Operations Holding Company

The Principal activity of the Company is selling porcelain tableware to export and domestic markets.

Subsidiaries

Taprobane Capital (Private) Limited

The principal activity of the Company is Investment handling. This company was merged with Dankotuwa Porcelain PLC on 25th September 2017.

Royal Fernwood Porcelain Limited

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

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

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

The acquisition of Taprobane Capital (Pvt) Ltd and Royal Fernwood Porcelain Ltd took place on 31 December 2013.

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 2018 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, derivative financial instruments and fair value through profit or loss financial assets 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 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.

2.1.5 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS.

2.1.6 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. 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 8 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

NOTES TO THE FINANCIAL STATEMENTS

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 recognised 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 recognised in profit or loss.

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

The Group is subject to income tax and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

II. 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.

III. 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.

IV. 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 15.2.

V. Provision for Slow moving inventories:

A provision for slow moving inventories is recognised 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.

VI. 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

NOTES TO THE FINANCIAL STATEMENTS

VII. 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.

VIII. 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 2018.

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.

IX. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs

to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

X. Deferred Tax Assets

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 recognised, 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 22.

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. 22 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 utilised.

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 recognised 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 recognised 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 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

NOTES TO THE FINANCIAL STATEMENTS

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 amortisation 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	- At weighted average cost
Work-in-Progress	- 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, net of accumulated depreciation and accumulated impairment losses, if any. Such cost 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 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for Administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial

recognition investment properties are stated at fair date, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.3.10 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

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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.

2.3.11 Common Control Business Combinations

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly,

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity.

2.3.12 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 costs 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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation 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 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 recognises 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 reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the 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.

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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 realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a 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 amortised cost. This includes directly attributable transaction costs.

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

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 amortised 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) amortisation process.

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

e. Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

The financial derivative option to novate liability to the parent will be treated as an implied investment done by the parent, as the Company will be entitled to derecognise the financial liability at no financial consideration.

Increase/ decrease in the aforesaid financial liability shall be considered as a change in the carrying value of implied investment and shall be accounted through statement of changes in equity.

2.3.13 Provisions

Provisions are recognised 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 recognised 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.

2.3.14 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 recognised 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.

2.3.15 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.

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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 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 recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.16 Revenue Recognition

Revenue is recognised 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 recognised 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.

2.3.17 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.

2.3.18 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions,

losses on disposal of available for- sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that 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. CHANGES IN ACCOUNTING STANDARDS AND 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.

The Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity. Group will implement changes in classification of certain financial instruments.

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 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 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group is in the process of adopting the SLFRS 15 with the assistance of external consultants.

SLFRS 16 - Leases

SLFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model requiring leases 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 2018, with early adoption permitted.

This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional

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reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity.

Changes in accounting standards and standards issued but not yet effective

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements

- Income Taxes (Amendments to LKAS 12)
- Long-term Interests in Associates (Amendments to LKAS 28)
- Prepayment Features with Negative Compensation (Amendments to SLFRS 9)
- Insurance Contracts (Amendments to SLFRS 4)
- Share Based Payment (Amendments to SLFRS 2)
- Annual Improvements Cycle - 2014-2016
- Disclosure of Interests in Other Entities (Amendments to SLFRS 12)

4. REVENUE

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
4.1 Revenue				
Exports	1,356,256,147	1,342,272,757	727,545,048	804,661,464
Local	727,190,038	1,024,050,860	549,072,315	848,209,902
	2,083,446,185	2,366,323,617	1,276,617,363	1,652,871,366

4.2 Revenue from Local Sales of the Company, consist of Revenue generated from showrooms for the year ended 31 March 2018 amounting to LKR. 136,790,467/- (2017 - LKR. 180,396,791/-).

4.3 Group is dealing only in porcelain products. There are no separate activities other than the porcelain segment in the Group.

4.4 Cost of Sales of the Company consist of expenses for inventories for the year ended 31 March 2018 amounting to LKR 366,580,236/- (2017 - LKR 455,103,355/-).

5. PROPERTY, PLANT & EQUIPMENT

5.1 Gross Carrying Amounts

GROUP	Balance as at 01.04.2017 LKR	Additions LKR	Disposals / Transfers LKR	Revaluation LKR	Balance as at 31.03.2018 LKR
5.1.1 At Cost					
Building - Leasehold	11,662,494	37,690,788	(2,352,494)	-	47,000,788
Roadways & Fence	2,687,404	-	-	-	2,687,404
Plant & Machinery	1,584,836,702	15,053,927	(246,759)	-	1,599,643,870
Motor Vehicles	18,494,812	-	(3,632,377)	-	14,862,435
Office Equipment	63,986,347	3,821,224	-	-	67,807,571
Furniture & Fittings	20,963,563	7,900,854	-	-	28,864,417
Computer Equipment	44,815,956	3,526,014	-	-	48,341,970
	1,747,447,278	67,992,808	(6,231,630)	-	1,809,208,456

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	Balance as at 01.04.2017 LKR	Additions LKR	Disposals / Transfers LKR	Revaluation LKR	Balance as at 31.03.2018 LKR
5.1.2 At Valuation					
Land	567,816,763		(280,917,800)	307,117,137	594,016,100
Building - Freehold	533,507,569	10,119,814	(183,732)	71,947,569	615,391,220
	1,101,324,332	10,119,814	(281,101,532)	379,064,706	1,209,407,320
	2,848,771,610	78,112,622	(287,333,162)	379,064,706	3,018,615,776

5.2 Depreciation

	Balance as at 01.04.2017 LKR	Charge for the Year LKR	Disposals LKR	Revaluation LKR	Balance as at 31.03.2018 LKR
5.2.1 At Cost					
Building - Leasehold	5,360,058	713,434	(1,783,103)	-	4,290,389
Roadways & Fence	1,792,883	73,165	-	-	1,866,048
Plant & Machinery	1,370,225,594	48,308,979	(196,667)	-	1,418,337,906
Motor Vehicles	14,534,212	1,040,136	(3,505,177)	-	12,069,171
Office Equipment	51,788,107	4,956,417	-	-	56,744,524
Furniture & Fittings	13,629,296	3,228,702	-	-	16,857,998
Computer Equipment	33,339,352	3,515,069	-	-	36,854,421
	1,490,669,502	61,835,902	(5,484,947)	-	1,547,020,457
5.2.2 At Valuation					
Building - Freehold	12,653,469	23,841,259	(13,918)	(36,480,810)	-
	12,653,469	23,841,259	(13,918)	(36,480,810)	-
	1,503,322,971	85,677,161	(5,498,865)	(36,480,810)	1,547,020,457

5.3 Net Book Values

	2018 LKR	Group 2017 LKR
5.3.1 At Cost		
Building - Leasehold	42,710,399	6,302,436
Roadways & Fence	821,356	894,521
Plant & Machinery	181,305,964	214,611,108
Motor Vehicles	2,793,264	3,960,600
Office Equipment	11,063,047	12,198,240
Furniture & Fittings	12,006,419	7,334,267
Computer Equipment	11,487,549	11,476,604
	262,187,999	256,777,776
5.3.2 At Valuation		
Land	594,016,100	567,816,763
Building - Freehold	615,391,220	520,854,100
	1,209,407,320	1,088,670,863
	1,471,595,319	1,345,448,639

5.3.3 The Group acquired Property, Plant and Equipment to the aggregate value of LKR.78,112,622/- during the financial year (2017- LKR.41,310,206/-). Cash payments amounting to LKR.78,112,622/- (2017 - LKR.33,310,206/-) were made during the year for purchase of Property, Plant and Equipment.

5.4 As at 31 March 2018 , Group property, plant and equipment with a cost of LKR. 581,666,675/- have been fully depreciated and continue to be in use by the Group (2017 - LKR. 574,673,676/-).

5.5 Revaluation of Land and Building

The Group uses the revaluation model for measurement of Land and Building. The Group engaged an independent expert valuer to determine the fair value of its land and building. 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 2018 for the Group by Mr. Chulananda Wellappilli, an independent valuer who has valuation experience for similar properties.

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

Company	Property	Location	Method of Valuation	Value LKR	Valuer's Details	Effective Date of Valuation
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Market Approach	409,720,000	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Freehold Building	Dankotuwa	Cost Approach	324,461,825		
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Market Approach	184,296,100	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Freehold Building	Kosgama	Cost Approach	290,929,395		

5.5.1 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2018

Company	Extent	No of Buildings	Fair Value Hierarchy	Input Used for Measurement	Sensitivity of Fair Value to Unobservable Inputs
Dankotuwa Porcelain PLC					
Freehold Land - Dankotuwa	3,272.76 perches	-	Level 3	Estimated price per perch LKR 225,000 - LKR 400,000	Positively Correlated
Freehold Buildings - Dankotuwa	260,015 sq.ft.	29	Level 3	Estimated price per square foot LKR 500 - LKR 4,000	Positively Correlated
Royal Fernwood Porcelain Ltd					
Freehold Land - Kosgama	2,177.29 perches	-	Level 3	Estimated price per perch LKR 80,000 - LKR 150,000	Positively Correlated
Freehold Buildings - Kosgama	172,905 sq.ft	19	Level 3	Estimated price per square foot LKR 400 - LKR 2,800	Positively Correlated

5.5.2 Fair Value Hierarchy and Significant Unobservable Valuation Input as at 31 March 2017

Company	Extent	No of Buildings	Fair Value Hierarchy	Input used for the Measurement	Sensitivity of Fair Value to Unobservable Inputs
Dankotuwa Porcelain PLC					
Freehold Land - Dankotuwa	7,481 perches	-	Level 3	Estimated price per perch LKR 90,000 - LKR 250,000	Positively Correlated
Freehold Buildings - Dankotuwa	260,015 sq.ft.	29	Level 3	Estimated price per square foot LKR 500 - LKR 3,250	Positively Correlated
Royal Fernwood Porcelain Ltd					
Freehold Land - Kosgama	4,006 perches	-	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

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:

5.6.1 Dankotuwa Porcelain PLC

Class of Assets	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying Amount 2018 LKR	Net Carrying Amount 2017 LKR
Land - Freehold	250,000	-	250,000	250,000
Building - Freehold	165,081,657	91,823,169	73,258,488	82,419,409

5.6.2 The Company reclassified Land amounting to LKR 210,795,000 from Property Plant & Equipment to Investment Property as at 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

5.6.3 Royal Fernwood Porcelain Ltd

Type of property	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying Amount 2018 LKR	Net Carrying Amount 2017 LKR
Land - Freehold	127,959,127	-	127,959,127	172,006,500
Building - Freehold	283,280,656	11,138,497	272,142,159	235,677,744

