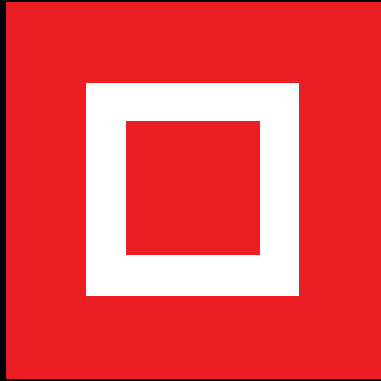


Fine
Living
Redefined

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We enhanced lifestyles with an innovative value proposition that promised elegance with unwavering quality. Today, we stand ready to re-define our concept of fine living, with a fresh brand outlook centred around the masterpiece that is your life. Our ability to evolve and be proactive in the face of change, has elevated us to become the leading tile manufacture in Sri Lanka.

Our strong fundamentals, thriving on our stringent values system, have given us momentum to cruise through any uncertainty with courage. In a bid to support our renewed brand strategy, we have aligned our growth efforts to seize untapped market opportunities, successfully leveraging on our portfolio of contemporary designs and formats. Today, we invite you to join our onward journey, as we Redefine Fine Living.

About Us



Vision

Creating a fine art of living



Mission

Creating contemporary fashionable lifestyles for our customers while adding value to our stakeholders by excelling in everything we do with the strength of our inherited values.



Values

Quality, Trust, Sense of Heritage, Long standing relationships

About Lanka Tiles PLC

Established as a private Limited company in 1984, Lanka Tiles PLC became a listed company in 1986. Our main business activity is to manufacture and sale of glazed ceramic and porcelain floor tiles.



Fine Living Redefined

Registered Name: Lanka Tiles PLC
Company Registration No: PQ 129
www.lankatiles.com



Values

Quality

Every tile is manufactured to the highest quality standards and we can proudly claim that our products are second to none.

Style

Our portfolio features a wide range of tiles in a variety of colours, textures and sizes including special Mosaic tiles.

Elegance

Classic style, innovative designs and simple elegance make all our products distinctive in local and international markets.

Value

Our stakeholders are diverse and demanding. Over the years we have delivered unmatched value to all of them.

About the Report

GRI 102-45, 102-46, 102-48, 102-50, 102-51, 102-52, 102-53, 102-54,

Lanka Tiles PLC has continuously invested in the best materials, state of art technology, innovative thinking and consumer confidence which has led us to become a leading tile manufacturer in the country and to expand our business into international markets.

This year, we present our 5th Integrated Annual Report for the period ending 31 March 2022, which captures our strife, triumphs and strategies in the year. This report details the advancements made since our previous annual report released in 2021.

The Report covers the operations of Lanka Tiles PLC (LTPLC) and its subsidiary companies, Beyond Paradise Collection Limited, LTL Development Limited and Lanka Tiles Private Limited – India.

The financial Year 2021/22 Annual Report is organised as follows:

AN OVERVIEW

- ▣ ABOUT US
- ▣ AN INTRODUCTION
- ▣ PERFORMANCE HIGHLIGHTS
- ▣ CHAIRMAN'S MESSAGE
- ▣ MANAGING DIRECTOR'S MESSAGE

MANAGEMENT DISCUSSION AND ANALYSIS

- ▣ CAPITALS REVIEW

Our focus on each capital to ensure that we add value to our multiple stakeholders and business activities.

- ▣ CORPORATE GOVERNANCE

Our compliance with governance and accountability standards that shape and guide our business practice

FINANCIAL STATEMENTS

- ▣ AUDITED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

- ▣ NOTICE OF ANNUAL GENERAL MEETING
- ▣ PROXY FORM
- ▣ CORPORATE INFORMATION

Towards regulatory compliance and corporate best practices in our reporting, the following standards, frameworks, and guidelines were followed in the preparation of the report.

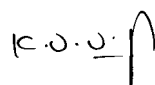
REGULATORY REQUIREMENTS

- ▣ COMPANIES ACT NO.7 OF 2007
- ▣ CONTINUED LISTING REQUIREMENTS OF THE COLOMBO STOCK EXCHANGE
- ▣ SRI LANKA ACCOUNTING & AUDITING STANDARDS ACT NO.15 OF 1995
- ▣ SRI LANKA ACCOUNTING STANDARDS
- ▣ CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2013
- ▣ INTEGRATED REPORTING FRAMEWORK
- ▣ GRI STANDARDS "IN ACCORDANCE" OPTION

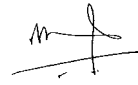
The Annual report of Lanka Tiles PLC for the year ended 31st March 2022 has been prepared and reviewed by the Management of the Company who have recommended the same to the Group's Audit Committee and Board for their approval.

There were no re-statements of information and no changes to our reporting period during the year.

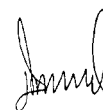
The Board acknowledges its responsibility to ensure the integrity of the Annual report which provides a balanced view of the performance of the Group, addressing all material issues that may have an impact on the Group's capacity to create value over the short term. The Board is of the opinion that the Integrated Annual Report of Lanka Tiles PLC for the financial year ending 31st March 2022 is presented in accordance with the <IR> Framework 2022. The report was unanimously approved by the Board on 31st May 2022 and is signed on its behalf by:



Chairman



Audit Committee
Chairman



Managing
Director

For any inquiries, please contact,

Mr. Tyrell Roche

General Manager (Finance)

✉ Email: tyrell@lankatiles.com

☎ Telephone : 011 4526700



Our Product Portfolio

GRI 102-2

Concrete

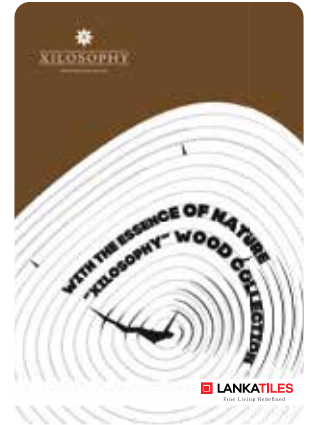
Solid Concrete Tile Collection



CONCRETE
COLLECTION
with the
Concrete Attitude

Xilosophy

the wood tile collection



XILOSOPHY
THE WOOD COLLECTION

With the sense of nature

Hearts of Earth

The crystal tile collection



HEARTS OF EARTH
THE CRYSTAL COLLECTION

Enjoying the refined treasures of the Earth

Senses

Sense nature tile collection



senses
COLLECTION

With the enchanting experience of nature



Our Product Portfolio

Essential +

fine art tile collection



ESSENTIAL + COLLECTION

With the Plus of being essential

Majestica

finest finished, largest sized and porcelain tile collection

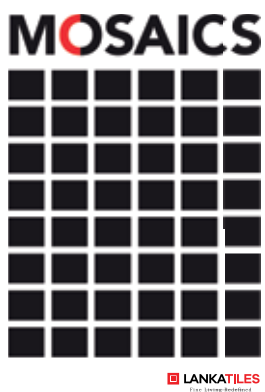


MAJESTICA

Dream big

Mosaics

Mosaic modern and competitive tile collection

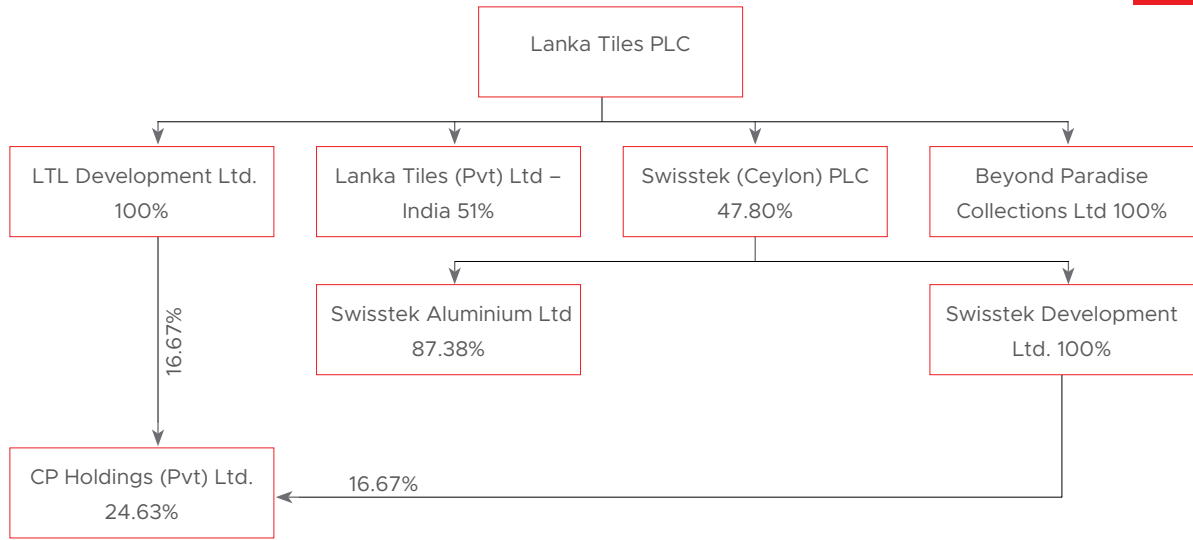


MOSAICS

Adorn your home

Our Group Structure

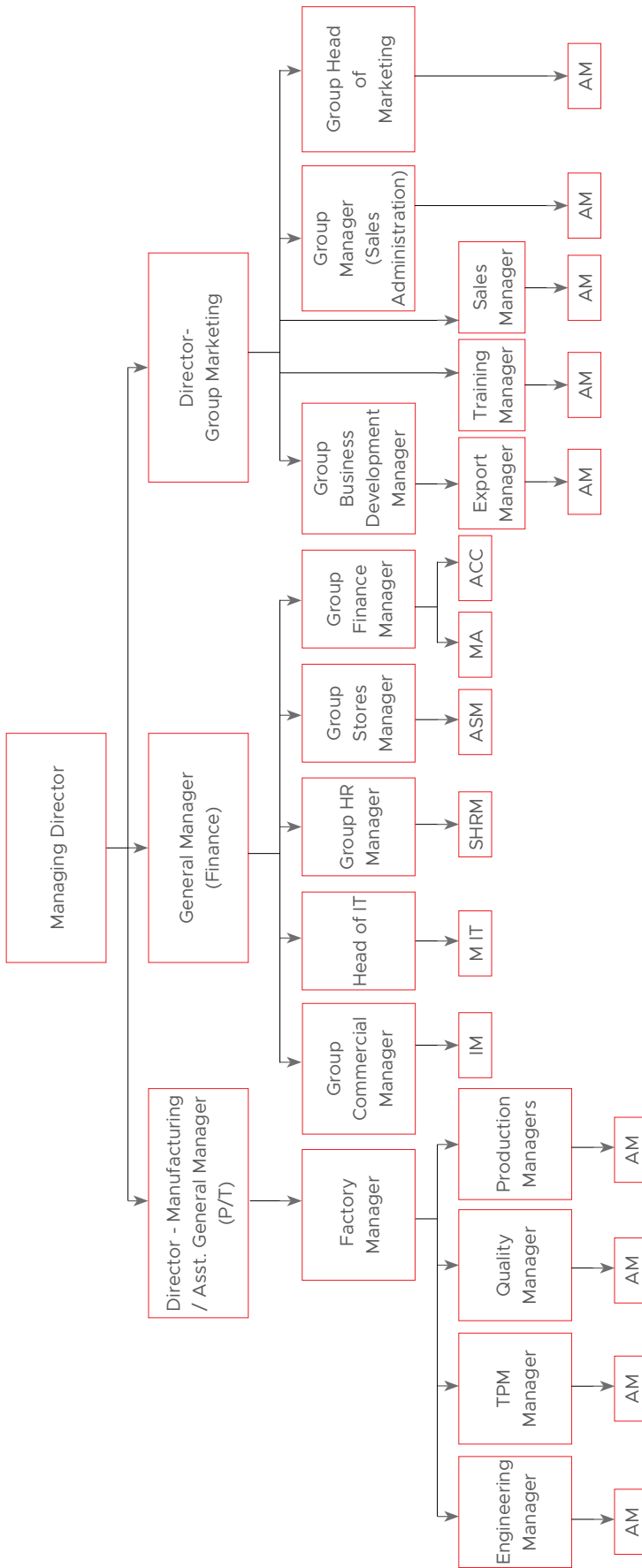
GRI 102-7





Organisational Structure

GRI 102-18



- IM - Imports Manager
- MIT - Manager IT
- SHRM - Senior HR Manager
- ASM - Assistant Stores Manager
- MA - Management Accountant
- ACC - Accountant
- AM - Assistant Manager