5.6.4 Royal Fernwood Porcelain Ltd. reclassified Land amounting to LKR 70,122,800 from Property Plant & Equipment to Investment Property as at 31 March 2018

5.7 Gross Carrying Amounts

COMPANY

	Balance as at 01.04.2017 LKR	Additions LKR	Disposals / Transfers LKR	Revaluation LKR	Balance as at 31.03.2018 LKR
5.7.1 At Cost					
Building - Leasehold	11,662,494	37,690,788	(2,352,494)	-	47,000,788
Roadways & Fence	2,687,404	-	-	-	2,687,404
Plant & Machinery	1,017,248,352	2,093,911	(197,019)	-	1,019,145,244
Motor Vehicles	12,898,435	-	(636,000)	-	12,262,435
Office Equipment	35,647,089	2,893,440	-	-	38,540,529
Furniture & Fittings	16,907,325	6,454,216	-	-	23,361,541
Computer Equipment	34,396,726	1,411,384	-	-	35,808,110
	1,131,447,825	50,543,739	(3,185,513)	-	1,178,806,051
5.7.2 At Valuation					
Land - Freehold	341,206,763	-	(210,795,000)	279,308,237	409,720,000
Building - Freehold	259,408,975	937,752	(183,732)	64,298,830	324,461,825
	600,615,738	937,752	(210,978,732)	343,607,067	734,181,825
	1,732,063,562	51,481,491	(214,164,245)	343,607,067	1,912,987,876

5.8 Depreciation

	Balance as at 01.04.2017 LKR	Charge for the Year LKR	Disposals LKR	Revaluation	Balance as at 31.03.2018 LKR
5.8.1 At Cost					
Building - Leasehold	5,360,058	713,434	(1,783,103)	-	4,290,389
Roadways & Fence	1,792,883	73,165	-	-	1,866,048
Plant & Machinery	918,845,273	16,734,530	(196,667)	-	935,383,136
Motor Vehicles	8,937,835	1,040,136	(508,800)	-	9,469,171
Office Equipment	24,875,615	3,242,841	-	-	28,118,456
Furniture & Fittings	10,401,747	957,991	-	-	11,359,738
Computer Equipment	29,005,988	2,428,587	-	-	31,434,575
	999,219,400	25,190,683	(2,488,570)	-	1,021,921,513
5.8.2 At Valuation					
Building - Freehold	12,653,469	12,702,762	(13,918)	(25,342,313)	-
	12,653,469	12,702,762	(13,918)	(25,342,313)	-
	1,011,872,869	37,893,445	(2,502,488)	(25,342,313)	1,021,921,513

5.9 Net Book Values

	2018 LKR	2017 LKR
5.9.1 At Cost		
Building - Leasehold	42,710,399	6,302,436
Roadways & Fence	821,356	894,521
Plant & Machinery	83,762,108	98,403,079
Motor Vehicles	2,793,264	3,960,599
Office Equipment	10,422,073	10,771,474
Furniture & Fittings	12,001,803	6,505,578
Computer Equipment	4,373,535	5,390,738
	156,884,538	132,228,424

NOTES TO THE FINANCIAL STATEMENTS

	2018 LKR	2017 LKR
5.9.2 At Valuation		
Land - Freehold	409,720,000	341,206,763
Building - Freehold	324,461,825	246,755,505
	734,181,825	587,962,268
Total Carrying Amount of Property, Plant and Equipment	891,066,362	720,190,693

5.10 The Company acquired Property, Plant and Equipment to the aggregate value of LKR.51,481,491/- during the financial year (2017 - LKR.32,655,843/-). Cash payments amounting to LKR. 51,481,491/- (2017 - LKR. 24,655,843/-) were made during the year for purchase of Property, Plant and Equipment.

5.11 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of LKR 579,066,675/- (2017 - LKR 568,850,823/-).

5.12 The useful lives of the assets of the companies in the Group are estimated as follows.

	2018	Group 2017	2018	Company 2017
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 Equipments	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

	2018	Group 2017	2018	Company 2017
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 - 25 Years	4 - 25 Years	6 to 25 Years	6 to 25 Years
Furniture & Fittings	5-10 years	5-10 years	10 years	10 years
Computer Equipment	4 years	4 years	4 years	4 years

6. INVESTMENT PROPERTY

	2018 LKR	Group 2017 LKR	2018 LKR	Company 2017 LKR
As at 01.04.2017	-	-	-	-
Reclassified from Land & Building	280,917,800	-	210,795,000	-
As at 31.03.2018	280,917,800	-	210,795,000	-

The Group reclassified a part of the land as an Investment Property after engaging an independent expert valuer to determine the fair value of the property. 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 revaluation was carried out on 31 March 2018 by Mr. Chulananda Wellappilli, an independent incorporated valuer who has valuation experience for similar properties.

NOTES TO THE FINANCIAL STATEMENTS

6.1 Details of Group Investment Property stated at valuation are indicated below;

Company	Property	Location	Method of Valuation	Valuation -LKR	Valuer's Details	Effective Date of Valuation
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Open Market Value Method	210,795,000	Mr. Chulananda Wellappili,	31 March 2018
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Open Market Value Method	70,122,800	Independent Incorporated Valuer	31 March 2018

6.2 Fair Value Hierarchy and Significant Unobservable Valuation Input:

Company	Property	Location	Fair Value Hierarchy	Inputs Used for Measurement	Area	Sensitivity of fair value to unobservable Inputs
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	Level 3	Market value per perch LKR 3,125 - 65,000	3,985.95 p	Positively Correlated
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	Level 3	Market value per perch LKR 40,000 - 250,000	1,753.07 p	Positively Correlated

7. INTANGIBLE ASSETS

	Carrying Amount			
	2018 LKR	Group 2017 LKR	2018 LKR	Company 2017 LKR
Summary				
Computer Software (Note 7.1)	41,215,465	47,028,896	41,215,465	47,028,895
Goodwill on Consolidation (Note 7.2)	198,340,084	198,340,084	-	-
Brand Name (Note 7.3)	14,787,753	14,787,753	-	-
	254,343,302	260,156,733	41,215,465	47,028,895

7.1 Computer Software

	Group / Company	
	2018 LKR	2017 LKR
Cost		
As at the beginning of the Year	57,743,384	3,783,768
Acquired / Incurred during the period	5,223,142	13,614,616
Transferred from Work in Progress	-	40,345,000
As at the end of the year	62,966,526	57,743,384
Amortisation		
As at the beginning of the year	10,714,488	2,499,982
Amortisation for the year	11,036,573	8,214,506
As at the end of the year	21,751,061	10,714,488
Net book value as at the end of the year	41,215,466	47,028,895

Intangible Assets consisted of Microsoft Open Licences, which were amortised over the useful life of 24 months. The Company reassessed the useful life time of ERP system from 4 years to 8 years with effect from 01st April 2017.

7.2 Goodwill on Consolidation

	Group	
	2018 LKR	2017 LKR
Balance at the beginning of the year	198,340,084	198,340,084
Balance at the end of the year (Note 7.2.1)	198,340,084	198,340,084

7.2.1 Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses.

Goodwill is not amortised, but is reviewed for impairment annually and whether there is an indication that goodwill may be impaired. For the purpose of testing goodwill for impairment, goodwill is allocated to the operating entity level, which is the lowest level at which the goodwill is monitored for internal management purpose.

NOTES TO THE FINANCIAL STATEMENTS

7.3 Brand Name

	Group	
	2018 LKR	2017 LKR
Balance at the beginning of the year	14,787,753	14,787,753
Balance at the end of the year (Note 7.3.1)	14,787,753	14,787,753

7.3.1 The Management identified the brand name of Royal Fernwood Porcelain as an intangible asset with an indefinite useful life arising from the business combination. Management is in the opinion that the brand name will be a key attraction in porcelain sector. The brand name has been tested for impairment along with other intangible assets of the Royal Fernwood Porcelain Group, as further explained under Note 7.4.

7.4 Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

	Goodwill		Brand Name	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Royal Fernwood Porcelain Limited	198,340,084	198,340,084	14,787,753	14,787,753

The Group performed its annual impairment test in March 2017 and 2018. The Group considers the relationship between its recoverable amount and its book value, among other factors, when reviewing for indicators of impairment.

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 preceeding 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.

8. INVESTMENT IN SUBSIDIARIES - COMPANY

Non-Quoted	Country of Incorporation	No. of Ordinary Shares	Direct Holding 2018	Direct Holding 2017	2018 LKR	2017 LKR
Royal Fernwood Porcelain Ltd	Sri Lanka	1,900,710,972	95.69%	85.09%	391,381,586	250,569,870
Taprobane Capital (Pvt) Ltd *	Sri Lanka	18,200,002	-	100%	-	232,645,458
Royal Fernwood Porcelain Ltd (Note 8.1)	Sri Lanka	Preference Shares			350,319,253	-
Total Non-Quoted Investment in Subsidiary					741,700,839	483,215,328

*The Company amalgamated with Taprobane Capital (Pvt) Ltd on 25 September 2017. As a result, direct investment in Royal Fernwood Porcelain Ltd. has increased by LKR 140,811,716/-.

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

8.1 Investment In Preference Shares

The Company invested Rs. 278,619,394/- in Two Hundred and Seventy Eight Million Six Hundred and Nineteen Thousand Three Hundred and Ninety Four (278,619,394) fully paid Non-Voting Redeemable Non-Cumulative Preference shares on 15 November 2017 by converting the liability generated from the Novation Agreement.

NOTES TO THE FINANCIAL STATEMENTS

The Company invested Rs. 71,699,860/- in Seventy One Million Six Hundred and Ninety Nine Thousand Eight Hundred and Sixty (71,699,860) fully paid Non-Voting Redeemable Non-Cumulative Preference shares on 30 March 2018 by converting the liability generated from the loans granted to Royal Fernwood Porcelain Ltd. for the working capital requirements.