Financial Highlights

Financial Performance	Unit	2021/22	2020/21	%
Revenue	Rs. '000	14,591,620	12,626,485	16
Gross Profits	Rs. '000	6,608,922	4,746,103	39
Earnings Before Interest and Tax (EBIT)	Rs. '000	4,545,765	2,775,596	64
Profit before tax	Rs. '000	5,037,008	2,854,668	76
Profits after tax	Rs. '000	4,110,316	2,450,894	68
Profits attributable to shareholders	Rs. '000	4,110,139	2,450,773	68
Gross profit margin	%	45.3	37.6	20
Net profit margin	%	28.1	19.4	45
Return on assets (ROA)	%	24.2	17.4	39
Return on equity (ROE)	%	33.6	27.5	22
Interest cover	No. of times	48.5	8.3	484
Financial Position	Unit	2021/22	2020/21	%
Assets	Rs. '000	16,926,973	14,248,047	19
Capital expenditure on PPE	Rs. '000	609,748	433,121	41
Debt	Rs. '000	1,467,812	1,292,933	14
Other liabilities	Rs. '000	3,231,743	3,021,841	7
Shareholders' equity	Rs. '000	12,219,323	9,927,081	23
Gearing	%	12.0	13.0	8
Net assets per share	Rs./share	46.07	37.43	23
Current ratio	No. of times	2.8	2.6	8
Quick assets ratio	No. of times	2.0	1.6	25
Shareholder Information	Unit	2021/22	2020/21	%
No of shares in issue	No	265,252,050	265,252,050	-
Dividend per share	Rs./share	7.00	3.23	117
Earnings per share	Rs./share	15.50	9.24	68
Market capitalisation	Rs. Mn	4,488	2,769	62
Dividend payout ratio	%	45	35	29
Other	Unit	2021/22	2020/21	%
Number of employees	No	730	702	4
Average revenue per employee	Rs '000	19,989	17,404	15
Average profit per employee	Rs '000	5,645	3,378	67
Number of showrooms	No	51	49	4



Non Financial Highlights

Financial Capital

	2021/22	2020/21
Profitability		
Revenue Rs. Mn	14,592	12,626
Operating profit Rs. Mn	4,546	2,776
Profit after tax Rs. Mn	4,110	2,451
ROE	34%	28%
Stability		
Current ratio	2.88	2.57
Gearing	12%	13%
Equity Rs. Mn	12,154	9,927

Human Capital

	2021/22	2020/21
Employee strength		
Number of employees	730	702
Female participation	120	125
New recruits	135	178
Health and Safety		
Minor injury rate	0.27%	0.71%
Training and Development		
Investment in training Rs. Mn	1.59	3.14
Training Hours	2,846	364

Manufactured Capital

	2021/22	2020/21
Suppliers		
No. of suppliers	620	588
Payment to suppliers Rs. Mn	10,689	5,904
Others		
Value of PPE	4,847	4,950
Capital expenditure Rs. Mn	370	505
Depreciation and amortisation Rs. Mn	433	417

Social and Relationship Capital

Distribution Network	2021/22	2020/21
Own showroom	2	2
Factory outlets	19	19
Franchise network	49	47
Dealer network	43	31
Exports Rs. Mn	642	371
Member in Tillers clubs	4,171	3,500
CSR Rs. Mn	2.08	8.65

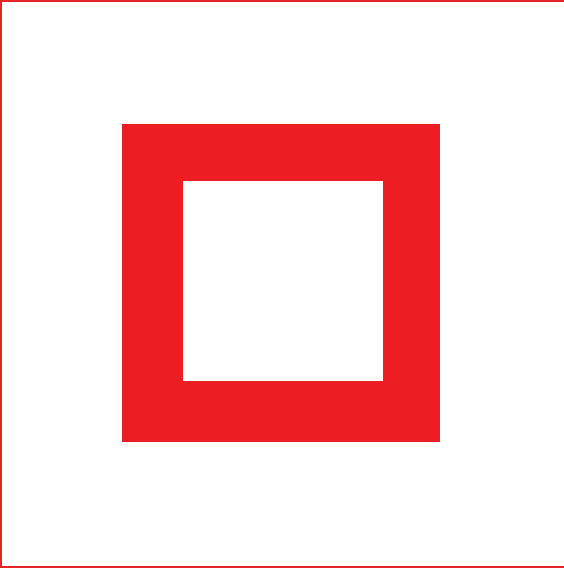
Intellectual Capital

Brand valued at Rs.2,084 Mn by Brand Finance Sri Lanka

	2021/22	2020/21
No. of new designs	34	130
Quality certifications	6	6
Investment in R&D - Rs. Mn	16.1	4.4

Natural Capital

	2021/22	2020/21	
Raw materials consumed	MT	112,766	74,355
Electricity	KWH	23,280,533	18,161,423
LPG	Kg/Mn	11.7	8.8
Water Usage	Litres	30 Mn	22 Mn
Water Recycled	Litres	2.6 Mn	2 Mn



Devoted to Excellence

EXECUTIVE REVIEWS

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Chairman's Statement



During this time, we took an initiative to expand our facilities across the country and broaden our showroom network to offer customers a full service which has always been a founding objective in building the brand.

Towards customer loyalty, confidence and trust, we have taken stringent measures to reinforce the core values of our "customer value proposition".

Dear Shareholders,

The year has been one of transformational initiatives, and one that challenged us to revisit our strategies not only with the COVID pandemic in mind, but also with a looming economic crisis facing the nation. It forced us to think out of our comfort zones and identify new paths to success and progress. Irrespective of external environmental challenges, we welcomed the opportunity to grow. It is my pleasure to share that amidst all obstacles your company Lanka Tiles PLC powered through to deliver a stellar performance recording an impressive profit growth of 68% at Rs.4,110 Mn for Financial Year 2021/22.

Our continuous investments on technology and innovation, development of infrastructure and the development of our workforce enabled us to cope with the changing market trends and the operating environment to ensure stable growth. Responsive strategy executions allowed the group to pursue potential opportunities and steer growth with our diversified range of products which includes contemporary designs and formats.

Poised for growth

Lanka Wall Tiles and Lanka Tiles launched over 34 new collections in 2021/2022. This allowed the Group to reap much benefits in the 2021/22 Financial Year enabling it to sustain and grow with the challenging environment. The launch of the

Mosaic range focusing on international markets, along with other vibrant tile products enables us to offer an exclusive range of special accessories and designs for sophisticated interiors. The collaboration with Italian designers who in cohesion with our local design team has elevated the range of our designs and concepts. They have placed us well above our competitors and strengthened our entry into lucrative markets in the US and Europe.

Due to import restrictions, the Group had to shift our focus in both production and markets. During this time, we took an initiative to expand our facilities across the country and broaden our showroom network to offer customers a full service which has always been a founding objective in building the brand. Towards customer loyalty, confidence and trust, we have taken stringent measures to reinforce the core values of our “customer value proposition”.

Headwinds and Tailwinds

The signs of weakening economic growth and the current foreign exchange crisis have signaled economic headwinds, which would affect the Group’s turnover and growth due to extensive increase in prices.

With the onset of the economic crisis, Sri Lanka GDP grew to 3.7% in 2021 following a 3.6% pandemic induced decline. Strong demand in the market enabled the group to capitalise on opportunities leading to increased cost efficiencies and facilitated an impressive growth for the financial year under review.

Agile Response

All our businesses remained operational during the period whilst adhering to the necessary protocols in line with government health policies to maintain the safety of our clients and employees. We made sure all our employees were well equipped with the required protective gear to continue working. The tiles sector focused on capitalising on the domestic market, which allowed the group to deliver an improved performance despite the challenges.

Performance

The 2021/22 financial year was a favourable one for the Group with a growth of 16% driven by the tiles sector that enabled the group to record a revenue of Rs.14,592 Mn. Stock utilisation

and cost efficiencies allowed the group to record a profit after tax of Rs. 4,110 Mn for the year, which is a 68% growth over last year. The profitability of the group reflects the teams’ dedication and hard work in offering high quality services with innovative spirit during challenging times.

Net assets of the company increased by 24% to Rs.12,044 Mn at the close of the year due to increased retained profits. The funding position further improved as the debt to equity ratio improved from 13% in March 2021 to 12% in 2022 while liquidity position also improved with the quick asset ratio moving from 1.6 to 2.0 during the year.

Value to shareholders

We are pleased to report that the share value of your company Lanka Tiles PLC has improved from Rs.37.15 per share as at 31 March, 2021, to Rs. 59.70 as at 31 March, 2022. This means that the return on shares held was at 61% YoY. Shareholder value has increase by 19% in the year, during which period we have made three dividend payments to shareholders: Rs.2.20 per share (28/06/2021) as the final dividend of 2021/22, Rs.3.00 per share (01/12/2021), and Rs.1.80 per share (31/03/2022), based on the exceptional performance during the 2021/22 Financial Year. Another dividend payment of Rs. 1.90 per share is scheduled in June 2022, further increasing shareholder value to 24%.

Governance Matters

The Board has continuously strived to steer through the crisis strategically and has been in constant communication with the leadership team reviewing the plans and decision related to the evolving market conditions. Further, the overall performance was reviewed frequently to assess and stabilise the liquidity of the group. Job security of the employees and uninterrupted salary payments were a high priority for the board even at a time of multiple challenges.

Sustainability

The Group has constantly focused on integrating environment, social and governance principles into the decision-making process. All sectors of the group nurture a responsible culture, waste minimisation, monitoring and maximisation of the health and safety protocols. The group has been integrating these measures to ensure sustainable profitability.



Chairman's Statement

Outlook

Although the economic outlook remains to be seen with the current crisis and disruptions to the economic activities in the country, the board is initiating stringent measures to ensure that inventories are monetised in an efficient manner while growing existing markets and exploring potential new markets. The country's weakened economic condition raises constant concerns with regard to exchange rates, interest rates and sovereign debt payments. Lanka Tiles will continue to cater to the domestic market through the diversified network and will simultaneously pursue our expansion into new international markets. The Group will revisit our strategic plans to make calculated decisions in order to maintain a healthy funding and liquidity position that enables the group to steer through the uncertainty.

Appreciation

I commend the leadership of Mr. Mahendra Jayasekara for inspiring and guiding his team to achieve corporate goals and growth during the unprecedented times. I thank the teams of the Lanka Tiles group for their untiring efforts and commitment during this year. I deeply appreciate our business partners, board members and shareholders whose perspectives and advice have been insightful and have helped to strengthen our progress.

Mr. Dhammika Perera

Chairman

31st May 2022

Managing Director's Message



Dear Shareholders,

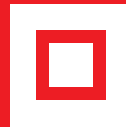
I am happy to share with you the performance of your company Lanka Tiles for the 2021/22 financial year. I am pleased to report that the company has outperformed last year's record profits by 68% to report Rs.4.1 Bn for the current year, yet again achieving the highest annual growth in the Group's history.

I take this opportunity to commend the untiring efforts of the Lanka Tiles team, our partners and distributors without whose indomitable spirit to succeed, this phenomenal achievement could not have been possible through the macro-economic and policy challenges and in the peak of the COVID-19 pandemic.

I am equally pleased that this year, Lanka Tiles was recognised as a 'Great Place to Work' by the Great Place to Work in Sri Lanka Authority, which stands a testament to the value created for our employees and partners in our journey of success.

Overcoming Challenges

The 2021/22 financial year was full of surprises on all fronts. The domestic economy was struggling to recover from the economic impacts of the COVID-19 pandemic; the rising cost of essential raw material and supplies imports; escalating domestic inflation and falling Sri Lanka Rupee challenged most industries including the tiles manufacturing sector. Contributing to this were state policies on exchange rate controls such as



During the year, we focused on strategies which concentrated on exhausting our underperforming and low margin products.

We rationalised our product portfolio in order to sustain our total production, resulting in increased efficiency. Our retail products were sold at reasonable rates that were mindful of consumer purchasing power under difficult conditions.



Managing Director's Message

pegging the exchange rate of LKR to USD which spiralled into a foreign exchange crisis and the ensuing restriction on imports. Towards the last quarter of the financial year, industries also faced gas and fuel shortages for manufacturing and delivery which continued at the time of developing this year's annual report.

While most of these affected Lanka Tiles as well as other companies, our strategic approach to the challenges helped to convert them into opportunities.

With import restrictions limiting tile imports to Sri Lanka, Lanka Tiles had the opportunity to meet the demand previously met by imported tile brands. We increased our capacities to meet this demand and were able to operate profitably through increased production and market share. The limited availability of tiles in the local market helped the company to maintain its prices without discounted offers. The dearth of tiles available in the market also provided an opportunity to dispose of previously accumulated inventory.

Investments

Despite challenges on the external front, Lanka Tiles took a strategic decision to move forward with our investment and expansion plans. Our manufacturing facilities were enhanced and expanded to meet the demand increase for production, while existing machinery, kiln and other infrastructure were upgraded. In addition, new technology enabled the company to develop market infrastructure and stabilise operations. Total investments in facility enhancements totalled Rs.433 Mn during the year.

Performance

The 2021/22 financial year, was a progressive year for the Group. The Group reported a gross revenue of Rs.15.7 Bn Mn during the year under review, a 16% growth over last year. Accordingly, profit after tax also increased by 68% to Rs.4.1 Bn marking a record growth in the history of Lanka Tiles PLC. Operating expenses were at Rs.7.98 Bn slightly higher due to increased cost of production arising out of macro economic conditions such as exchange rate fluctuations, rising inflation and higher cost of fuel and gas for manufacturing. However, an increase in production and the ability to dispose of existing stock from previous years led to higher earnings offsetting the challenges.

Our most profitable segment was the sale of Glazed Ceramic Tiles accounting for 90% of total revenue at Rs.14.5 Bn. The introduction of mosaic tiles increased our revenue by 6% during the year. As a young product, the product is yet to achieve its full potential and market demand.

Strategy

During the year, we focused on strategies which concentrated on exhausting our underperforming and low margin products. We rationalised our product portfolio in order to sustain our total production, resulting in increased efficiency. Our retail products were sold at reasonable rates that were mindful of consumer purchasing power under difficult conditions.

One of our key strategies was the introduction of our new product line of Mosaic Tiles. We were able to innovate new technology and business processes to manufacture mosaic tiles in our local facility. This escalated our competitiveness in the domestic as well as overseas markets.

Future Outlook

While Lanka Tiles has performed exceptionally during the year under review, planning for the coming year has been a tough challenge. Our greatest concern is maintaining our supply chain to support the manufacturing process. The country's economic conditions, which have impacted the availability of foreign exchange needed for material imports, increasing inflation, and led to unavailability of essential resources, will determine the future of the company and the industry.

Inability to procure raw materials would directly affect our production and our expansion plans would have to adopt a 'watch and wait' attitude under current country conditions.

In light of these, we are strategically exploring opportunities in neighbouring nations such as India to expand operations in the future.

Moving forward we would continue to be cost conscious and implement cost management and cost efficiency improvement strategies throughout the Group.

We are anticipating a severe decline in the purchasing power of stakeholders which will in turn lower the demand for our products in the market. Based on the current situation of the country we are unable to forecast the performance for the coming year.

However, we will continue to invest in the training and development of our human resource and improve our stakeholder relations whilst adding value to our numerous stakeholders.

We fervently look forward to the strengthening of the country's economic situation for a sustainable and profitable growth.

Acknowledgment

This year was about working together to overcome challenges; a task to which our employees and partners rose, as a result of which Lanka Tiles recorded a triumphant and profitable year.

I extend my sincere appreciation to the Board for their visionary guidance and support during this tough time. I extend my gratitude to the Lanka Tiles team for their commitment and hard work and for their indomitable spirit.

The dedication and support of our partners and distributors have been a strength during the year in managing our inventory and strengthening our brand for which I thank all partners and distributors. A sincere appreciation to our customers for their continued trust and confidence in Lanka Tiles and for patronising our products.

I wish to record my gratitude to our shareholders for their patience and faith in the Board of Directors and our teams, and I assure you we would continue to create value for your investments in the coming years.



J A P M Jayasekera
Managing Director

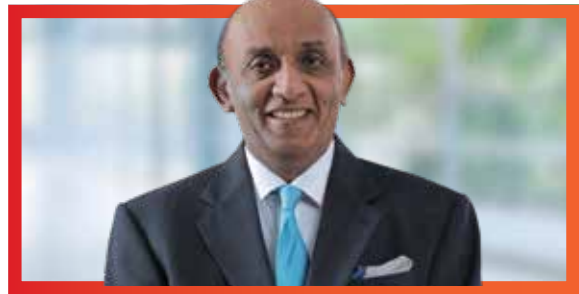
31st May 2022



Board of Directors



Mr. Dhammika Perera
Chairman



Dr. S Selliah
Director



Mr. A M Weerasinghe
Deputy Chairman



Mr. T G Thoradeniya
Director



Mr. J A P M Jayasekera
Managing Director



Mr. K D G Gunaratne
Director



Ms. A M L Page
Director



Mr. S R Jayaweera
Director



Mr. J A N R Adihetty
Director



Mr. J R Gunarathne
Director



Mr. S M Liyanage
Director



Mr. G A R D Prasanna
Alternate Director



Board of Directors

Mr. Dhammika Perera

Chairman

Mr Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Hayleys Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

Mr. A M Weerasinghe

Deputy Chairman

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. Mr. Weerasinghe has been in the business field for more than 37 years involved in Real Estate, Construction, Transportation & Hospital Industry and has been a Landed Proprietor. In addition to the above, he is the Chairman of Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Trade Huts (Pvt) Ltd. and Weerasinghe Gems (Pvt) Ltd, and the Deputy Chairman of Royal Ceramics Lanka PLC, Lanka Tiles PLC., and Lanka Walltiles PLC. He also serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

Mr. J A P M Jayasekera

Managing Director

Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited. He is the Chairman of Sri Lanka Cost and Management Accounting Standards Board. He has an honours degree in Business Administration from the University of Sri Jayewardenapura and is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He holds a Post Graduate Diploma in Buddhist Studies (Distinction Pass) from the Post Graduate Institute of Pali and Buddhist Studies, University of Kelaniya. He has just completed Master of Arts in Buddhist Studies from the Post Graduate Institute of Pali and

Buddhist Studies, University of Kelaniya and awaiting results. He has served as both executive and non-executive director of many other listed and unlisted Companies. He is the President of Colombo Young Men's Buddhist Association.

Dr. S Selliah (MBBS, M.Phil)

Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields including Manufacturing, Healthcare, Insurance, Logistics, Packaging, Renewable Power, Plantation, Retail etc. He serves on the Boards of many Public listed and Private companies.

Dr. Selliah is currently the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, Central Hospitals Private Ltd, and Chairman of JAT Holdings PLC. Some of the other listed companies he currently serves as a Director are : Commercial Bank of Ceylon PLC, Lanka Walltiles PLC, ACL Cables PLC, HNB Assurance PLC, Lanka Tiles PLC, Softlogic Holdings PLC, Odel PLC, Swisstek (Ceylon) PLC. He has also served on many other Boards in the past. Currently, he also serves as a Member or Chairman of many Board sub committees such as : Human Resource and Remuneration Committee, Related party Transaction Committee, Audit Committee, Investment Committee, Strategic Planning Committee, and Risk management Committee.

Dr. Selliah has served as a Senior Lecturer in the Faculty of Medicine, University of Kelaniya for many years in the past and served on several committees. He has also been Head of the Department of Physiology for many years during this period at the Faculty.

Mr. T G Thoradeniya

Director

Mr. Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is the Group Director Marketing and Business Development of Royal Ceramics Lanka PLC. He sits on the Boards of several public quoted and privately held companies, including Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Unidil Packaging (Pvt) Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

Mr. K D G Gunaratne

Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009. He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd and Urban Investments & Development Company (Pvt) Ltd.

He also serves as a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Dipped Products PLC, Swisstek (Ceylon) PLC, Singer Industries Ceylon PLC and Regnis Lanka PLC and as an Alternate Director at Horana Plantations PLC.

Ms. A M L Page

Director

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

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

Mr. J A N R Adhihetty

Director

Mr. Amrith Adhihetty has full membership of CPA, Australia and holds a B Com degree from University of Macquarie, Sydney, Australia. After completing his studies has worked as a Financial Analyst at Hitachi Data Systems Australia Pty Ltd prior to returning to Sri Lanka.

Mr. Adhihetty has a wide range of experience in business development, financial reporting, business restructuring and marketing with a demonstrated ability to synthesize technical analysis into business insights.

Presently he is attached to Delmege Forsyth & Co. Ltd as a Director.

Mr. S M Liyanage

Director

Mr. Liyanage is a respected professional with over 8 years' experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group. He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from University of Colombo.

He currently serves as an Group Director- Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies. He currently serves on the Board of Directors of Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Swisstek Aluminium Limited, Uni Dil Packaging Limited and Horana Plantation PLC. He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo. Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

Mr. S R Jayaweera

Director

Mr. S R Jayaweera was appointed to the Board of Lanka Tiles PLC on 9th October 2020. Mr. Jayaweera counts over two decades of experience in working for top corporates including several John Keells Group of Companies listed on the Colombo Stock Exchange. He brings with him years of expertise in the fields of Financial Accounting, Management Accounting, Hotel Management, Manufacturing, Retail, Audit and Compliance. He is also serves as a Non Executives Director on the Board of Lanka Walltiles PLC, Royal Ceramics Lanka PLC and Delmage Ltd.

Mr J R Gunarate

Director

Mr. J R Gunaratne counts 40 years of experience in Strategic Planning, Production & Distribution, Industrial Relations and Change Management in the Food & Beverage, Plantations and Leisure Sectors. During his career at John Keells Holdings PLC, he has held Directorships in several listed and private companies of the John Keells Group. He has been a Member of the Food Advisory Council of the Ministry of Health and a Member of the Council for Hotel & Tourism of the Employer's Federation of Ceylon. He was the Founder Chairman of the Beverage Association of Sri Lanka.

Mr. G A R D Prasanna

Alternate Director

Mr. Dimuth Prasanna was appointed as an Alternate Director to the Lanka Tiles Board on 10th October 2014. He has wide experience in various businesses and also in business management. He is the Chairman of L B Finance PLC and former Chairman of Pan Asia Banking Corporation PLC. And also the Managing Director of Wise Property Solutions (Pvt) Ltd. Further, he serves as a Director on the Boards of La Fortresse Private (Pvt) Limited and Delmege Group of Companies and Wise Homes (Pvt) Ltd.



Senior Management



Mahendra Jayasekera
Managing Director



Nandajith Somaratne
Director - Manufacturing



Shirley Mahendra
Director - Group Marketing



Tyrell Roche
General Manager (Finance)



Patrick Piyasena
Assistant General Manager
(Plant and Technical)



Prabhath Pupulewatta
Factory Manager



Prasad Keerthiratna
Head of IT



Daminda Perera
Group Head of Marketing



Sajeewani Amarasinghe
Group Finance Manager



Anura Ratnayake
Group Business Development
Manager



Kaushalya Sudasinghe
Group Manager - Sales
Administration



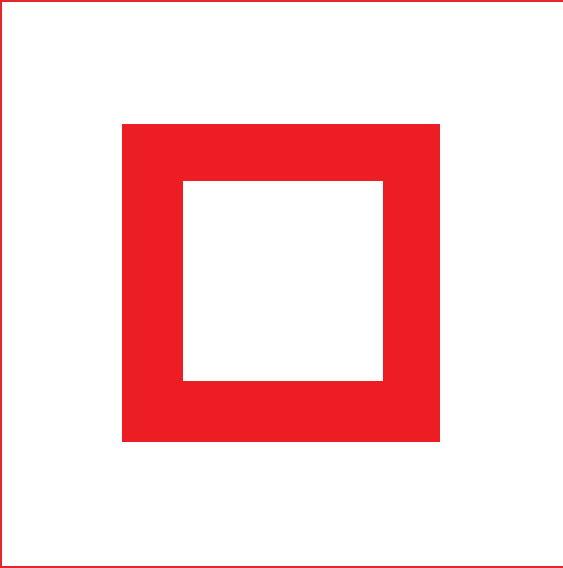
B A M Thilakasiri
Group Stores Manager



Athula Hewapathirana
Group HR Manager



Mr. Kapila Ranatunga
Group Commercial Manager



Defined by Crafting

MANAGEMENT DISCUSSION & ANALYSIS

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Strategy

Lanka Tiles PLC believes in taking well calculated strategic decisions to enhance business growth. Being an industry leader enjoying a majority market share in the tile industry in Sri Lanka, we are trend-setters and the benchmark that is often followed by our competition. Last year, we envisioned new strategic

decisions mindful of the challenges faced by the industry, our consumers and the nation. At the same time, we focused on opportunities that have arisen in the midst of these challenges for growth and expansion.