8.2 Material Partly-Owned Subsidiaries - Group

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

8.2.1 Proportion of Equity Interest held by Non-Controlling Interests:

Name of the Subsidiary	Proportion of NCI		Accumulated Balances of NCI		Total Comprehensive Income allocated to NCI	
	2018	2017	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Non-Controlling Interests material individually						
Royal Fernwood Porcelain Ltd	4.31%	4.31%	13,687,893	8,219,681	5,468,212	5,160,451

8.2.2 Summarised Statement of Profit or Loss for the year ended 31 March

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

	2018 LKR	2017 LKR
Revenue	843,827,356	760,049,620
Operating Costs	(727,290,992)	(706,178,196)
Other Income	1,376,721	6,677,481
Finance Costs	(42,102,073)	(38,326,403)
Finance Income	70,110	161,791
Tax (Expense) / Reversal	8,597,111	5,580,769
Profit or Loss from Continuing Operations	84,478,234	27,965,062
Other Comprehensive Income	42,394,377	91,767,020
Total Comprehensive Income	126,872,611	119,732,082

8.2.3 Summarised Statement of Financial Position for the year ended 31 March

	2018 LKR	2017 LKR
Current Assets	650,385,820	416,586,594
Non-Current Assets	650,651,755	625,257,945
Total Assets	1,301,037,575	1,041,844,539
Current Liabilities	486,303,561	388,759,045
Non-Current Liabilities	146,957,518	462,500,863
Total Liabilities	633,261,079	851,259,908

8.2.4 Summarised Cash Flow Information for the year ended 31 March

	2018 LKR	2017 LKR
Operating	(31,436,861)	3,564,599
Investing	(17,317,121)	(4,731,571)
Financing	24,932,457	19,256,406
Net increase/(decrease) in cash and cash equivalents	(23,821,525)	18,089,434

9. OTHER FINANCIAL INVESTMENTS - COMPANY

9.1 Loans Given to Subsidiaries

	2018 Amount Repayable Within 1 Year LKR	2018 Amount Repayable After 1 Year LKR	2018 Total LKR	2017 Amount Repayable Within 1 Year LKR	2017 Amount Repayable After 1 Year LKR	2017 Total LKR
Taprobane Capital (Pvt) Ltd.	-	-	-	-	30,540,547	30,540,547
Royal Fernwood Porcelain Ltd.	-	-	-	-	270,178,206	270,178,206
	-	-	-	-	300,718,753	300,718,753

NOTES TO THE FINANCIAL STATEMENTS

9.1.1 Movement In the Loan Balance

	As at 01.04.2017 LKR	Loans Granted LKR	Transfers/ Amalgamated LKR	Interest Accrued During the Year LKR	As at 31.03.2018 LKR
Taprobane Capital (Pvt) Ltd. - Note 9.1.3	30,540,548	-	(30,540,548)	-	-
Royal Fernwood Porcelain Ltd. - Note 9.1.4	270,178,206	-	(278,619,394)	8,441,188	-
	300,718,754	-	(309,159,942)	8,441,188	-

9.1.2 Reconciliation of the Loan Balance is set out below:

	Taprobane Capital (Pvt) Ltd. LKR 31.03.2018	Royal Fernwood Ltd. LKR 31.03.2018	Total LKR 31.03.2018
Loan Granted in 2014	25,756,788	227,858,467	253,615,255
Interest Accrued in 2014	391,881	3,485,198	3,877,079
Interest Accrued in 2015	1,345,276	11,882,634	13,227,910
Interest Accrued in 2016	1,485,373	13,140,415	14,625,788
Interest Accrued in 2017	1,561,230	13,811,492	15,372,722
Interest Accrued in 2018	-	8,441,188	8,441,188
Amalgamated (Note 9.1.3 and 23)	(30,540,548)	-	(30,540,548)
Converted to Preference Shares (Note 9.1.4)	-	(278,619,394)	(278,619,394)
	-	-	-

9.1.3 Taprobane Capital (Pvt) Ltd

The Company amalgamated with Taprobane Capital (Pvt) Ltd effective from 25th September 2017.

9.1.4 Royal Fernwood Porcelain Ltd

The Company invested Rs. 278,619,394/- in Two Hundred and Seventy Eight Million Six Hundred and Nineteen Thousand Three Hundred and Ninety Four (278,619,394) fully paid Non-Voting Redeemable Non-Cumulative Preference shares on 15 November 2017 by converting the loan balance.

10. INVENTORIES

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Raw Materials	227,479,631	207,741,693	71,174,205	108,343,733
Indirect Materials	30,380,247	25,172,165	30,380,247	25,172,165
Packing Materials	20,849,063	13,523,575	10,666,126	8,638,549
Spare Parts	31,381,652	33,157,824	31,381,652	33,157,824
General Inventory	15,889,549	9,984,449	15,889,549	9,984,449
Consumables	6,427,401	10,251,352	6,427,401	10,251,352
Semi Finished Goods	173,270,980	204,948,771	173,270,980	204,948,771
Work in Progress	38,798,259	45,226,178	12,323,681	13,548,207
Finished Goods	341,952,312	241,519,077	101,977,272	118,213,183
Others	20,949,387	30,797,316	20,949,387	30,797,315
Less : Allowance for Obsolete & Slow Moving Inventories (Note 10.1)	(184,435,814)	(145,029,886)	(166,423,194)	(140,294,461)
	722,942,668	677,292,514	308,017,307	422,761,088
Goods in Transit	19,630,546	9,789,449	19,630,546	9,789,449
Total Inventories at the Lower of Cost and Net Realisable Value	742,573,214	687,081,963	327,647,853	432,550,537
10.1 Provision for Inventories				
Balance as at the Beginning of the Year	145,029,886	165,129,426	140,294,461	119,218,136
Provision Made During the Period	63,207,696	21,076,325	49,930,500	21,076,325
Reversal of Provisions	-	(41,175,865)	-	-
Stock Written off During the Period	(23,801,767)	-	(23,801,767)	-
Balance as at the End of the Year	184,435,814	145,029,886	166,423,194	140,294,461

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Trade Debtors - Related Parties (11.1)	1,074,491	26,787	11,166,493	15,379,097
- Others	308,277,024	319,742,987	162,531,038	234,343,797
Less: Impairment for Doubtful Debts (11.4)	(43,303,754)	(39,896,441)	(10,350,836)	(16,060,015)
	266,047,761	279,873,333	163,346,696	233,662,879
Other Debtors - Related Parties (11.2)	1,025,913	2,644,261	69,231,753	94,093,311
- Others	15,429,525	26,030,165	15,429,525	26,030,166
	282,503,198	308,547,759	248,007,974	353,786,356
Advances and Prepayments	139,840,056	99,699,567	55,532,202	48,787,744
Loans Given to Employees (11.3)	2,373,769	6,799,990	2,373,769	6,799,990
	424,717,023	415,047,316	305,913,945	409,374,090
11.1 Trade Receivables - Related Parties				
	Relationship			
Ceylon Leather Products PLC	Fellow Subsidiary	1,074,491	-	911,692
Palla & Company (Pvt) Ltd	Fellow Subsidiary	-	26,787	-
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	10,254,801
		1,074,491	26,787	11,166,493
11.2 Other Receivables - Related Parties				
	Relationship			
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	68,205,841
Palla & Company (Pvt) Ltd	Fellow Subsidiary	-	347,438	-
Colombo City Holdings PLC	Fellow Subsidiary	767,440	2,259,418	767,440
Taprobane Capital (Pvt)Ltd	Subsidiary	-	-	-
Ambeon Holdings PLC*	Immediate Parent	216,806	-	216,806
Ceylon Leather Products PLC	Fellow Subsidiary	41,667	-	41,667
South Asia Textiles Ltd	Fellow Subsidiary	-	37,405	-
		1,025,913	2,644,261	69,231,753

* Formerly known as Lanka Century Investments PLC

11.3 Loans to Company Employees

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Summary				
Balance as at the Beginning of the Year	8,247,248	10,911,454	8,247,248	10,911,454
Loans Granted During the Year	6,750,675	5,399,219	6,750,675	5,399,219
Less: Repayments During the Year	(11,176,896)	(8,063,425)	(11,176,896)	(8,063,425)
	3,821,027	8,247,248	3,821,027	8,247,248
Less: Provision for loans	(1,447,258)	(1,447,258)	(1,447,258)	(1,447,258)
Balance as at the End of the Year	2,373,769	6,799,990	2,373,769	6,799,990

11.4 Impairment of Doubtful Debts

Balance as at the Beginning of the Year	39,896,441	29,192,296	16,060,015	12,830,183
Provision / (Reversal) During the Period	3,407,314	10,704,145	(5,709,158)	3,229,832
Balance as at the End of the Year	43,303,754	39,896,441	10,350,836	16,060,015

11.5 Ageing Analysis of trade receivables as follows;

	Neither past due nor impaired LKR	Past Due but Not Impaired			Total LKR
		31 to 60 days LKR	61 to 90days LKR	More than 91 days LKR	
Group					
2018	100,511,748	93,512,182	6,555,978	65,467,853	266,047,761
2017	233,613,996	26,498,114	6,708,191	13,053,032	279,873,333
Company					
2018	21,403,623	93,512,182	1,101,825	47,329,065	163,346,696
2017	182,760,261	6,349,663	384,732	44,168,223	233,662,879

NOTES TO THE FINANCIAL STATEMENTS

12. STATED CAPITAL

	2018		2017	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares				
Balance at Beginning of the Year	162,552,920	1,402,101,647	165,552,920	1,402,101,647
Balance at End of the Year	162,552,920	1,402,101,647	165,552,920	1,402,101,647

12.1 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.

13. OTHER COMPONENTS OF EQUITY

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Revaluation Reserve (Note 13.1)	852,301,866	590,069,715	727,148,207	508,217,619
Exchange Fluctuation Reserves (Note 13.2)	(733,422)	(692,907)	(733,422)	(692,907)
Amalgamation Reserve (Note 13.3)	-	-	(123,361,720)	-
	851,568,444	589,376,808	603,053,065	507,524,712

13.1 Revaluation Reserve

Balance as at the Beginning of the Year	590,069,715	508,217,619	508,217,619	249,416,000
Revaluation Reserve Identified During the Year	262,232,151	81,852,096	218,930,588	258,801,619
Balance as at the End of the Year	852,301,866	590,069,715	727,148,207	508,217,619

13.1.1 Revaluation reserves consist of surplus resulting on valuation of Freehold Land & Buildings described in Note 5.5.

13.2 Exchange Fluctuation Reserves

	Group / Company 2018 LKR	Group / Company 2017 LKR
Balance as at Beginning of the year	(692,907)	(515,000)
Reversal from Exchange Fluctuation Reserve	(40,515)	(177,907)
Balance as at the End of the year	(733,422)	(692,907)

13.2.1 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 recognised under Exchange Fluctuation Reserve as a separate component of equity.

13.3 Amalgamation Reserve - Company

	2018 LKR	2017 LKR
Balance as at Beginning of the year	-	-
Reserve Identified During the Year	(123,361,720)	-
Balance as at the End of the year	(123,361,720)	-

13.3.1 Dankotuwa Porcelain PLC obtained a certificate of amalgamation from the Registrar of Companies to amalgamate its wholly owned subsidiary, Taprobane Capital (Private) Limited with effect from 25 September 2017. The effect of this amalgamation is given below.

NOTES TO THE FINANCIAL STATEMENTS

Assets and liabilities of Taprobane Capital (Private) Limited as at 25 September 2017:

Assets	LKR
Investment in Royal Fernwood Porcelain Ltd	140,811,716
Cash and Cash Equivalents	2,848
	140,814,564
Liabilities	
Interest Bearing Loans and Borrowings	30,540,773
Trade and Other Payables	990,053
	31,530,826
Net Assets	109,283,738
Investment in Subsidiary	232,645,458
Transferred to Amalgamation Reserve	123,361,720

14. INTEREST BEARING LIABILITIES

14.1 Summary - Group

	2018 Amount Repayable Within 1 Year LKR	2018 Amount Repayable After 1 Year LKR	2018 Total LKR	2017 Amount Repayable Within 1 Year LKR	2017 Amount Repayable After 1 Year LKR	2017 Total LKR
Loans from Non Financial Institutions (Note 14.2)	-	316,919,659	316,919,659	-	300,718,756	300,718,756
Bank Loans (Note 14.3)	277,211,936	113,948,435	391,160,371	99,840,923	141,213,206	241,054,129
Bank Overdrafts (Note 16.2)	142,864,680	-	142,864,680	26,076,037	-	26,076,037
	420,076,616	430,868,094	850,944,710	125,916,960	441,931,962	567,848,922
14.1.1 Summary - Company						
Loans from Non Financial Institutions (Note 14.2)	-	316,919,659	316,919,659	-	300,718,754	300,718,754
Bank Loans (Note 14.3)	136,884,581	-	136,884,581	5,002,696	-	5,002,696
Bank Overdrafts (Note 16.2)	93,087,035	-	93,087,035	6,646,972	-	6,646,972
	229,971,616	316,919,659	546,891,275	11,649,668	300,718,754	312,368,422

14.2 Loans from Non Financial Institutions

Company / Group	As at 01.04.2017 LKR	Loans Obtained LKR	Repayments LKR	Interest Accrued During Year LKR	As at 31.03.2018 LKR
Browns Investments PLC	74,223,916	-	-	3,998,735	78,222,651
S.F.L. Services (Pvt) Ltd.	79,518,958	-	-	4,284,000	83,802,958
Brown & Company PLC	146,975,880	-	-	7,918,170	154,894,050
Loans from Non Financial Institutions*	300,718,754	-	-	16,200,905	316,919,659

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 9.1 for more details.

14.2.1 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

Upon acquisition of Taprobane Capital (Private) Limited and Royal Fernwood Porcelain Limited (the Acquiree) agreed to assume the debt liabilities of Acquiree amounting to LKR 253,615,255/- towards Browns Investment PLC, S.F.L Services (Private) Limited and Brown & Company PLC by way of a "Debt Novation Agreement". Pursuant to "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 Ambeon Holdings PLC (the Immediate Parent Company) at the discretion of Ambeon Holdings PLC* (As at 31 March 2018 the liability amounting to LKR 316,919,659).

*Formerly known as Lanka Century Investments PLC.

NOTES TO THE FINANCIAL STATEMENTS

14.3 Bank Loans

	Notes	As at 01.04.2017 LKR	Loans Obtained LKR	Repayment LKR	Exchange (Gain) / Loss LKR	As at 31.03.2018 LKR
Bank Loans - Company						
Bank of Ceylon - Term Loan	14.3.1	5,002,697	-	(5,002,697)	-	-
Pan Asia Banking Corporation PLC - Short Term Loan	14.3.7	-	184,030,500	(48,421,425)	1,275,506	136,884,581
		5,002,697	184,030,500	(53,424,121)	1,275,506	136,884,581
Bank Loans - Group						
Hatton National Bank PLC-Term Loan -USD	14.3.10	154,527,076	-	(19,998,500)	(3,803,680)	130,724,896
Hatton National Bank PLC-Term Loan	14.3.9	15,978,480	-	(2,571,485)	-	13,406,995
Hatton National Bank PLC- Packing Credit Loan	14.3.12	15,960,467	70,805,945	(31,181,870)	1,212,308	56,796,850
Hatton National Bank PLC- Import Loan	14.3.11	5,931,281	6,756,131	(12,687,412)	-	-
People's Bank-Packing Credit Loan	14.3.15	22,437,644	51,581,251	(49,017,683)	1,203,500	26,204,712
People's Bank - Import Loan	14.3.14	21,216,484	85,117,819	(79,191,965)	-	27,142,338
		236,051,432	214,261,146	(194,648,916)	(1,387,872)	254,275,790
		241,054,129	398,291,646	(248,073,037)	(112,366)	391,160,371

Security, repayment terms and other significant details of facilities

Dankotuwa Porcelain PLC - Company

Lending Institution	Nature of Facility	Purpose of the Facility	Repayment Terms	Interest Rate	Security	Carrying value of the assets pledged	
						2018 LKR	2017 LKR
Bank of Ceylon							
14.3.1	Term Loan (LKR 21.83Mn)	To finance import of De Airing Pug Mill	48 monthly installments	AWPLR + 2.5%. additional 4% p.a. for overdue	Mortgage over machinery	14.1 Mn	16.5 Mn
14.3.2	Packing Credit Loans	To finance local orders LKR 20Mn USD 0.75 Mn	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	490 Mn	666 Mn
14.3.3	Overdraft Facilities	To finance working capital requirements	-	AWPLR + 2.5% p.a.			
Sampath Bank PLC							
14.3.4	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. 100Mn over Stocks and Book Debts of the Company	100 Mn	100 Mn
14.3.5	Packing Credit Loans - USD 0.5Mn	To finance working capital relating to export orders	Maximum 3 months	3 months LIBOR +2% subject to minimum of 5.25%p.a AWPLR +2.0%p.a			
14.3.6	Overdraft Facilities	To finance working Capital requirements					

NOTES TO THE FINANCIAL STATEMENTS

Lending Institution	Nature of Facility	Purpose of the Facility	Repayment Terms	Interest Rate	Security	Carrying value of the assets pledged	
						2018 LKR	2017 LKR
Pan Asia Banking Corporation PLC							
14.3.7	Packing Credit Loans - USD 1Mn	To finance working capital relating to export orders	Maximum 4 months	3 months LIBOR +4.0% subject to minimum of 4.25% p.a.	Mortgage bond for USD 1,000,000 over stocks and book debts for the value of 1.5 times of the facility.	490 Mn	666 Mn
14.3.8	Overdraft Facilities	To finance working capital requirements		3 months LIBOR +4.0% subject to minimum of 4.25% p.a.			
Royal Fernwood Porcelain Ltd							
Hatton National Bank PLC							
14.3.9	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	475 Mn	500 Mn
14.3.10	Term Loan (USD 1.2 Mn)	Reschedule of Over due Outstanding	83 Equal monthly Installments	LIBOR + 5.25%			
14.3.11	Import Loan (LKR 50 Mn)	To finance working capital requirements	Settlement through sales proceeds	AWPLR + 2.0%	Secondary mortgage bond over Land & Building at Kosgama	40 Mn	40 Mn

Lending Institution	Nature of Facility	Purpose of the Facility	Repayment Terms	Interest Rate	Security	Carrying value of the assets pledged	
						2018 LKR	2017 LKR
14.3.12	Packing Credit Loan (LKR 50Mn)	To finance working capital requirements	Settlement through sales proceeds	AWPLR + 2.0%	Primary mortgage bond over immovable property in the factory at Kosgama	475 Mn	500 Mn
People's Bank							
14.3.13	Short Term Loans (LKR 50Mn)	To finance working capital requirements	Maximum 3 months	AWPLR + 4%	Corporate Guarantee of Parent Company - *Ambeon Holdings PLC		
14.3.14	Import Loans	To finance working capital requirements	Maximum 3 months	Sight : Commission of 0.25% Usance : Commission of 0.325%	Title of goods shipped and indemnity of the Company		
14.3.15	Foreign currency short term loan (LKR 50Mn)	To finance working capital requirements	Maximum 3 months	AWPLR + 4%	Corporate guarantee of Parent company - *Ambeon Holdings PLC		
14.3.16	Bank Guarantee (LKR 15 Mn)	To issue Bid/ Performance/ Advance Payment Guarantees for orders of Government Sector.	Valid for a maximum period of one year	Commission of 2.5%	Corporate guarantee of Parent company - *Ambeon Holdings PLC		

* Formerly known as Lanka Century Investments PLC.

NOTES TO THE FINANCIAL STATEMENTS

15. RETIREMENT BENEFIT LIABILITY

Group	Balance 01.04.2017 LKR	Charge for the Year LKR	Payments during the Year LKR	Balance 31.03.2018 LKR
Retirement Benefits Obligation - Gratuity	129,285,545	51,513,149	(19,232,996)	161,565,698
	129,285,545	51,513,149	(19,232,996)	161,565,698

Company	Balance 01.04.2017 LKR	Charge for the Year LKR	Payments during the Year LKR	Balance 31.03.2018 LKR
Retirement Benefits Obligation - Gratuity	114,416,841	44,177,217	(13,441,501)	145,152,557
	114,416,841	44,177,217	(13,441,501)	145,152,557

15.1 Expense on Defined Benefit Plans

	2018 LKR	Group 2017 LKR	2018 LKR	Company 2017 LKR
Interest Cost on Benefit Obligation	16,082,463	13,350,746	14,223,875	11,258,198
Current Service Cost	10,763,088	9,476,322	8,753,636	7,541,339
Recognition in the Statement of Profit or Loss	26,845,551	22,827,068	22,977,511	18,799,537
Actuarial (Gain)/Loss for the year	24,667,598	(7,665,751)	21,199,707	(194,301)
Recognition in the Other Comprehensive Income	24,667,598	(7,665,751)	21,199,707	(194,301)
Recognition in the Total Comprehensive Income	51,513,149	15,161,317	44,177,217	18,605,236

15.2 Messrs. Actuarial & Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Group on 31 March 2018. 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	
	2018	2017
Discount Rate	10% per annum.	12.5% per annum.
Future Salary Increase Rate	5% -7.5%	10%
Normal Retirement Age	55 Years	55 Years