Need financial information for show revenue/growth of the company over the last 5 years

Growth Mindset

- ▣ Expansion into international markets
- ▣ Identifying gaps in the local tile industry to cater to needs
- ▣ Introducing additional product lines complementary to our business

Financial Stability

- ▣ Managing financial leverage
- ▣ Effective working capital management
- ▣ Expansion of funding capacity

KPI's	2021/22	2020/21
Capital employed	13,999,278	11,884,608
Interest Cover	48.5	8.3
Gearing Ratio	12%	13%

Efficiency

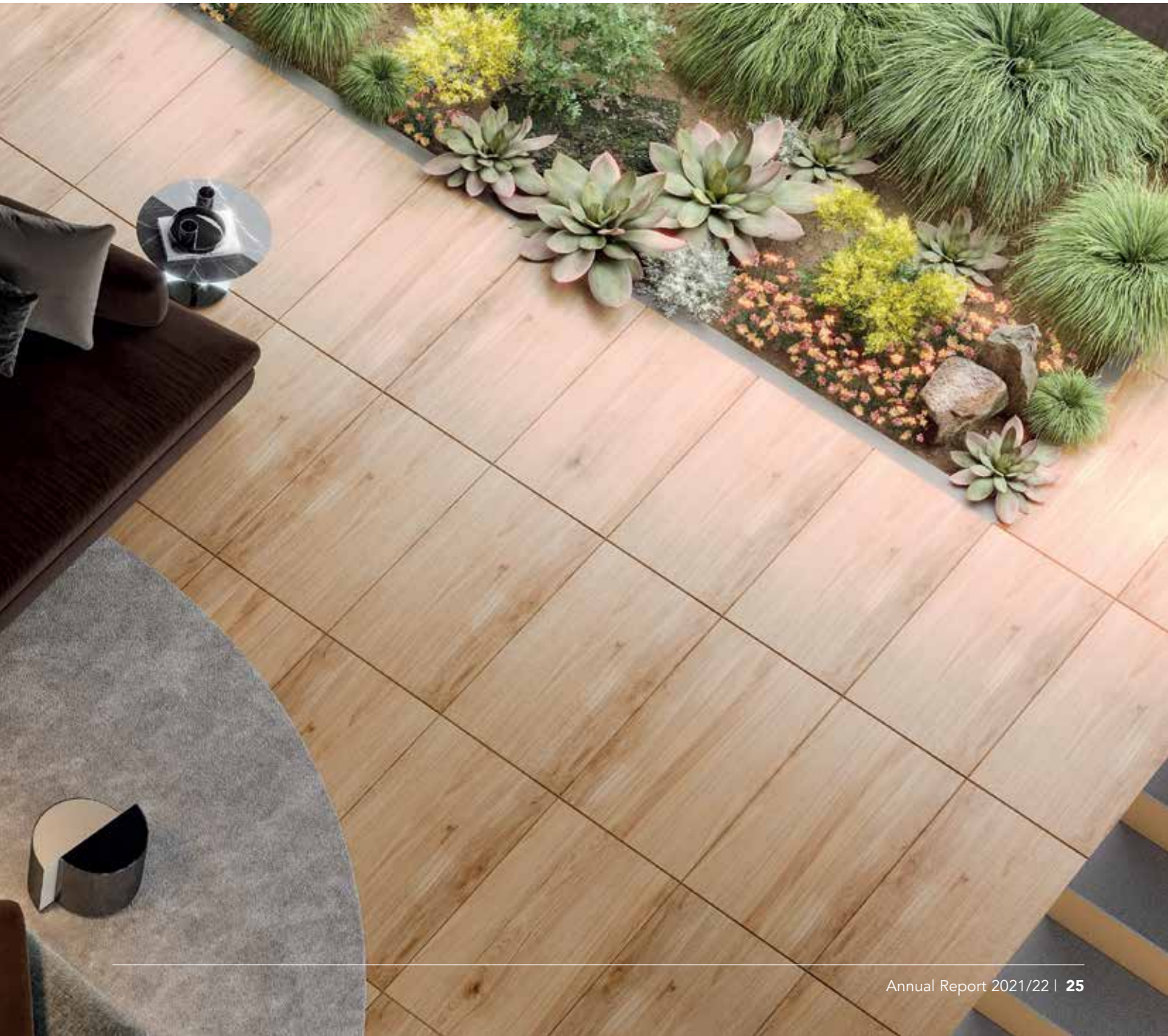
- ▣ Automation and workflow streamlining
- ▣ Investment in technology
- ▣ Increasing employee productivity

KPI's	2021/22	2020/21
Cost to income ratio (%)	2.21	1.28
Gross Profit Margin (%)	45	38
Operating profit margin (%)	31	22
ROE (%)	33	28

Sustainable Mindset

- ▣ Environmental compliance
- ▣ Indirect employment opportunities
- ▣ Monitoring the use of finite resources

	2021/22	2020/21
CSR spend Rs. Mn	2.08	8.65
Materials consumed MT	112,766	74,354
Non-Renewable energy used		
Diesel Litres	403,775	342,954
Electricity Kwh	23,280,533	18,161,423
LPG KG	11,735,305	8,780,001





Materiality

Lanka Tiles PLC materiality indicates how the company's financial and non-financial factors contribute towards stakeholders as well as their importance to Lanka Tiles. In this report, we indicate how well we have overcome material concerns through our strategies and resource allocations.

To create economic, social and environment values Lanka Tiles has effectively engaged with the stakeholders in various ways under ranging intensities as provided below:

	Financial	Manufactured	Intellectual	Human	Social	Natural	Importance to Lanka Tiles	Importance to Stakeholders
Economic								
Economic performance	✓	✓	✓				Very High	Very High
Market Presence	✓	✓		✓	✓		Very High	Very High
Anti-Corruption			✓		✓		High	High
Anti-Competitive behaviour			✓		✓		High	High
Social								
Employment	✓	✓		✓	✓		Very High	Very High
Occupational Health & Safety	✓			✓	✓		High	High
Training and Diversity	✓		✓	✓			Very High	Very High
Diversity and Equal Opportunity			✓	✓	✓		Very High	Very High
Non-discriminations			✓	✓	✓		High	High
Customer Health and Safety					✓		High	High
Marketing and Branding	✓				✓		High	Medium
Environment								
Local Communities	✓				✓	✓	High	Medium
Socio-economic Compliance					✓	✓	High	High
Energy consumption		✓				✓	High	Medium
Environment Footprint		✓				✓	Medium	Medium
Compliance with Environment						✓	High	Medium

Importance to Lanka Tiles PLC	Very High			Economic performance Market Presence Employment Training and Diversity Diversity and Equal Opportunity
	High	Marketing & Labelling Local Communities Environment Compliance Energy Consumption	Anti-Corruption Anti-Competitive behaviour Occupational Health & Safety Non-discriminations Customer wealth & Safety Socio-economic Compliance Environment Footprint	
	Medium			
		Medium	High	Very High
	Importance to stakeholder			

Detailed Discussion on Material Topics inside this Report:

Material Topic	Our approach
Health and safety	Human Capital - page 48
Earnings growth	Financial Capital - page 41
Availability of raw material	Natural Capital - page 56
Stability	Financial Capital - page 41
Customer satisfaction	Social and relationship Capital - page 51
Capital investments	Manufactured Capital – page 44
Compliance	Corporate Governance - page 60
Efficiency	Financial Capital - page 41
Environmental sustainability	Natural Capital - page 56
Technology	Intellectual Capital – page 54



Stakeholder Engagement

GRI 102-40, 102-41, 102-42, 102-43, 102-44

Lanka Tiles PLC believes that the success of our business relies on progressive stakeholder engagement. Our stakeholders are vital in ensuring the seamless functioning of our business from sourcing to sales. We continuously communicate with our stakeholders and consistently meet superior service excellence.

	Employees	Customers	Shareholders
Method of Engagement	<ul style="list-style-type: none"> Direct interaction with Senior Management Formal performance appraisals Regular meetings with unions Communication of company performance 	<ul style="list-style-type: none"> Face to face interactions at our own showrooms Customer hotline Trade Exhibitions Customer feedback Social media platforms Call centre 	<ul style="list-style-type: none"> Quarterly Financial Statements Press Releases Annual Report Annual General Meeting CSE announcements
Frequency of Engagement	<ul style="list-style-type: none"> Annually As needed Regular Quarterly 	<ul style="list-style-type: none"> Regular 24/7 Annually As needed 	<ul style="list-style-type: none"> Quarterly As needed Annually
Interest/ Expectations	<ul style="list-style-type: none"> Fair remuneration Employee benefits Workplace health and safety Conducive workplace Training & Development Job security Career progression 	<ul style="list-style-type: none"> Value for money Product quality Choice of products Availability and accessibility 	<ul style="list-style-type: none"> Earnings & Dividends Growth prospects Transparency Environment & Social impact Governance Share price and liquidity
Managing concerns/ expectations	<ul style="list-style-type: none"> Benchmarked remuneration packages in line with the industry Open door policy with senior management Fair and transparent performance appraisal system 	<ul style="list-style-type: none"> Quality certifications Product quality assurance processes Driving cost efficiencies Managing price and volume growth Island-wide presence 	<ul style="list-style-type: none"> Safeguarding our market position Improving manufacturing capacity and efficiency Corporate Governance and Risk management

Suppliers



- Supplier assessment and feedback
- Managing relationships
- Visits

- As needed
- Regularly

- Increased business
- Transparent procurement processes
- Timely payments
- Constructive feedback

- Established procurement processes
- Quality assurance processes to provide constructive feedback
- Ensured timely payments

Distributors



- Dedicated teams to handle distribution networks
- Regular assessments on performance and feedback

- Regularly

- Incentives & Rewards
- Customer demand
- Marketing communications
- Logistics
- Support for growth

- Advertising and marketing communications to create demand
- Product innovation to drive customer demand

Regulators



- Filing returns
- Facilitating visits

- Regularly
- As needed

- Compliance with regulations
- Timely filing of returns and payments
- Foreign currency Earnings

- Employment opportunities
- Socio economic progress
- Environment related issues
- Support for community needs

Community



- Recruit from local communities where skills are available
- Entertain grievances from community

- As needed
- Regularly

- Employment opportunities
- Socio-economic progress
- Environment related issues
- Support for community needs

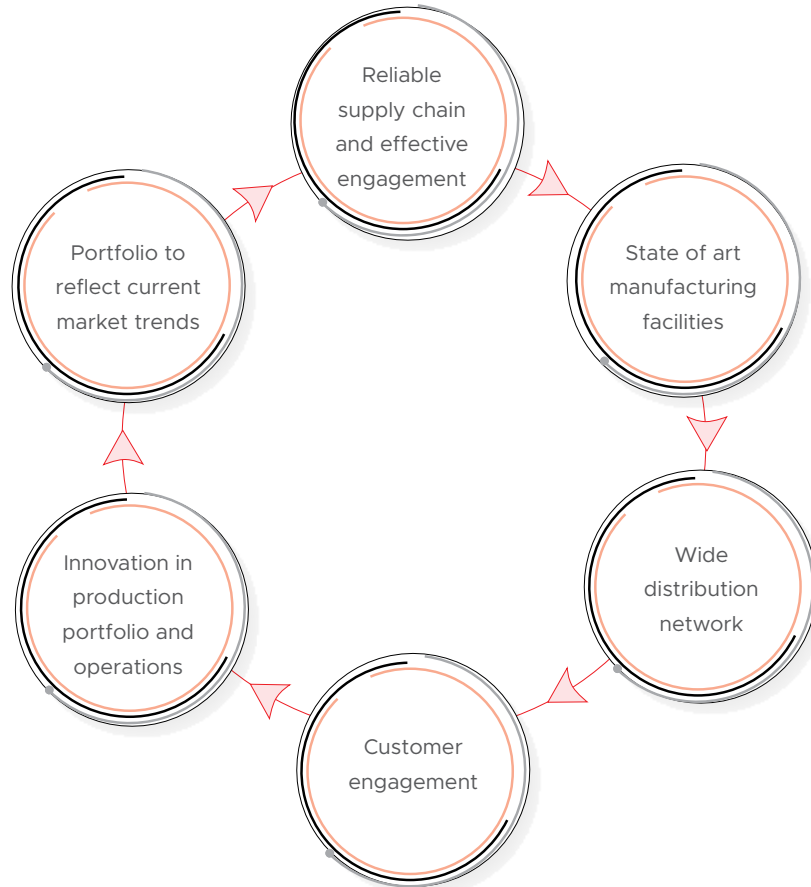
- Recruit from local communities where possible
- Provide opportunities for local entrepreneurs where possible
- Managing environmental impacts in compliance with CEA requirements



Strategic Value Creation

Our Mission

Creating contemporary and fashionable lifestyles choices for our customers' homes, while adding value to our stakeholders through excellence is our success formula for strategic value creation. Relying on the strength of inherited values Lanka Tiles has ensured that all stakeholders are beneficiaries and partners in our success.



Impacts



Economical

FOREX of Rs. **642 Mn**

Economic value added by the group was Rs. **7,415 Mn**

Tax payments both direct and indirect amounted to Rs. **1,890 Mn**



Environmental

36,205 TCO₂ emissions

17,228 MT waste discharge

Non-renewable energy Electricity **23,280,533** KWH

LPG Kg **11,735,305** Diesel Litre **403,775**



Society

Community development projects **12,000** beneficiaries

Employment opportunities **730**

Input

Value Created to Stakeholders

GRI 204 - 1

	<p>Financial Capital Shareholder Funds Rs. 12,219 Mn Debt Rs. 1,468 Mn</p>		<p>Shareholders Net Assets per Share Rs. 46.07 Earnings per Share Rs. 15.50</p>
	<p>Manufactured Capital Other Manufacturing Capital Rs 3 Bn Plants and Machinery Rs. 2 Bn</p>		<p>Employees Salaries and wages Rs 1,316 Mn Cost of Health and safety at workplace Rs. 13.2 Mn</p>
	<p>Social & Relationship Capital Distribution network of 803 Suppliers 620</p>		<p>Customers Tiles manufactured 5.2 Mn Sq.mt New designs 34</p>
	<p>Human Capital Employees 730 Training hours 2,846</p>		<p>Suppliers Payment to local supplies Rs. 8,402 Mn Payment to foreign suppliers Rs. 2,287 Mn</p>
	<p>Natural Capital Land Value of Rs. 1.3 Bn Energy Consumed (Diesel) 403,775 Litres</p>		<p>Government Taxes paid Rs. 1,890 Mn Forex income Rs. 642 Mn</p>
	<p>Intellectual Capital Brand Value of Rs 2,084 Mn Investments in training Rs. 1,589 Mn</p>		<p>Community CSR spend Rs 2 Mn Job opportunities 730</p>

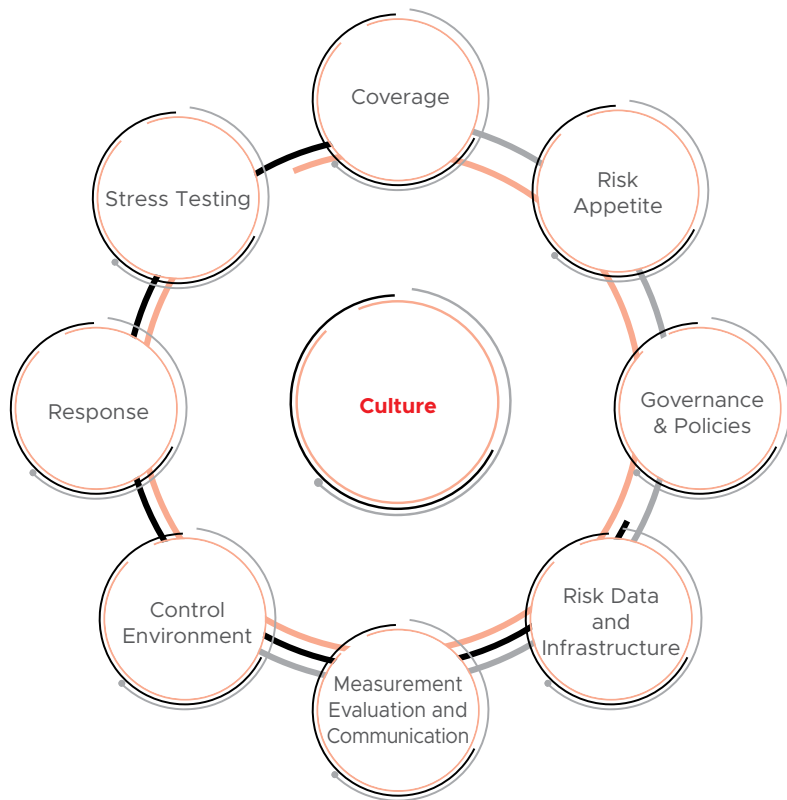


Principal Risks

Risk is an inevitable factor in our business. Due to the nature of our industry, we are reliant on goods and services for manufacture and is influenced by external and internal factors beyond our control. Lanka Tiles develop a three-year strategic plan to overcome uncertainty and achieve our aims and objectives in our business. During the year, we confronted government policy changes, uncertainty in economic and political conditions in Sri Lanka, rupee depreciation, government restriction on some goods import, weather changes, labour-related risks, and IT risks. We faced major risks due to unstable economic and political environment. The major risks associated with the Covid-19 pandemic remained throughout the year.

Our Enterprise Risk Management (ERM) strategy focuses on reducing risk by improving performance and decision-making through risk detection, evaluation, and management. Risks are managed in four ways:

- ▣ Identifying risks,
- ▣ Evaluating risks,
- ▣ Controlling and reporting risks,
- ▣ Monitoring and reviewing risks.



The Lanka Tiles risk management process can be explained by the three lines of defense concept of risk management as given below.

Risk Governance

Risk governance plays a critical role in helping to accomplish company goals by controlling and making the right decisions to manage risks.

The Board of Directors with the assistance of the Board Audit Committee governs and predicts the risks that the company may confront. The Company's Executive Committee reviews risk frequently as part of their routine agenda and provide the Audit Committee and the Board with the necessary papers. In terms of risk management and risk reporting, we follow the below structure.

- Board of Directors
- Audit Committee
- Managing Director
- Executive Committee
- Operational Managers

First Line

Responsibility

- ▣ Day to day identification, assessment, management and reporting of all risks within control.
- ▣ Ensuring risk exposures remain within limits.

Accountability

- ▣ Executives and supervisors

Second Line

Responsibility

- ▣ Transparent and well communicated risk policies together with an effective monitoring system.
- ▣ Providing assurance that risks are being managed across the business.

Accountability

- ▣ Corporate management team

Third Line

Responsibility

- ▣ Independent assurance and oversight on the effectiveness of the risk management system and internal control.

Accountability

- ▣ The Board of Directors

Risk Overview

GRI 102-10

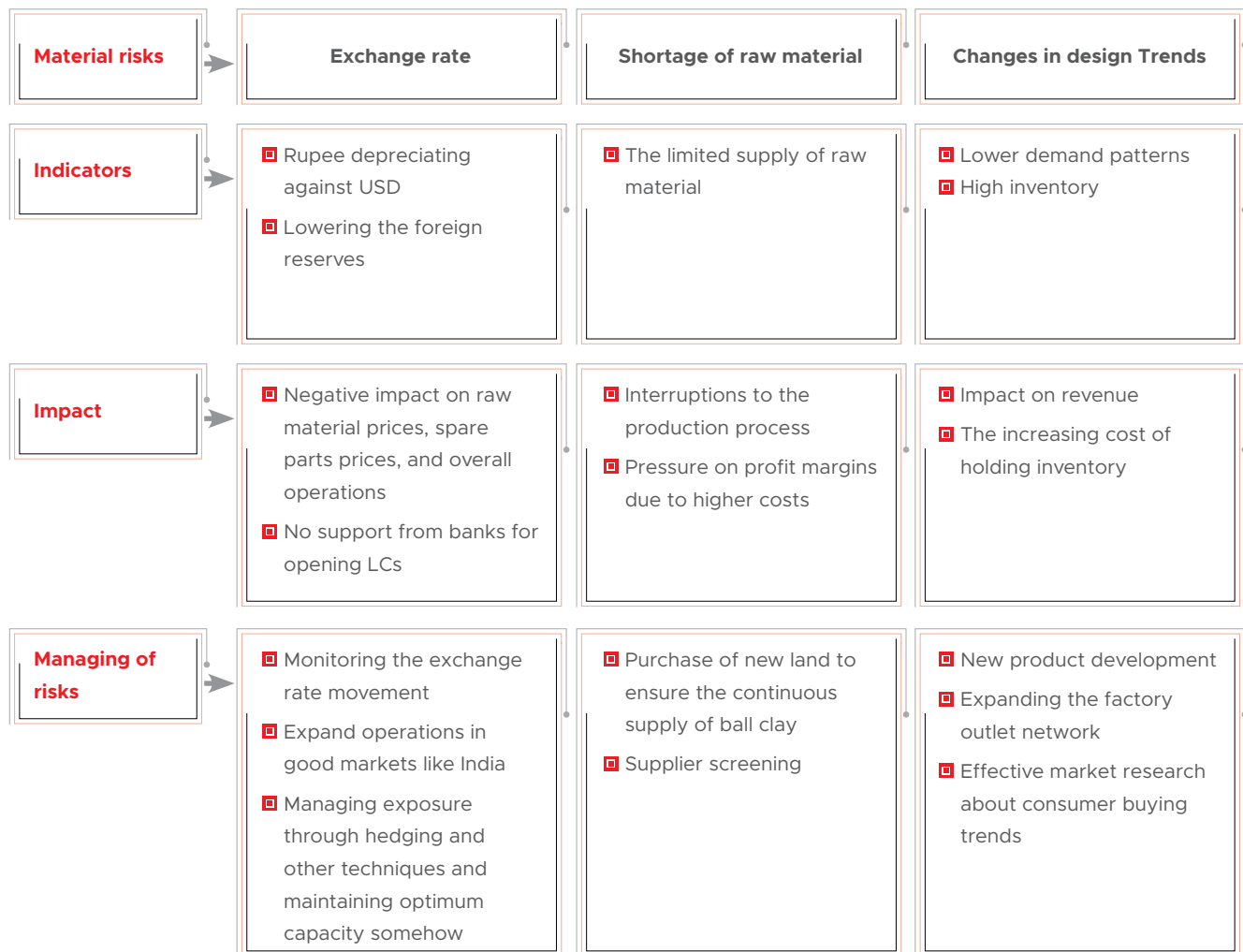
Lanka Tiles types of risks encountered and the risk mitigation plans implemented during the year are discussed below:





Risk Overview

GRI 201-2



Statement of Risk Management and Internal Control Adequacy

The Board confirms that an effective risk management and internal control framework and an ongoing process is in place to minimise all potential risks and their probability of impact on the company and its business.

The Board also confirms all risks were reviewed using internal and external parties and were deliberated upon by the Board and if necessary, corrective actions were taken.

The Board assures that the reliability of financial statements presented herein has been done in accordance with applicable accounting standards and regulatory requirements and taking into account all risk factors.

The Board declares that it has not found any significant risks that may impact the operation of the business as a going concern, or will impact the financial stability or the business materially.

Dhammika Perera
Chairman

J A P M Jayasekera
Managing Director

Operating Environment



While the world tackled the COVID-19 pandemic with vaccination drives and greater health and safety awareness on one hand, the 2021/22 financial year also saw nations recovering from an economy slowed by the impact of the pandemic across all commercial and public sectors.

The path to recovery showed renewed promise for economic activities as shipping, logistics, production and sales gained momentum. However, this momentum was short lived as tensions between Russia and Ukraine increased global inflation to record highs impacting market conditions and cost of production.

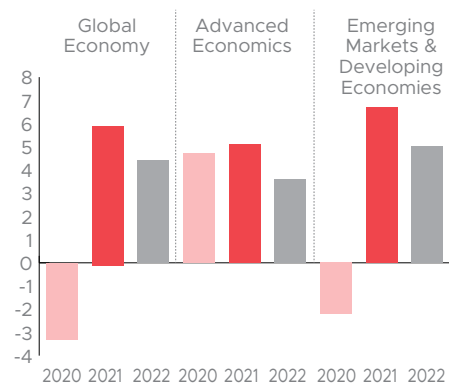
As a result, global growth forecasts were revised by the International Monetary Fund to drop from 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower than the January projections for 2022 and 2023, respectively.

Sri Lankan Economy

The Sri Lankan economy recovered in 2021 from the pandemic-induced contraction of 2020. The economy was already in a vulnerable situation, lacking the essential buffers to handle shocks when COVID and external economic pressures built up in the year.

GDP Growth

World Economic Outlook April 2021
GROWTH PROJECTIONS



Source: International Monetary Fund

In 2021, the Gross Domestic Product (GDP) increased at both current market prices (current prices) and constant market prices (constant prices), as the economy recovered from the pandemic-induced downturn in 2020. In 2021, GDP at constant prices increased by 3.7% to Rs. 9,881.4 Bn, compared to a decrease of 3.6% in 2020. Agriculture, forestry, and fisheries demonstrated a 2.0% growth last year; industry grew by 5.3%; and services grew by 3.0%.



Operating Environment

Inflation

Due to global and domestic supply-side disruptions, headline inflation rose in 2021. The core inflation grew owing to a surge in global commodity prices, upward revisions in administered prices and strong monetary accommodation. The increase in headline inflation was due to both food and non-food inflation, as evidenced by the year-on-year change in the National Consumer Price Index (NCPI, 2013=100) and the Colombo Consumer Price Index (CCPI, 2013=100), although food inflation accounted for a higher share.

Exchange Rate

The Sri Lanka Rupee's yearly depreciation against the US dollar was limited to 7.0 % by the end of 2021, helping to offset the negative implications of excessive devaluation at a time when the economy was recuperating from the pandemic's impact.

During 2021, the Sri Lanka Rupee appreciated against the Japanese Yen (3.8%) and the Euro (1.1%), but sank against the Pound Sterling (6.0%) and the Indian Rupee (5.5%), indicating cross currency exchange rate fluctuations.

The pressures on the exchange rate observed in 2021 and early 2022 as a result of poor liquidity in the domestic foreign exchange market required adjustment in the exchange rate as was implemented in early March 2022. However, significant liquidity pressures in the domestic foreign exchange market as well as market correction delays continued to depreciate the Sri Lanka Rupee (LKR) against the US Dollar (USD).

Construction Sector

Construction value-added increased by 1.9% in 2021, recovering from a drop of 13.2% in 2020, boosted by revived demand for real estate and housing and the resumption of projects.

However, a raw material shortage hampered the full recovery. In terms of construction-related metrics, total cement availability in the country decreased somewhat in 2021, while building material imports increased.

As at the end of December 2021, Licensed Commercial Banks (LCBs) boosted their lending to the private sector for construction projects, including personal housing construction, indicating a greater availability of cash for construction. However, the third wave of the pandemic, which lasted through the second and third quarters of the year and caused disruptions in global and local supply chains, had a negative impact on construction projects.

According to the Central Bank, supply-side disruptions, particularly shortages of essential raw materials such as cement, steel, and tiles, as well as quick price increases, hampered the industry's full potential.