15.3 Maturity Profile of the Defined Benefit Plan

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Within Next 12 Months	19,341,403	8,813,874	18,401,409	6,833,348
Between 1 - 2 Years	25,797,379	5,015,791	23,563,760	2,280,818
Between 2 - 5 Years	40,592,352	36,890,815	37,881,660	34,103,027
Between 5- 10 Years	44,340,544	74,184,532	40,275,085	71,199,648
Beyond 10 years	31,494,020	4,380,536	25,030,643	
	161,565,698	129,285,548	145,152,557	114,416,841

	Group		Company	
	2018	2017	2018	2017
Weighted Average Duration of Defined Benefit Obligation (Years)	6.36-9.6	1.62 - 5.8	6.36	5.84

15.4 Break up of the Actuarial (Gain)/ Loss

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Actuarial (Gain)/ Loss Resulting from Changes in Experience Adjustments	24,667,598	(7,665,751)	21,199,707	(194,301)
	24,667,598	(7,665,751)	21,199,707	(194,301)

NOTES TO THE FINANCIAL STATEMENTS

15.5 SENSITIVITY ANALYSIS

Actuarial Assumptions			Group		Company	
			2018 LKR	2017 LKR	2018 LKR	2017 LKR
A one percentage point change in the assumed discount rate would have the following effects.	Change in Discount Rate	+1% -1%	(9,267,778) 10,327,864	(7,289,215) 3,827,418	(7,923,278) 8,783,048	(5,140,963) 5,615,858
A one percentage point change in the assumed salary increment rate would have the following effects.	Salary Increment Rate	+1% -1%	10,882,754 (9,903,331)	6,199,613 (5,737,619)	9,261,752 (8,472,608)	6,130,523 (5,680,820)

16. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
16.1 Favourable Cash and Cash Equivalents Balance				
Cash and Bank Balances	128,517,575	106,265,786	107,287,416	91,559,834
Short Term Deposits	309,415,498	235,966,192	309,415,498	235,966,192
	437,933,073	342,231,978	416,702,914	327,526,026
16.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft (Note 14)	(142,864,680)	(26,076,037)	(93,087,035)	(6,646,972)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	295,068,393	316,155,941	323,615,878	320,879,054

16.3 Short Term deposit includes an amount of LKR 236,964,966 pertaining to the balance amount of right issue funds raised and LKR 72,390,032 pertaining to investment of Commercial Paper with Ambeon Holdings PLC*, at a rate of 13% with one month maturity.

* Formerly known as Lanka Century Investments PLC

16.4 Changes in Liabilities arising from Financing Activities

	As at 01.04.2017 LKR	Loans Obtained LKR	Repayment LKR	Exchange (Gain) / Loss LKR	As at 31.03.2018 LKR
Banks Loan					
Company					
Bank of Ceylon - Term Loan	5,002,697	-	(5,002,697)	-	-
Pan Asia Banking Corporation PLC - Short Term Loan	-	184,030,500	(48,421,425)	1,275,506	136,884,581
Total	5,002,697	184,030,500	(53,424,121)	1,275,506	136,884,581
Group					
Hatton National Bank PLC-Term Loan -USD	154,527,076	-	(19,998,500)	(3,803,680)	130,724,896
Hatton National Bank PLC-Term Loan	15,978,480	-	(2,571,485)	-	13,406,995
Hatton National Bank PLC- Packing Credit Loan	15,960,467	70,805,945	(31,181,870)	1,212,308	56,796,850
Hatton National Bank PLC- Import Loan	5,931,281	6,756,131	(12,687,412)	-	-
Peoples Bank-Packing Credit Loan	22,437,644	51,581,251	(49,017,683)	1,203,500	26,204,712
Peoples Bank - Import Loan	21,216,484	85,117,819	(79,191,965)	-	27,142,338
Total	241,054,129	398,291,646	(248,073,037)	(112,366)	391,160,371

17. TRADE AND OTHER PAYABLES

		Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR	
Trade Payables - Related Parties (Note 17.1)	-	2,229,493	29,661,983	32,140,709	
- Others	171,076,358	214,050,988	106,622,909	136,846,706	
Other Payables - Related Parties (Note 17.2)	30,202,273	7,124,106	24,984,236	12,095,398	
- Others	141,901,208	110,222,944	42,043,634	58,647,715	
	343,179,838	333,627,531	203,312,762	239,730,528	
Sundry Creditors Including Accrued Expenses	177,163,830	131,985,257	120,403,949	92,203,131	
	520,343,668	465,612,788	323,716,711	331,933,659	

NOTES TO THE FINANCIAL STATEMENTS

17.1 Trade Payables - Related Parties

	Relationship	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
South Asia Textiles Ltd	Fellow Subsidiary	-	44,000	-	44,000
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	29,661,983	32,072,909
Ceylon Leather Products PLC	Fellow Subsidiary	-	1,876,580	-	23,800
Palla & Company	Fellow Subsidiary	-	308,913	-	-
		-	2,229,493	29,661,983	32,140,709

17.2 Other Payables - Related Parties

	Relationship	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Ambeon Holdings PLC*	Immediate Parent	27,265,302	4,705,154	9,389,953	2,577,126
Colombo City Holdings PLC	Fellow Subsidiary	2,353,069	2,068,952	2,353,069	2,068,952
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	12,770,169	7,449,320
Ceylon Leather Products PLC	Fellow Subsidiary	178,857	-	66,000	-
ARC Capital (Pvt) Ltd	Affiliate	-	350,000	-	-
Taprobane Investments (Pvt) Ltd	Fellow Subsidiary	405,045	-	405,045	-
		30,202,273	7,124,106	24,984,236	12,095,398

* Formerly known as Lanka Century Investments PLC

18. DEFERRED INCOME

	Group/Company	
	2018 LKR	2017 LKR
Balance as at the Beginning of the Year	387,745	810,745
	387,745	810,745
Less : Amortisation for the Period	(387,745)	(423,000)
Balance as at the End of the Year	-	387,745

18.1 The waste water treatment project was completed in March 2008 and it is capitalised 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.

19. OTHER INCOME

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Miscellaneous Income	4,777,686	10,653,322	4,587,828	9,720,997
Profit on Disposal of Property Plant & Equipment	1,200,427	5,423,790	1,200,427	1,662,789
	5,978,113	16,077,112	5,788,255	11,383,786

20. FINANCE COST / INCOME

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
20.1 Finance Income				
Interest on Short Term Investments	31,231,726	28,165,804	31,201,900	28,024,890
Interest on loans given to Subsidiaries	-	-	15,384,823	20,109,350
Interest on staff loans	917,208	937,316	917,208	937,316
Interest on Foreign Currency Savings Accounts	466,897	413,455	426,613	392,579
Interest on REPO Investments	616,350	-	616,350	-
	33,232,181	29,516,575	48,546,894	49,464,135

NOTES TO THE FINANCIAL STATEMENTS

20.2 Finance Cost

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Overdraft Interest	6,637,446	3,660,252	3,835,758	1,175,041
Interest on Bank Loan	22,167,295	9,180,481	1,740,262	1,979,323
Interest on Loans from Non Financial Institutions	16,217,718	13,414,195	16,200,905	15,372,719
Discount Interest	-	47,642	-	47,642
Import Bill Interest	-	9,074,154	-	-
Exchange Loss	853,291	-	-	-
	45,875,750	35,376,724	21,776,925	18,574,725

21. PROFIT / (LOSS) BEFORE TAX

Stated after Charging / (Crediting)	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
<i>wwwIncluded under Cost of Sales</i>				
- Depreciation	70,557,429	90,382,687	28,958,331	37,790,629
- Salaries	389,536,404	389,206,056	244,982,762	275,750,041
- Employee Benefits Liability	23,811,368	19,486,959	17,379,325	15,803,739
- Defined Contribution Plan Costs - EPF & ETF	46,234,992	51,296,246	30,475,938	32,209,129
- Other Staff Costs	50,371,562	70,746,784	20,496,231	51,827,444
- Research & Development	13,200	174,220	13,200	174,220

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
<i>Included under Administration Expenses</i>				
- Depreciation	11,550,522	10,059,042	5,365,904	5,414,062
- Amortisation of Intangible Assets	11,036,573	8,214,510	11,036,573	8,214,510
- Directors' Remuneration	11,297,976	10,964,884	8,897,976	8,064,884
- Salaries	65,473,345	47,751,707	50,964,940	39,698,756
- Employee Benefits Liability	2,871,750	1,249,122	2,226,186	994,732
- Defined Contribution Plan Costs - EPF & ETF	7,108,660	6,441,260	5,588,880	4,815,356
- Other Staff Costs	25,857,083	8,306,320	22,272,112	6,771,995
- Legal Fees	1,158,762	1,170,984	696,712	1,148,484
- Auditors' Fee and Expenses - Current Year	1,898,648	1,953,500	1,123,500	1,123,500
- Auditors' Fee and Expenses - Under Provision for Last Year	(14,296)	116,921	-	-
- Auditors' Fee and Expenses - Other Services and Branch	244,533	724,491	244,533	81,078
- Allowances for Obsolete & Slow Moving Inventories	39,405,928	(2,099,540)	26,128,733	21,076,325
- (Profit) / Loss from disposal of Property, Plant & Equipment	(1,212,525)	(5,423,790)	(1,200,427)	(1,662,789)
<i>Included under Selling & Distribution Expenses</i>				
- Depreciation	2,855,775	3,160,662	2,855,775	2,480,456
- Amortisation	713,434	680,434	713,434	680,206
- Salaries	52,141,509	52,838,269	46,335,926	49,807,299
- Employee Benefits Liability	3,320,899	2,002,209	3,062,575	1,912,287
- Defined Contribution Plan Costs - EPF & ETF	6,663,543	7,648,311	5,614,135	6,118,036
- Other Staff Costs	2,564,659	4,704,202	2,531,540	4,590,367
- Provision for Doubtful Debts	3,407,314	10,704,145	(5,709,158)	3,229,832

NOTES TO THE FINANCIAL STATEMENTS

22. INCOME TAX EXPENSE

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year (21.1)	20,653,624	39,965,720	8,757,891	36,224,045
Under / (Over) Provision of Current Taxes in respect of Prior Years	(1,080,702)	(1,111,797)	(966,535)	4,199,418
Current Tax Expense relating to branch operation in India, Chennai	1,130,444	314,311	1,130,444	314,311
Deferred Income Tax				
Deferred Taxation Charge / (Reversal) (22.2)	(101,554,661)	(13,223,720)	(81,175,983)	(9,212,491)
Income Tax Expense/(Reversal) Reported in the Statement of Profit or Loss	(80,851,295)	25,944,514	(72,254,183)	31,525,283

22.1 Reconciliation between total Tax Expense and the Product of Accounting Profit

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Accounting Profit / (Loss) Before Tax	(79,085,850)	146,848,206	(153,254,021)	126,176,868
Income Exempt from Tax	(508,820)	(392,579)	(426,613)	(392,579)
Aggregate Disallowed Items	58,182,073	119,547,794	42,899,233	69,345,188
Aggregate Allowable Items	9,960,863	(97,005,529)	(53,212,994)	(68,293,620)
Dividend Income	-	-	-	(351)
Trade Profit/(Loss)	(11,451,734)	168,997,892	(163,994,395)	126,835,506
Taxable Business Profit /(Loss)	(11,451,734)	168,997,892	(163,994,395)	126,835,506

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Other Sources of income				
Miscellaneous Income	1,376,721	2,095,764	-	2,095,764
Interest on loan given to subsidiaries	15,384,823	20,109,351	15,384,823	20,109,351
Interest on Staff Loans	917,208	937,316	917,208	937,316
Interest on Deposit	31,242,184	28,045,766	31,201,900	28,024,890
Interest on Repurchase Agreements	-	-	616,350	-
Total Statutory Income	48,920,936	220,186,089	48,120,281	178,002,827
Less - Carried forward tax loss utilised (Note 22.1.1)	(70,220,385)	(15,999,755)	(16,842,098)	-
Less - Qualifying payments (Note 22.1.2)	-	(13,347,418)	-	(13,347,418)
Taxable Income	(21,299,449)	190,838,916	31,278,183	164,655,409
Income Tax attributable to Local Sales - 28% (2017 - 28%)	8,757,891	28,814,411	8,757,891	28,814,411
Income Tax attributable to Export Sales - 12% (2017 - 12%)	11,895,733	11,151,309	-	7,409,634
Current Income Tax Expense	20,653,624	39,965,720	8,757,891	36,224,045
Recognition on Deferred Tax on Temporary Difference (Note 22.2.1)	(101,554,661)	(13,223,720)	(81,175,983)	(9,212,490)
Current Tax Expense Relating to Branch Operation in Chennai, India	1,130,444	314,311	1,130,444	314,311
Under / (Over) Provision of Current Taxes in respect of Prior Years	(1,080,702)	(1,111,797)	(966,535)	4,199,418
Total Income Tax Expense	(80,851,294)	25,944,514	(72,254,183)	31,525,283

NOTES TO THE FINANCIAL STATEMENTS

22.1.1 Tax Losses Carried Forward

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Tax Losses Brought Forward	581,072,152	596,718,252	-	-
Tax Losses Incurred During the Year	163,994,396	353,655	163,994,396	-
Disallowed Accumulated Losses	-	(15,999,755)	-	-
Tax Losses Utilised	(70,220,385)	-	(16,842,098)	-
Tax Losses Carried Forward	674,846,163	581,072,152	147,152,297	-

22.1.2 Qualifying Payments - Group/Company

	Year of Investment LKR	Cost of LKR Investment LKR	Relief Claimed on Investment LKR
	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.

22.2 Deferred Tax Liability

22.2.1 Group

	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	95,498,521	118,672,845	(23,174,323)	(13,223,720)	-	-
Revaluation of Buildings	69,406,565	32,733,481	-	-	36,673,083	7,485,531
Revaluation of Land	114,689,924	-	-	-	114,689,924	-
	<u>279,595,009</u>	<u>151,406,326</u>				
Deferred Tax Assets						
Defined Benefit Plans -Comprehensive Income	43,526,343	25,598,686	(17,317,309)	-	-	-
Defined Benefit Plans - Other Comprehensive Income	5,935,918	-	-	-	(6,546,266)	1,282,342
Bad Debt Provision	2,898,234	31,600,455	347,620	-	-	-
Inventory Provision	46,598,494	49,454,015	(18,243,893)	-	-	-
Carry Forward of Unused Tax Losses	92,620,769	-	(43,166,755)	-	-	-
	<u>191,579,759</u>	<u>106,653,156</u>				
Deferred Income Tax - Expense/(Income)			<u>(101,554,661)</u>	<u>(13,223,720)</u>	<u>144,816,741</u>	<u>8,767,873</u>
Net Deferred Tax Liability	<u>88,015,253</u>	<u>44,753,170</u>				

The effective Tax rate used is 28% (20.12% in 2017).

NOTES TO THE FINANCIAL STATEMENTS

22.2.2 Company

	Statement of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	34,623,695	30,503,927	4,119,768	(3,699,105)	-	-
Revaluation of Buildings	68,062,350	32,733,481	-	-	35,328,868	-
Revaluation of Land	114,689,924	-	-	-	114,689,924	-
	217,375,968	63,237,408				
Deferred Tax Assets						
Defined Benefit Plans -Comprehensive Income	40,642,716	23,124,533	(17,518,183)	(630,281)	-	-
Defined Benefit Plans - Other Comprehensive Income	5,935,918	-	-	-	(5,935,918)	39,093
Bad Debt Provision	2,898,234	3,245,854	347,620	(705,049)	-	-
Inventory Provision	46,598,494	28,354,601	(18,243,893)	(4,745,421)	-	-
Carry Forward of Unused Tax Losses	49,881,295	-	(49,881,295)	567,365	-	-
	145,956,657	54,724,988				
Deferred Income Tax - Expense/(Income)			(81,175,983)	(9,212,491)	144,082,874	39,093
Net Deferred Tax Liability / (Assets)	71,419,313	8,512,420				

The effective Tax rate used is 28 % (20.12% in 2017).

22.3 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% (2017 - 12%), profit from local sales and other business income are chargeable to income tax at 28% (2017 - 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 ended on year 2013 subject to the payment of customs duty and other applicable levies subject to the terms and conditions stipulated in the agreement.

The Company signed a new supplementary agreement with the Board of Investment of Sri Lanka (BOI) on 30th November 2016.

23. 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	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Amount Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,328,480	119,698,400	(80,999,836)	94,651,586
Number of Ordinary Shares Used as Denominator:				
Weighted Average Number of Ordinary Shares in Issue	162,552,920	162,552,920	162,552,920	162,552,920
Basic/ Diluted Earnings/ (Loss) Per Share	0.02	0.74	(0.50)	0.58

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS

24.1 Financial Assets and Liabilities By Categories - Group

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

24.1.1 Financial assets by categories

Group	Notes	Loans and receivables*	
		2018 LKR	2017 LKR
Financial instruments in current assets			
Trade & Other Receivables	11	282,503,198	308,547,759
Loans given to Employees	11.3	2,373,769	6,799,990
Cash / Bank and Short Term Deposits	16.1	437,933,073	342,231,978
Total		722,810,041	657,579,727

24.1.2 Financial liabilities by categories

Group	Notes	Financial liabilities measured at amortised cost**	
		2018 LKR	2017 LKR
Financial instruments in non-current liabilities			
Bank Loans	14	113,948,435	141,213,206
Loan Due to Non Finance Institutions	14	316,919,659	300,718,756
Financial instruments in current liabilities			
Bank Loans	14	277,211,936	99,840,923
Trade and Other Payables	17	343,179,838	333,627,531
Bank Overdrafts	14	142,864,680	26,076,037
Total		1,194,124,548	901,476,453

24.2.1 Financial assets by categories

Company	Notes	Loans and receivables*	
		2018 LKR	2017 LKR
Financial instruments in non-current assets			
Financial Investments - Loans and Receivables	9	-	300,718,753
Financial instruments in current assets			
Trade & Other Receivables	11	248,007,974	353,786,356
Loans given to employees	11.3	2,373,769	6,799,990
Cash /Bank and Short Term Deposits	16	416,702,914	327,526,026
Total		667,084,656	988,831,125

24.2.2 Financial liabilities by categories

Company	Notes	Financial liabilities measured at amortised cost**	
		2018 LKR	2017 LKR
Financial instruments in non-current liabilities			
Loan due to non finance Institutions	14	316,919,659	300,718,754
Financial instruments in current liabilities			
Bank loans	14	136,884,581	5,002,696
Trade and Other Payables	17	203,312,762	239,730,528
Bank Overdrafts	14	93,087,035	6,646,972
Total		750,204,037	552,098,949

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

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** 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 2018, 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.

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

The Company and the Group does not have significant capital commitments as at the reporting date.

25.2 Contingent Liabilities

There were no material issues pertaining to Employees and Industrial Relations of the Group and the Company .

26. ASSETS PLEDGED

Details pertaining to assets pledged as security for bank facilities of the Group have been disclosed in Note 14 to these financial statements.

27. 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.

28. RELATED PARTY DISCLOSURES

28.1 Transactions with the Parent and Related Entities

Details of Significant Related Party Disclosures are as follows.

Nature of Transaction	Parent		Subsidiaries		Fellow Subsidiaries*		Others Entities**		Total	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR	2018 LKR	2017 LKR
As at 1 April	2,577,126	(407,170)	367,997,882	325,243,597	581,897	5,650,623	91,136	(284,541,762)	371,248,041	45,945,288
Ceased to be Related Parties**	-	-	(31,026,764)	-	-	-	-	285,346,035	(31,026,764)	285,346,035
Sale of Goods / Services	(758,268)	-	22,366,356	-	(10,659,781)	64,627	(39,500)	1,421,080	10,908,808	1,485,707
Purchase of Goods / Services	32,119,804	(13,640,983)	(45,280,633)	(47,060,256)	468,817	(11,488,301)	-	-	(12,692,012)	(72,189,540)
(Receipt)/Payment of good or Services	(24,552,623)	16,625,280	56,906,079	20,668,876	7,541,122	6,354,948	(51,636)	(2,134,217)	39,842,942	41,514,887
Fund Transfers	-	-	-	47,000,000	-	-	-	-	-	47,000,000
Transfers under Finance arrangements	(72,657,043)	-	-	-	-	-	-	-	(72,657,043)	-
Loan Settlements / Transfers	-	-	(350,319,234)	-	-	-	-	-	(350,319,234)	-
Investment In Preference Shares	-	-	350,319,254	-	-	-	-	-	350,319,254	-
Loan Interest	-	-	15,384,823	22,145,665	-	-	-	-	15,384,823	22,145,665
As at 31 March	(63,271,005)	2,577,126	386,347,763	367,997,882	(2,067,945)	581,897	-	91,136	321,008,814	371,248,042

Information pertaining to the Parent Entity and Subsidiaries are stated in Note 1.6 and Note 8 respectively.

* Fellow subsidiaries above consist following companies.

Name of the Company	Country of Incorporation
Colombo City Holding PLC	Sri Lanka
Ceylon Leather Products PLC	Sri Lanka
Palla & Company	Sri Lanka
South Asia Textiles Ltd	Sri Lanka
Taprobane Investments (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.