However, import restrictions and high cost of imported construction material such as tiles, bath-ware and sanitary ware

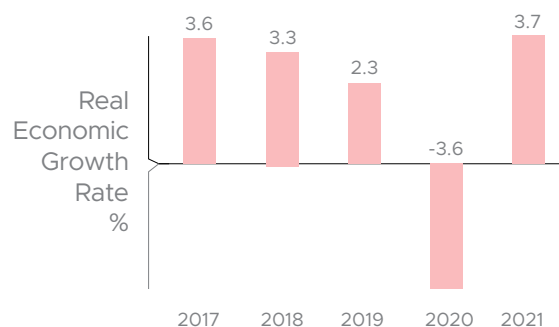
increased the demand for locally manufactured products. As a result, higher prices could be demanded on available local products while demand increased production as well.

Outlook

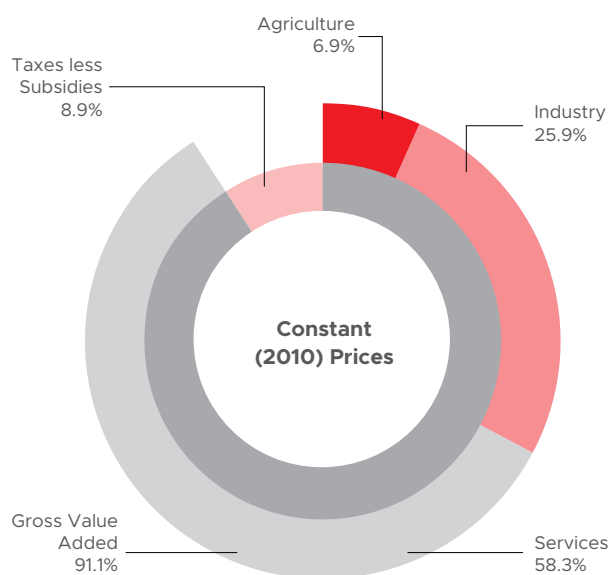
With uncertainty on economic, social and political fronts looming, the growth potential of the country is yet to be assessed. Increased international debt, widening balance of payments gap, rising exchange rate coupled with state policies to restrict imports, rationalise fuel and gas issued for domestic and industrial use are concerns to consider for the future.

Domestic manufacturing is also becoming a challenge due to lack of raw material arising from import restrictions and increasing cost of production under the high inflation scenario.

However, exports will remain the most promising area of growth for Lanka Tiles PLC. Expansions into overseas markets with new products is being aggressively promoted by the company while setting up production facilities overseas is under consideration.



Source: CBSL Annual Report 2021



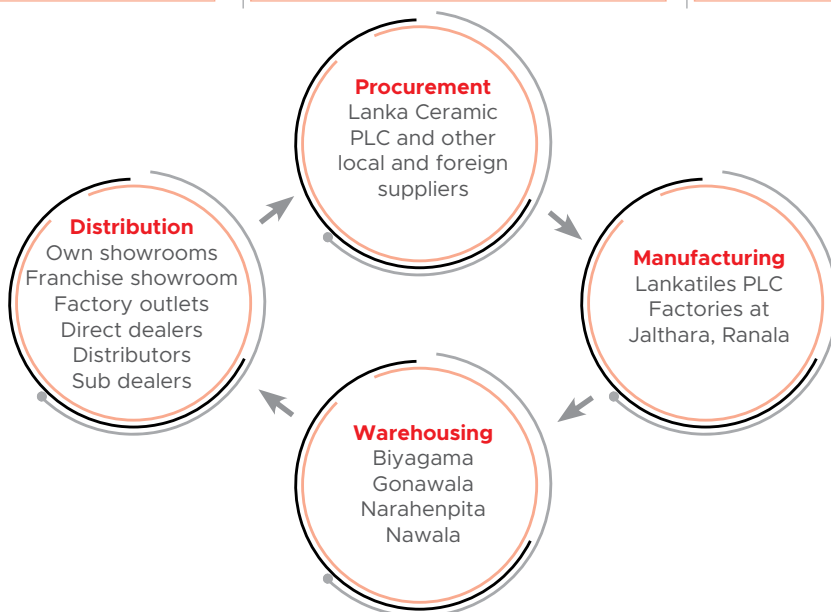
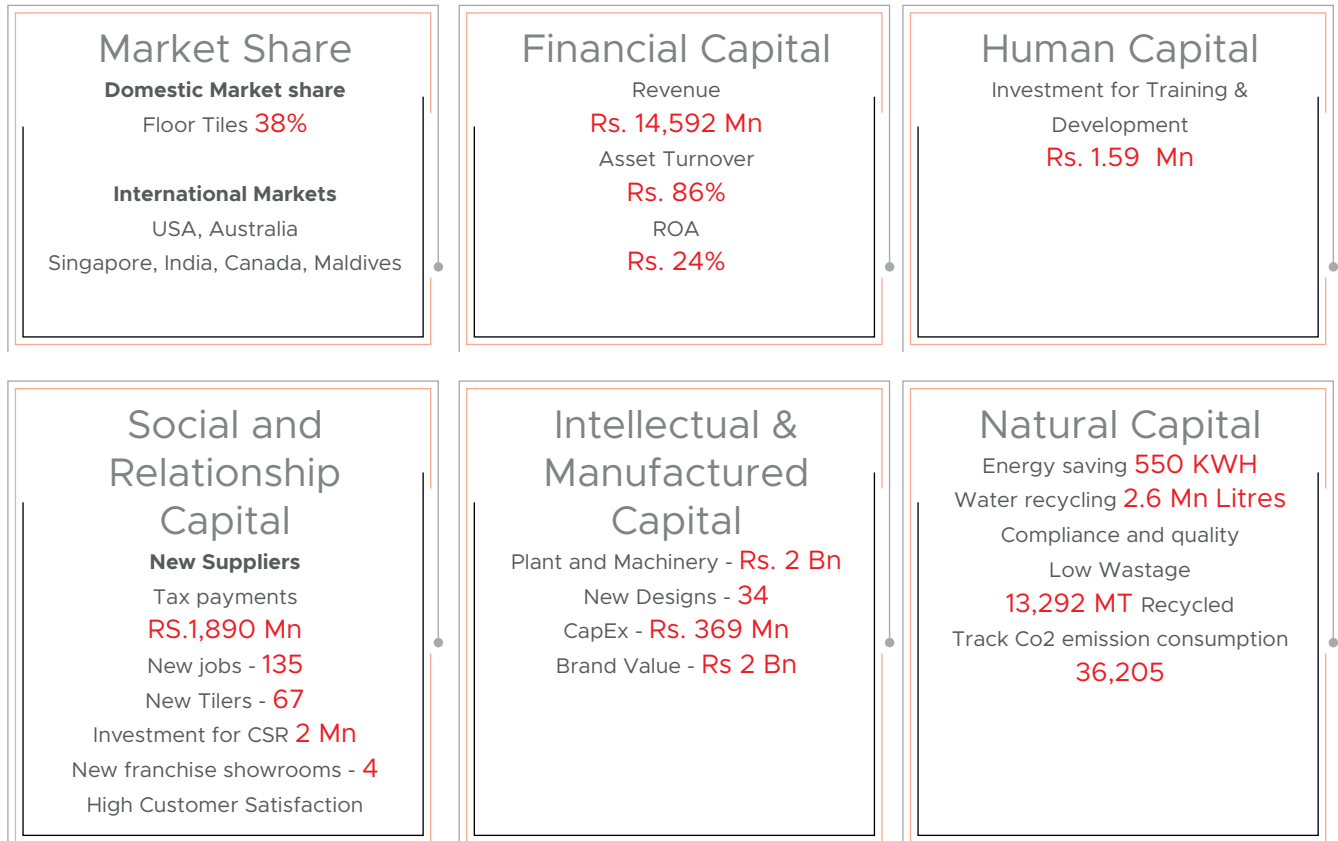
Source: CBSL Annual Report 2021

Business Line Review

GRI 102-9

Our Capabilities

Starting out as an export-oriented venture, Lanka Tiles have achieved the industry leader position amongst local manufacturers as the number one tile maker in the Sri Lanka. We have a wide range of designs, textures, and sizes that cater to the different market segments we operate in. Lanka Tiles export sales revenue for the year was at Rs.642 Mn and domestic sales revenue was at Rs.13,950 Mn.





Business Line Review

To the economy	To the environment	To the community	To the people
<ul style="list-style-type: none"> Rs.14,592 Mn revenue Rs.4,110 Mn PAT Rs.642 Mn export income Rs.1,890 Mn taxes paid by the company 	<ul style="list-style-type: none"> 112,766 MT material consumed Energy saved; Water 2,127,584 Litres Electricity Kwh 550 	<ul style="list-style-type: none"> 730 jobs created Rs. 2 Mn spent on CSR Infrastructure development Rs.40 Mn value Direct and Indirect employment opportunities 	<ul style="list-style-type: none"> 135 new recruits Rs. 13.2 Mn spent on employee health and safety Rs. 1,589 Mn spent on training and development

Contribution to top line distribution network

Method	Value
Own showrooms	2
Factory outlets	19
Franchise showrooms	49
Dealers	43
Distributors	30

Profit Margins

	GP	OP	NP
19/20	36%	15%	9%
20/21	36%	22%	19%
21/22	45%	31%	28%

Performance

	Revenue Rs. '000	Operating Profit Rs. '000	Net Profit Rs. '000
19/20	6,694,824	1,026,965	581,945
20/21	12,626,485	2,775,596	2,450,894
21/22	14,591,620	4,545,765	4,110,316

Future Outlook

OUTLOOK	THREATS	OPPORTUNITIES
<ul style="list-style-type: none"> Introducing new types of machinery to increase capacity and reduce waste of water Focus on introducing new tile designs and expanding our business to new areas such as kitchen sink, aluminium, sheets kitchen sink, aluminium, and sheets Collaborative agreements with suppliers to enhance our supply chain Growing the exporting business (India, USA) Consider alternative material sources locally 	<ul style="list-style-type: none"> Health and safety implications Shortage of raw materials as a result of the export limitations Depreciation of the LKR 	<ul style="list-style-type: none"> Increased demand arising from restrictions on importing of tiles, steel etc in the local construction industry Being the only local tile manufacturer who do exports Selection of new raw material suppliers



Despite the year being difficult, Lanka Tiles grew exponentially both in terms of brand equity and profitability. Our reputation as a credible local tile maker in Sri Lanka, increased our top line by 16% over previous year's Rs. 12,626 Mn. We peaked our production capacity by reinforcing our manufacturing with new machinery and strengthened our trust with stakeholders through investment in relationships.

We improved our export revenues during the financial year with our Mosaic range which targets the United States and Mexico, and is marketed via our online partners Amazon and Wayfair. Lanka Tiles export revenue increased by 73%, contributing to the total revenue increase of 16 % to Rs. 14,591.62 Mn. We sustained our operations without disruptions resulting in an increase in gross profit margin of Rs. 1,863 Mn from Rs. 4,746 Mn last year.

Total Productive Maintenance (TPM) contributed to a significant cost reduction of Rs.192 Mn. Operating profits increased by 64% to Rs.4,545 Mn, due to improved profit margins and top-line growth.

Lanka Tiles Group total capital expenditure was recorded at Rs.433 Mn, while total non-current assets improved to Rs.8,592 Mn. Total inventory at the end of the 2021/22 financial year ending 31st March 2022 was Rs. 2,473.8 Mn up from Rs. 2,322.2 Mn last year.



Capital Reports



Our capitals are the input in our business process.

Optimal management of these capitals is key to managing stakeholder expectations.

Capitals can be consumed, enhanced, or modified in the process of value creation.

Our Capitals Report sets out a brief description of and description of how its utilised within our business journey. We recognise that managing one capital would have an impact on another and strive to manage the inter-dependencies in an optimal manner.



Financial Capital

We use Financial Capital to create, grow and secure other capitals in order to deliver returns to our stakeholders



Manufactured Capital

Manufactured capital is the physical asset base through which value is created to fulfil stakeholder requirements.



Human Capital

We value our Human Capital and continuously invest in enhancing skills and capability of our team to ensure their personal and professional growth.



Social and Relationship Capital

Social and Relationship capital focuses on the relationships within and between communities, stakeholders and other networks and the ability to enhance individual and collective well-being



Intellectual Capital

Intellectual capital consists of our knowledge, skills and expertise, systems and processes and brand value, giving us the competitive edge over others.



Natural Capital

Our responsible approach to Natural capital has helped us in minimising impact to the environment while complying with all the statutory requirements.

Financial Capital



Financial Capital

Highlights

- ▣ Topline growth of
 - > Export Sales: Rs. 642 Mn
 - > Local Sales : Rs.13,950 Mn
- ▣ Bottom line growth
 - > Improved profit margins by 68%
 - > Record highest profit of Rs. 4,110 Mn

Lanka Tiles PLC's Financial Capital reflects the Company's financial position, profitability and performance during the year, providing shareholders and the management with a comprehensive understanding of the success rate of the efforts and strategies implemented in the financial year under review. It also serves as an indicator for future strategies and financial planning.

Prudent financial management is vital for the existence of the Company and the creation of shareholder wealth. Lanka Tiles PLC has set in place a formal system of financial governance and internal controls to handle possible financial risks that may arise from external and internal circumstances.

Profitability	2021/22	2020/21	Change
Revenue Rs. Mn	14,592	12,626	15.56%
Operating profit Rs. Mn	4,546	2,776	63.78%
Profit after tax Rs. Mn	4,110	2,451	67.69%
ROE	34%	28%	21.43%

Efficiency	2021/22	2020/21	Change
GP margin	45%	38%	18.40%
Asset turnover	86%	89%	(3.37%)
Working capital turnover	2.7	3.4	(20.59%)

Stability	2021/22	2020/21	Change
Current ratio	2.88	2.57	12.06%
Gearing	12%	13%	7.69%
Equity Rs. Mn	12,154	9,927	22.43%

Growth	2021/22	2020/21	Change
Total assets Rs. Mn	16,926	14,248	18.79%
CapEx Rs. Mn	610	433	40.88%
PPE Rs. Mn	6,471	6,374	1.52%





Financial Capital

Revenue

In the year under review, we reported a revenue of Rs. 14,592 Mn, a 16% increase compared with last year's revenue of Rs. 12,626 Mn.

Export sales accounted for Rs. 642 Mn whilst domestic sales generated Rs. 13,950 Mn in sales revenue. Recently introduced range of mosaic tiles have attracted a healthy demand from export countries such as the United States which has led to the increased revenue from export market sales. This was a significant growth in export revenues of 73% in the year from Rs. 371 Mn reported last year.

On the domestic front, revenues increased on insufficient local supply for demand that helped Lanka Tiles PLC to reduce inventories and optimise market demand. The production units were operational throughout the year to support the high demand during the financial year. However, with import restrictions being imposed on all non-essential sectors and higher foreign exchange pressures in the economy, the Company has faced challenges towards the latter part of the year in sourcing production material and obtaining furnace fuels for manufacture.

Productivity and Profitability

The Financial Year 2021/22 was the most productive and profitable year ever, the best year we have had in the last 20-30 years. Despite the COVID-19 situation prevailed in the country, our Company achieved production exceeding the operational capacity of the Company due to the enhancement of employee efficiency. This paved the way for higher sales which directly led to achieve better profits during the year. Thus, gross profit margin in Financial Year 2021/22 increased by 40% over last year reporting a gross profit of Rs. 6,609 Mn. Lanka Tiles PLC profit after tax grew by 68% in the year to report Rs. 4,110 Mn from Rs. 2,451 Mn last year.

As a result of the savings achieved through TPM and other initiatives, the operating profit increased by 64% from Rs.2,776 Mn to Rs.4,546 Mn.

Lanka Tiles PLC was able to settle long-term debt from higher topline, resulting in a significant reduction in interest expenses of 61%. This reduced finance expense from Rs. 224 Mn to Rs. 88 Mn during the year.

Asset Base and Funding Profile

Total assets of the company increased by 19% to Rs.16,926 Mn. The Company made capital investments in property, plant, and equipment which increased asset value to Rs. 6,471 Mn.

Inventory increased by 7% over last year, indicating a 16.43% of growth in raw materials.

Due to strong topline growth, cash and cash equivalents increased to Rs.4,936 Mn, up from Rs.2,330 Mn last year.

Liabilities and Equity

Total liabilities were marked by Rs. 4,315 Mn to Rs.4,699 Mn, as a result of long-term borrowings which reduced by 28%. The increase of deferred tax liability is 17%.

The total equity increased by 23% to Rs. 12,219 Mn. Due to the decrease of borrowings and influx of more shareholder funds, the debt in equity ratio decreased to 12% from 13% in previous years.

Cash flow management

Cash and cash equivalents indicated a growth of Rs.4,936 Mn from Rs. 2,330 Mn the previous year. Operating activities provided a high cash flow of Rs.4,782 Mn with a current ratio of 2.9, up from 2.6 in the previous year.

The capital expenditure incurred throughout the year resulted in a cash outflow of Rs. 700 Mn from investment activities. The payment of debt & dividend accounted for Rs.2,139 Mn in cash outflow from finance activities & dividend.

Profit before Tax (PBT)

There was a growth in PBT from Rs.2,854 Mn to Rs.5,037 Mn in the financial year as a result of increased gross profit and finance income. The amount spent on distribution and administrative costs grew slightly. Financial costs for the year were Rs. 88 Mn, lower from Rs. 224 Mn in the last year. Net finance expenses had a 141% decrease because of the interest expenses on an overdraft, bank loans, and decreased finance charges on lease along with the increase in interest income.

Profit after Tax

Profit after tax increased to Rs.4,110 Mn for the year even though income tax expenses increased this year from Rs. 404 Mn to Rs. 927 Mn.

Capital Structure

The Group's capital structure remain unchanged compared to previous year as the debt-to-equity ratio declined to 12%, up from 13% the previous year. During the year, shareholder equity increased by 23% to Rs.12,219 Mn due to growth in retained earnings. The Group's reported capital remained constant.

Revenue Growth

Year	Revenue – Export Sales	Revenue – Local Sales	Revenue - Total
19/20	108,622	6,586,202	6,694,824
20/21	370,670	12,255,815	12,626,485
21/22	641,961	13,949,659	14,591,620

Profitability

Year	Gross Profit	Operating Profit	Net Profit
19/20	2,416,027	1,026,965	581,945
20/21	4,746,103	2,775,596	2,450,894
21/22	6,608,922	4,545,765	4,110,316

Asset Composition

Year	PPE	Investments in Associates	Inventories	Cash and Equivalents	Trade and other Receivables
19/20	5,974,804	1,005,793	4,780,594	76,741	1,003,662
20/21	6,373,888	1,339,684	2,322,116	2,329,621	1,026,460
21/22	6,471,179	1,563,428	2,473,794	4,936,501	910,523

Funding Profile

Year	Shareholders' Fund	Borrowings
19/20	7,872,774	3,613,231
20/21	9,927,081	1,292,933
21/22	12,219,323	1,467,812

Interest-bearing borrowings

Year	Long term Borrowings	Short term Borrowings
19/20	1,270,881	2,342,350
20/21	971,206	321,727
21/22	705,420	762,392





Manufactured Capital

GRI 203-1



Manufactured Capital

Highlights

- ▣ Investments in plant and machinery Rs.3 Bn
- ▣ Value of current plant, machinery, vehicles Rs.5 Bn
- ▣ Showroom, Branch network 803
- ▣ Total Production capacity 5.1 Mn sq.m
- ▣ Capacity utilisation 97.21%
- ▣ Entering in to a Tier One ERP Solution for the Group with SAP S4HANA

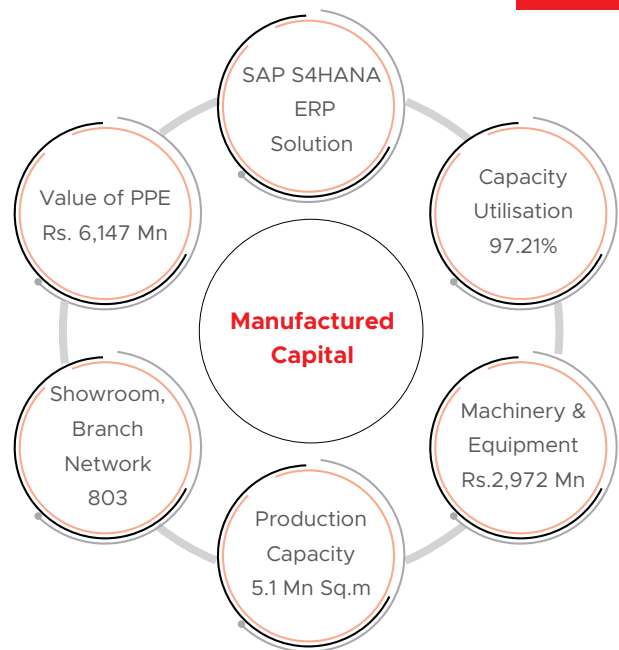
Our manufactured capital consists of the buildings, plant and machinery, tools and equipment, showrooms in addition to fixed and tangible assets that are essential in the manufacturing to sales cycle. As a vital aspect of our business, we continuously invest in upgrading and maintaining our manufactured capital, whilst ensuring their contribution towards the value creation processes. Ensuring our production plants and machinery are in keeping with the latest technology and meeting the industry and consumer demand needs and that our sales outlets are inviting and demonstrative of the high quality of our products is important in planning our manufactured capital.

Manufactured Capital (RS Mn)

	2021/22	2020/21
Value of PPE	6,147	4,950
CAPEX	369	505

Manufacturing Facility

Our manufacturing facility in Ranala is equipped with the top of the range machinery from Italy and consists of a total floor area of 16,250 square meters. We have invested Rs.369 Mn in upgrading and expanding our manufacturing facility during the 2021/22 Financial Year Despite the pandemic, the facility operated at a 97.21% capacity utilisation.



Proposed expansions to the facility include expanding the kiln to support the increase in tile production capacity and increased design variety.

Rs'000	2021/22		Net Book Value
	Additions	Depreciation	
Buildings	13,032	36,482	1,409,123
Plants & Machinery	247,326	294,002	2,972,958
Furniture & Fittings	87,841	61,652	224,316
Electrical Distribution Scheme	11,847	27,724	180,684
Motor Vehicle	-	6,109	13,715
Other	9,434	7,146	46,195
Total	369,480	433,115	4,846,991

Showroom and Branch Network

Our outlets are situated across the country where our items are easily accessible to our customers. Approximately 30%-40% of our production is sold in the western province.

Export destinations over the world

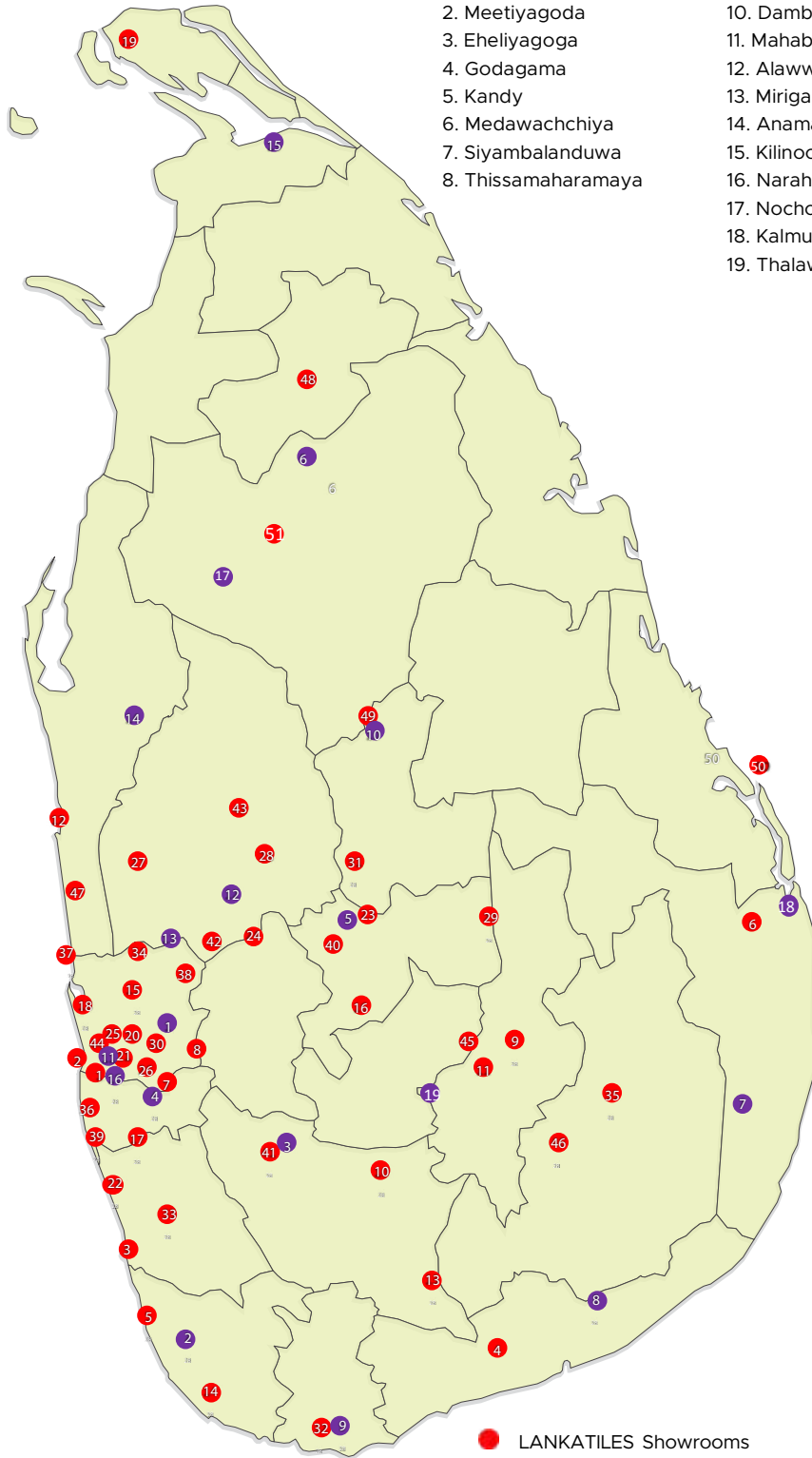
We have also expanded our business overseas where our brand is welcomed and recognised. Our main export destination is Australia with significant presence also in USA, Canada, Japan, and some Asian nations.