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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

28.1.1 Information relating to the Preference Share Investment is provided as follows;

	Note reference
Investment in Preference Shares	8

28.1.2 Information relating to the Investment in Commercial Papers is provided as follows;

	Note reference
Investment in Commercial Papers	16.3

28.1.3 **Terms and Conditions:**

Sales and purchase of goods / services to related parties were made 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.

28.1.4 **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 Investment PLC,S.F.L Services (Private) Limited and Brown & Company PLC by way of a "Debt Novation Agreement ".Pursuant to"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 Ambeon Holdings PLC* (the Parent Company) at the discretion of Ambeon Holdings PLC*

The Company amalgamated with Taprobane Capital (Pvt) Ltd effective from 25th September 2017 as disclosed in Note 8, 9 and 13.3.1 to these Financial Statements.

* Formerly known as Lanka Century Investments PLC

28.2 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 Chief Executive Officer. Accordingly, fees, emoluments and other benefits paid to KMPs are as follows;

Group	2018 LKR	2017 LKR
Short-Term employee benefits	23,959,642	30,491,068
	23,959,642	30,491,068

Company	2018 LKR	2017 LKR
Short-Term employee benefits	26,359,642	27,591,608
	26,359,642	27,591,608

No other significant transactions had taken place involving key management personnel and their close family members.

29. 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 minimising 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.

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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 favor of the Group at the appropriate time when there is an unfavourable movement in exchange rates.

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			
2018	}	+5	(7,331,981)
		-5	7,331,981
2017	}	+5	4,132,340
		-5	(4,132,340)
Company			
2018	}	+5	723,970
		-5	(723,970)
2017	}	+5	4,961,166
		-5	(4,961,166)

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 instruments 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).

Group	Increase/(Decrease) in basis points		Effect on Profit before Tax (LKR)
2018	}	+1	(3,958,910)
		-1	3,958,910
2017	}	+1	(4,628,102)
		-1	4,628,102
Company			
2018	}	+1	(2,299,716)
		-1	2,299,716
2017	}	+1	(4,509,511)
		-1	4,509,511

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

NOTES TO THE FINANCIAL STATEMENTS

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.

29.1.1 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	Notes	Group				Company			
		2018 LKR	Allocation	2017 LKR	Allocation	2018 LKR	Allocation	2017 LKR	Allocation
Trade and Other receivables	11	282,503,198	39%	308,547,759	47%	248,007,974	37%	353,786,356	36%
Loan given to related parties	-	-	-	-	-	-	-	300,718,753	31%
Cash and Short Term Deposits	16	437,933,073	61%	342,231,978	53%	416,702,914	63%	327,526,026	33%
Total credit risk exposure		720,436,271	100%	650,779,737	100%	664,710,887	100%	982,031,134	100%

29.1.2 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 analysed 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 11.5.

29.1.3 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 437,933,073/- as at 31 March 2018 (2017 - LKR 342,231,978/-) as explained in note No 16.1.

The Company held cash & short term deposits of LKR. 416,702,914/- as at 31 March 2018 (2017 - LKR 327,526,026/-) as explained in note No 16.1

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 unutilised facilities are available to maintain the liquidity level.

NOTES TO THE FINANCIAL STATEMENTS

29.2 Maturity Analysis of Financial Liabilities - Group

As at 31 March 2018	Total	Less than 3 months	3-12 months	1-5 Years	Over 5 Years
	LKR	LKR	LKR	LKR	LKR
Trade & Other Payables	520,343,668	520,343,668	-	-	-
Interest Bearing Loans & Borrowings	850,944,710	260,554,444	159,522,174	430,868,096	-
	1,371,288,378	780,898,112	159,522,174	430,868,096	-

As at 31 March 2017	Total	Less than 3 months	3-12 months	1-5 Years	Over 5 Tears
	LKR	LKR	LKR	LKR	LKR
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	-

29.2.1 Maturity Analysis of Financial Liabilities - Company

As at 31 March 2018	Total	Less than 3 months	3-12 months	1-5 Years
	LKR	LKR	LKR	LKR
Trade & Other Payables	323,716,711	323,716,711	-	-
Interest Bearing Loans & Borrowings	546,891,275	93,087,035	136,884,581	316,919,659
	870,607,986	416,803,746	136,884,581	316,919,659

As at 31 March 2017	Total	Less than 3 months	3-12 months	1-5 Years
	LKR	LKR	LKR	LKR
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

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 maximise 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.

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 2018

Range of Shareholding	No. of Shareholders	No. of Shares	%
1 upto 1,000 shares	3,411	938,354	0.58
1,001 to 10,000 shares	1,253	4,586,166	2.82
10,001 to 100,000 shares	353	10,241,403	6.30
100,001 to 1,000,000 shares	39	10,880,731	6.69
Over 1,000,000 shares	5	135,906,266	83.61
TOTAL	5,061	162,552,920	100.00

Public Shareholding

	2017/18	2016/17
Float adjusted market capitalisation*	243,951,294	N/A
No. of shares	35,360,690	35,349,291
Percentage	21.75	21.75
No. of shareholders	5,056	4,963

*The Company is listed on the Main Board of the Colombo Stock Exchange. Its float adjusted market capitalisation is less than Rs. 2.5 Billion (Option 5). The Company is required to maintain a minimum public holding of 20%. As at 31 March 2018 the Company was in compliance with the minimum public holding percentage.

	2017/18	2016/17
Market Values (LKR) (traded dates)		
Market value per share as at last traded date (LKR)	6.90 (29.03.2018)	6.00 (31.03.2017)
Highest value per share recorded during the period (LKR)	10.40 (10.07.2017)	8.70 (19.05.2016)
Lowest value per share recorded during the period (LKR)	6.10 (07.04.2017)	5.30 (28.03.2017)

Share Trading

	2017/18	2016/17
No. of transactions	10,450	5,619
No. of shares traded	33,097,619	14,856,592
Value of shares traded (LKR)	292,343,750	112,658,465

There were 5,061 registered shareholders as at 31 March 2018 (4,969 as at 31 March 2017).

Ratio Analysis – Company

	2017/18	2016/17
Earnings/(loss) per Share (LKR)	(0.50)	0.58
Net Assets Value per Share (LKR)	11.38	11.38
Dividend per Ordinary Share (LKR)	-	0.65
Dividend Payout Ratio	-	1.12
Quick Assets Ratio	1.31:1	1.65:1

Director's Shareholdings as at

Name	31 March 2018	31 March 2017
Mr. R N Asirwatham	3,000	3,000
Mr. A L Devasurendra	Nil	Nil
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
Mr. N H D R Perera (appointed effective from 01 April 2018)	Nil	N/A

Acting Chief Executive Officer's Shareholding as at

Name	31 March 2018	31 March 2017
Dr. Sajeeva Narangoda	Nil	N/A

INVESTOR INFORMATION

Twenty Largest Shareholders as at

Name of shareholder	31 March 2018		31 March 2017	
	No. of shares	%	No. of shares	%
SEYLAN BANK PLC/AMBEON HOLDINGS PLC (COLLATERAL)	125,100,000	76.96	42,100,000	25.90
SEYLAN BANK PLC/AMBEON HOLDINGS PLC (MARGIN)	888,380	0.55	83,888,380	51.61
AMBEON HOLDINGS PLC	850	0.00	850	0.00
TOTAL	125,989,230	77.51	125,989,230	77.51
KOKYO TATEMONO CO. LTD	6,156,266	3.79	6,156,266	3.79
PEOPLE'S LEASING & FINANCE PLC/MR. D M P DISANAYAKE	1,740,000	1.07	1,667,551	1.03
MR K H R THILAKARATHNA	1,710,000	1.05	-	-
DOH INVESTMENT LANKA (PRIVATE) LIMITED	1,200,000	0.74	1,200,000	0.74
MR. P G PIYASIRI	939,864	0.58	939,864	0.58
MR. M A DE SILVA	563,449	0.35	-	-
FIRST CAPITAL MARKETS LIMITED/MR S P JAYAKUMAR	483,574	0.30	483,574	0.30
MS. F A A MACK	400,000	0.25	-	-
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 ABEEKOON	345,000	0.21	360,000	0.22
MR. M Z RASHEED	340,502	0.21	-	-
MR. A K PALLIYA GURUGE DON	298,600	0.18	298,600	0.18
ACUITY PARTNERS (PVT) LTD/MR. S N M SEMASINGHE	289,456	0.18	289,456	0.18
MR. D H G U P UBAYAWANSHA	283,628	0.17	14,100	0.01
MR. R GAUTAM	274,000	0.17	260,000	0.16
MR. P A J KUMARA	255,000	0.16	-	-
MR. S M NAZEER	248,601	0.15	248,601	0.15

Status of the utilisation of funds raised via the Rights Issue

Objective as per Circular to Shareholders	Amount allocated as per the Circular to Shareholders in LKR	Proposed date of utilisation as per Circular to Shareholders	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of Utilised against allocation (B/A)	Clarification if not fully utilised 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 modernisation 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.
	722,457,424		722,457,424		509,712,046		

INVESTOR INFORMATION

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

Non-Recurrent Related Party Transactions

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the financial year	Value of Related Party Transactions as a % of Equity and as a % of Assets	Terms and Conditions of the Related Party Transactions	The Rationale for entering into the transactions
Royal Fernwood Porcelain Limited	Subsidiary	350,319,253	18% (Equity) 10% (Assets)	Rs. 1/-, non-voting redeemable, non-cumulative preference shares	Converted the liability from the Novation Agreement and loans to preference shares.

Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate Value of Related Party Transactions as a % of Net Revenue/ Income	Terms and conditions of the Related Party Transactions
Aggregate value of the recurrent Related Party Transactions does not exceed 10% of the Group consolidated revenue					

DECADE AT A GLANCE

Period ended (LKR'000)	GROUP							COMPANY		
	Year ended 31 March							for Fifteen Months	SLFRS not compliant	
	2018**	2017**	2016** Restated	2015** Restated	2014**	2013*	2012*	ended 31 March 2011*	Year ended 31 December 2009	2008
SUMMARY OF OPERATING RESULTS										
Turnover (Net of Taxes)	2,083,446	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
Cost of Sales	(1,597,816)	(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)
Gross Profit	485,630	562,456	505,163	353,090	318,941	333,850	167,313	296,988	222,849	356,599
Other Income/(Expenses)	5,978	16,077	21,991	12,128	8,367	4,756	7,630	11,223	3,533	(6,093)
Distribution Cost	(318,107)	(211,415)	(238,935)	(208,661)	(155,726)	(166,442)	(155,724)	(166,753)	(167,069)	(190,910)
Administrative Expenses	(238,231)	(214,409)	(201,842)	(234,443)	(150,939)	(111,184)	(118,357)	(143,672)	(96,824)	(132,292)
Finance Cost	(45,876)	(35,377)	(63,091)	(78,071)	(49,123)	(24,435)	(22,079)	(26,575)	(42,740)	(49,395)
Finance Income	33,232	29,517	7,331	1,088	1,499	2,714	9,588	11,062	1,152	1,860
Net Profit/(Loss) before Tax	(77,373)	146,848	30,617	(154,868)	(26,981)	39,259	(111,629)	(17,728)	(79,100)	(20,231)
Tax (Expense) / Reversal	80,851	(25,945)	(25,456)	7,973	(1,276)	(7,908)	19,736	857	1,080	9,814
Net Profit/(Loss) after Tax	3,478	120,904	5,161	(146,895)	(28,257)	31,350	(91,893)	(16,870)	(78,020)	(10,416)
Other Comprehensive Income net of taxes	246,021	91,744	254,733	277	(3,269)	3,056	-	-	-	-
Total Comprehensive Income for the Year after Tax	249,499	212,648	259,893	(146,618)	(31,526)	34,406	(91,893)	(16,870)	(78,020)	(10,416)
Dividends for the previous period	-	(40,638)	-	-	(28,898)	-	-	-	-	-
Retained Profit/(Loss) for the period	249,499	172,010	259,893	(146,618)	(60,424)	34,406	(91,893)	(16,870)	(78,020)	(10,416)
SUMMARY OF FINANCIAL POSITION										
Stated/Issued Capital	1,402,102	1,402,102	1,402,102	679,644	679,644	679,644	679,644	679,644	246,170	246,169
Reserves/Other Components of Equity	851,568	589,377	507,703	248,824	502,360	249,007	249,276	231,418	133,762	133,768
Retained Earnings	(278,740)	(260,579)	(280,734)	(261,920)	(150,688)	(102,582)	(137,257)	(45,365)	(90,551)	(12,531)
Non-Controlling Interest	13,688	8,220	3,059	(11,867)	23,599	-	-	-	-	-
Total Equity	1,988,618	1,739,119	1,632,130	654,681	1,054,915	826,069	791,663	865,697	89,381	367,406

DECADE AT A GLANCE

Period ended (LKR'000)	GROUP							COMPANY		
	Year ended 31 March							for Fifteen Months	SLFRS not compliant	
	2018**	2017**	2016**	2015**	2014**	2013*	2012*	ended 31 March	Year ended	Year ended
		Restated	Restated					2011*	31 December	2008
									2009	2008
ASSETS & LIABILITIES										
Current Assets	1,606,646	1,444,364	1,260,604	1,023,477	1,131,421	798,642	723,898	779,549	356,829	471,808
Current Liabilities	(944,436)	(694,493)	(532,183)	(642,571)	(754,002)	(429,295)	(422,509)	(361,061)	(371,964)	(424,102)
Net Current Assets	662,211	749,872	728,420	380,906	377,419	369,347	301,389	418,488	(15,135)	47,706
Non Current Assets	2,006,856	1,605,605	1,569,831	1,306,630	1,625,043	554,713	588,318	578,676	411,065	445,424
Non Current Liabilities	(680,449)	(616,358)	(666,121)	(1,032,855)	(947,547)	(97,992)	(98,043)	(131,467)	(106,549)	(125,724)
Net Assets	1,988,618	1,739,119	1,632,130	654,681	1,054,915	826,069	791,663	865,697	289,381	367,406
FACTORY OUTPUT										
Production Quantity										
White ware (Pcs)	9,050,904	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
Decorated ware (Pcs)	6,627,888	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
Sales Quantity										
Export (Pcs)	4,982,908	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
Local (Pcs)	3,467,824	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
KEY RATIOS										
Earnings / (Loss) per Share (LKR)	0.02	0.74	0.15	(1.70)	(0.22)	0.48	(1.27)	(0.36)	(3.24)	(0.42)
Net Assets per Share(LKR)	12.15	10.65	10.02	12.83	14.28	11.43	10.96	11.98	12.02	15.26
Dividend per Share(LKR)	-	0.65	-	-	0.40	-	-	-	-	-
Annual Sales Growth / (Erosion)(%)	(12)%	(1)%	3%	29%	18%	32%	-27%	35%	-21%	9%
Current Ratio(Times)	1.70	2.08	2.37	1.60	1.50	1.86	1.71	2.16	0.96	1.11
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

*Presented/Restated in line with SLFRS/LKAS

**DPL has acquired RFPL on 31 December 2013

The above summarised financial Information's is extracted from Audited Financial Statements

DETAILS OF GROUP PROPERTIES

Company	Property	Location	Extent	No of Buildings	Cost/Valuation LKR
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	3,277.76 p	-	409,720,000
	Freehold Building	Dankotuwa	260,015 sq.ft	29	324,461,825
	Freehold Land - Investment Property	Dankotuwa	3,985.95 p	-	210,795,000
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	2,178 p	-	184,296,100
	Freehold Building	Kosgama	177,630 sq.ft	19	290,929,395
	Freehold Land - Investment Property	Kosgama	1,753.07 p	-	70,122,800
					1,490,325,120

GLOSSARY OF FINANCIAL TERMINOLOGY

Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Capital Employed

Shareholders' funds plus minority interest and total debt.

Contingent Liabilities

A condition or situation existing at the reporting date due to past events, where the financial effect is not recognised,

because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events, or
2. A probable outflow of economic resources is not expected, or 3. It is unable to be measured with sufficient reliability.

Current Ratio

Current assets divided by current liabilities.

Debt-Equity Ratio

Debt as a percentage of shareholders' funds, including minority interest. Diluted Earnings/(Loss) Per Share (DPS) Profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

EBIT

Earnings before interest and tax (includes other operating income).

Earnings/(Loss) Per Share

Net profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

Interest Cover

Consolidated profit before interest and tax over finance expenses.

Net Assets

Total assets minus current liabilities, minus long-term liabilities, minus minority interest.

Net Assets Per Share

Net assets as at the particular financial year divided by the number of shares in issue as at the current financial year end.

Net Profit Margin

Profit after tax divided by turnover inclusive of share of associate company turnover.

Net Working Capital

Current assets minus current liabilities

Operating Margin

Operating profit as a percentage of total sales.

Quick Ratio

Cash plus short-term investments plus receivables divided by current liabilities.

Return on Assets

Profit after tax divided by the total assets.

Return on Capital Employed

Consolidated profit before interest and tax as a percentage of capital employed.

Return on Equity

Profit/(Loss) attributable to shareholders as a percentage of shareholder's funds including minority interest.

Shareholders' Funds

Total of stated capital, capital reserves and revenue reserves.

Total Debt

Long-term loans plus short-term loans and overdrafts.

Total Equity

Shareholders' funds plus minority Interest

SUBSIDIARIES AND ASSOCIATES

Subsidiaries of Dankotuwa Porcelain PLC

Subsidiary Companies

D P L Trading (Private) Limited
 No. 10, 5th Floor, Gothami Road
 Colombo 8
 Tel: 011 5 700 700
 Fax: 011 2 680 225

Director*

Mr. A L Devasurendra
 Mr. N M Prakash

Royal Fernwood Porcelain Limited
 No. 10, 5th Floor, Gothami Road
 Colombo 8

Tel: 011 5 700 700
 Fax: 011 2 680 225
 Email: fernwood@fernwoodporcelain.com

Director*

Mr. A G Weerasinghe
 Dr. L J A Peiris
 Mr. R P Sugathadasa
 Mr. E M M Boyagoda

Sub-Subsidiary Companies

Fernwood Lanka (Private) Limited
 No. 10, 5th Floor, Gothami Road
 Colombo 8
 Tel: 011 5 700 700
 Fax: 011 2 680 225

Director*

Mr. A G Weerasinghe
 Mr. R P Sugathadasa
 Dr. L J A Peiris

Lanka Decals (Private) Limited
 No. 10, 5th Floor, Gothami Road
 Colombo 8
 Tel: 011 5 700 700
 Fax: 011 2 680 225

Director*

Mr. A G Weerasinghe
 Mr. R P Sugathadasa
 Dr. L J A Peiris

* as at 31 March 2018

NOTICE OF MEETING

Notice is hereby given that the 34th 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, 27 September 2018 at 3.00 p.m. 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 2018 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 76 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 76 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. N H D R Perera, 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. N M Prakash, 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-elect Mr. S E Gardiner, 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 5).
6. 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 authorise the Directors to determine their remuneration (Resolution 6).
7. To authorise the Directors to determine donations for the year ending 31 March 2019 (Resolution 7).

By Order of the Board

Sgd.
Nexia Corporate Consultants (Pvt) Ltd
 Secretaries

Colombo
 12 July 2018

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. N. H. D. R. Perera | 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 27 September 2018 and at any adjournment thereof.

Resolutions

1. To adopt the Audited Accounts for the year ended 31 March 2018
2. To re-appoint Mr. R. N. Asirwatham
3. To elect Mr. N. H. D. R. Perera
4. To re-elect Mr. N M Prakash
5. To re-elect Mr. S E Gardiner
6. To re-appoint auditors M/s Ernst & Young
7. To authorise Directors to make donations

For	Against
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

Mark your preference with "X"

Signed on this day of 2018.

.....
Signature

Please furnish following details

Share Certificate No

.....

NIC No

No. of Shares

FORM OF PROXY

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 authorised 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 authorised 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. 503, Union Place

Colombo 2, Sri Lanka

Telephone: +94-11 563 0000

No. 47, Guildford Crescent

Colombo 7, Sri Lanka

Telephone: +94-11 530 5555

Shop No. 20 A, Crescat Boulevard

Colombo 3, Sri Lanka

Telephone: +94-11 5 316 600

Kurunegala Road, Dankotuwa, Sri Lanka.

Telephone: +94-31-550 0545, +94-31-550 0500

(Ext. 345)

No. 389 C, Main Street

Negombo, Sri Lanka

Telephone: +94-31 5205205

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

Cargills Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Pan Asia Banking Corporation PLC

Sampath Bank PLC

Seylan Bank PLC

DANKOTUWA

World-class tableware

AN AMBEON COMPANY

Dankotuwa Porcelain PLC

Kurunegala Road, Dankotuwa.

Office: +94-31-5500500



www.dankotuwa.com