Lankatiles Showrooms

1. Nawala
2. Jawatta
3. Aluthgama
4. Ambalanthota
5. Ambalangoda
6. Ampara
7. Athurugiriya
8. Avissawella
9. Badulla
10. Balangoda
11. Bandarawela
12. Chilaw
13. Embilipitiya
14. Galle
15. Gampaha
16. Gampola
17. Horana
18. Ja ela
19. Jaffna
20. Kadawatha
21. Kaduwela
22. Kaluthara
23. Kandy
24. Kegalle
25. Kiribathgoda
26. Kottawa
27. Kuliyaipitiya
28. Kurunegala
29. Mahiyanganaya
30. Malabe
31. Matale
32. Matara
33. Mathugama
34. Minuwangoda
35. Monaragala
36. Moratuwa
37. Negombo
38. Nittambuwa
39. Panadura
40. Peradeniya
41. Ratnapura
42. Warakapola
43. Wariyapola
44. Wattala
45. Welimada
46. Wellawaya
47. Wennappuwa
48. Vavuniya
49. Dambulla
50. Batticaloa
51. Anuradhapura

Lankatiles Factory Outlets:

- | | |
|---------------------|-------------------|
| 1. Ballumhara | 9. Matara |
| 2. Meetiyagoda | 10. Dambulla |
| 3. Eheliyagoga | 11. Mahabage |
| 4. Godagama | 12. Alawwa |
| 5. Kandy | 13. Mirigama |
| 6. Medawachchiya | 14. Anamaduwa |
| 7. Siyambalanda | 15. Kilinochchi |
| 8. Thissamaharamaya | 16. Narahenpita |
| | 17. Nochchiyagama |
| | 18. Kalmunai |
| | 19. Thalawakele |



● LANKATILES Showrooms
● LANKATILES Factory Outlets



Manufactured Capital

Export destinations over the world

We have also expanded our business overseas where our brand is welcomed and recognised. Our main export destination is Australia with significant presence also in USA, Canada, Japan, and some Asian nations.



Our Improvements during the year:

- ▣ Instead of a wet squaring machine, a dry squaring machine and a sorting machine was installed, increasing capacity and lowering labour, electricity, and water requirements.
- ▣ Installed a heat-recovery system that makes use of waste heat .
- ▣ Ensuring that the burners in kilns in good working condition in order to increase capacity, they were replaced which improved efficiency from 2800 square meters to 3200 square meters.
- ▣ Changing the body composition by reducing Talc from 4% to 3%.
- ▣ Leveraged on the strong demand in the local market due to importation ban.
- ▣ Introduce Mosaic tile collection and has been received with favourable demand in the United States.
- ▣ Lanka Tiles PLC entering in to a Tier One ERP Solution for the Group with SAP S4HANA Implementation during 2021 Fiscal Year, having a coverage foot print from Manufacturing to Retail Sales at Lanka Tiles PLC, Lanka Wall tiles PLC & Swisstek Aluminum Ltd by 31st March 2022, Implementation has been completed and System Go Live on 12th April 2022.



Our Challenges during the year

- ❑ Despite the fact that we use 32 metric tons of LPG gas every day, we only have 61 metric tons of storage capacity. We have focused on this issue due to a lack of LPG gas. There was also a negative energy price trend, with LP gas prices rising from 457 USD/MT in December 2020 to 913 USD/MT in March 2022.
- ❑ Import restrictions affected raw material imports for production. It also affected maintenance of machinery and equipment as spare parts were scarce and couldn't be imported.

Our Strategies

- ❑ Using local suppliers to meet our raw material needs, with whom we keep 6 months' worth of inventory available. For body preparation of tiles, such as ink to print designs, we employ a limited amount of imported raw materials. We didn't experience any concerns during the year as we rely on a variety of overseas suppliers for this.

- ❑ In order to offer new designs, we examine market demand. Mosaic tiles were in high demand throughout the financial year and therefore we shifted focus to increase Mosaic tile productions.

- ❑ Discussions were initiated with Sacmi to install ball mill to grind raw materials

Future Outlook

- ❑ Due to a lack of LPG gas on the market, a second gas tank store will be built.
- ❑ Expect a 3000 square meter increase in Mosaic tile manufacturing as a result of improved demand.
- ❑ Installation of a spray machine is being considered
- ❑ Exploring new business opportunities such as sinks, basins, metal, and sheets



Human Capital

GRI 102-8, 202-1, 401-1, 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 404-1, 404-2, 405-1, 407-1



Human Capital

Highlights

Last year we achieved our highest production rate

We paid monthly bonus to encourage workforce

Digitisation of HR functions

“Spiritual Management System” in HRM

Obtain “Great place to work” certificate

Developed a concept called “Design Thinking” within the factory environment to encourage employees’ innovative ideas

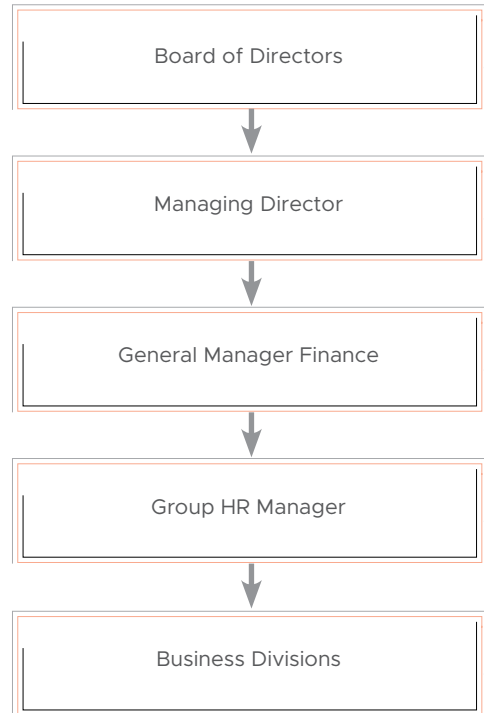
Developed a “Covid Task Force” to control possible future risks

Financial assistance to children of the employees

Our Human Capital refers to the skills, knowledge, experience, loyalty and dedication that employees contribute towards the company’s success. We believe that our growth is defined by the ability of the team to learn, change, and innovate. Lanka Tiles is committed to nurture and care for employees and workers from the local community. As a labour intensive industry, we have ensured that we empower and uplift the lives of both our employees and factory workers and offer development prospects for their betterment.

Governance

The Human Resources department at Lanka Tiles is responsible for the implementation of the HR framework, and to maintain regulatory requirements and other policy frameworks.



Our Team

- ▣ 467 of employees work for Lanka Tiles PLC in the permanent cadre, 98 are employed on contract basis, and 165 are outsourced support.
- ▣ The production team at the plant includes 274 employees, whereas the sales division has 22 employees.
- ▣ During the year, 135 of new employees joined the company
- ▣ We ensured safety, mental relaxation, whilst providing various facilities such as allowance, remuneration, and other benefits.
- ▣ Our retention rate for the year was 85%.
- ▣ 14.7% Employee turnover ratio.

Technology adopted in HR practice

- ▣ HRIS system for internal functioning
- ▣ LMS systems for employees’ performance evaluation
- ▣ Computerised some manual work requirements
- ▣ Developed data driven culture within the company



Category	Male	Female	Total
By staff category			
Senior management and above	28	2	30
Executive	32	10	42
Staff	475	33	508
Operative	75	75	150
Total	610	120	730
By region			
Central Province	21	-	21
Eastern Province	7	-	7
North Central Province	1	-	1
North Western Province	3	-	3
Northern Province	5	-	5
Sabaragamuwa province	43	-	43
Southern Province	19	-	19
Uva province	11	-	11
Western Province	500	120	620
Total	610	120	730

Health and Safety

- During the COVID-19 pandemic, we looked after our employees and set in place a dedicated team called the 'Covid Task Force' to look after affected employees and their families. Even now, we follow health and safety procedures such as hand washing, wearing masks, and measuring body temperatures. The company also encouraged our employees to be fully vaccinated.
- We kept the production running uninterrupted ensuring health and safety guidelines were followed
- Our safety committee meets on a monthly basis to identify areas for improvement. We confirm their safety in keeping with our collective bargaining agreement which is reviewed regularly.
- We adhere to internationally recognised OHSAS 18001 safety standards in all our factory operations and there have been no serious injuries as a result of our efforts to maintain a safe work environment.
- Employees are provided with the necessary protective gear which is compulsory to be worn within the premises.
- All machinery is examined before purchase and each machine operator is held responsible for their maintenance and security under TPM.
- In the financial year 2021/22, we allocated Rs.13 Mn towards employee health and safety.

Type of Accident	2021/22	2020/21
Minor Accidents	2	5

Training and Development

- Training programs are well attended by the employees which provide an opportunity to learn or enhance new skills and knowledge that are useful for employees. We arranged 2,846 hours of training programs during the year.
- Our Performance Management System is designed to identify gaps in knowledge and skill levels and to address training needs.
- Even during the pandemic, Lanka Tiles conducted training programs through online platforms.
- We conducted following programs during the year:



Human Capital

- Leadership development programs
- 5'S Training
- Health awareness programs.
- During the year, Rs.1.59 Mn of investment was allocated for training and development.

Recognition and Career Progression

- To encourage our employees, and to enhance their capabilities, we rely on a performance appraisal system that is applied to all. Employees have the opportunity to grow their careers since we offer current employees first priority when filling vacant positions. When recruiting, we also prioritise applicants based on knowledge and youthfulness and provide opportunities for candidates from all parts of the country.
- Career counselling and professional development workshops were held during the year.
- We assess the performance of the employees and provide clear succession plans.
- We encourage employees to provide innovative ideas by giving increments, gifts and certificates for encouragement.

Compensation and Benefits

- This part is guided by the company's Remunerations Committee and the remuneration policy is evaluated regularly and altered according to market conditions.
- We implement a fair and equal remuneration policy for men and women with a 1:1 ratio of salary.
- In compensations and benefits, we provide:
 - Health insurance
 - Reimbursement of medical costs,
 - Parental leave
 - Financial assistance for education qualifications
 - Overseas trips for top performing employees.
- During the year, we did not face any penalties due to non-compliance with labour laws.
- With the positive contribution from the employees, we were able to achieve higher production than the capacity.
- During the year, following financial assistance for the employee children.

- Give Rs.7,500 cash benefit for who passed the grade 5 scholarship.
- Give loan facility to buy laptop who passed O/L with 10A's & A/L with 3A's take students.
- With the collective agreement, we provide both salary and welfare for our employees.

Staff Cost (Rs. Mn)	1,315 Mn
Defined benefit contribution schemes (Rs.Mn)	14.04 Mn
Gratuity (Rs.Mn)	13.8 Mn

Employee Engagement

- Rather than monitoring our employees' performance and problems, we physically meet them ensuring employees that we are with them.
- During the COVID-19 pandemic, our specially formed team called 'Covid Task Force' had a meeting each month to identify through discussions with the employees their concerns.
- Our 'Spiritual Management' program helps develop the mind, body and the soul of the employee. Under this initiative, we provide music therapy, meditation, OPD programs within our organisation.
- We have held OBT programs in Habarana and Wasgamuwa, among other places in Sri Lanka.

Employee Grievance Mechanisms

- In order to handle employee grievances effectively we have a structured solution process within our organisation which is in line with OHSAS 18001. We give priority to all employees equally in managing their issues confidentially, promptly and fairly.

Freedom of Association

- We maintain a positive and engaging relationship with trade unions where we have 33% of representation from our permanent workforce. At Lanka Tiles, all unions belong to the inter-employee union. There were no major trade union actions during the year.

Social and Relationship Capital

GRI 308-1, 413-1



Social and Relationship Capital

Highlights

- Spend **Rs. 2 Mn** for CSR
- We paid **Rs. 1,890 Mn** taxes to the government
- Created **730** job opportunities

Our Social and Relationship Capital is built on strong ties that have been nurtured over the decades with our multiple stakeholders. Our key goal is to sustain positive human interactions that will lead to further opportunities and value creation. We rely on innovation, stakeholder needs assessments, market research, stakeholder feedback and engagement to identify appropriate social and relationship capital initiatives.

Lanka Tiles PLC maintains a close relationship with our customers, suppliers, regulators, and communities towards an uninterrupted business operations; ensure quality through productive interactions with suppliers; and worthwhile communication with customers.

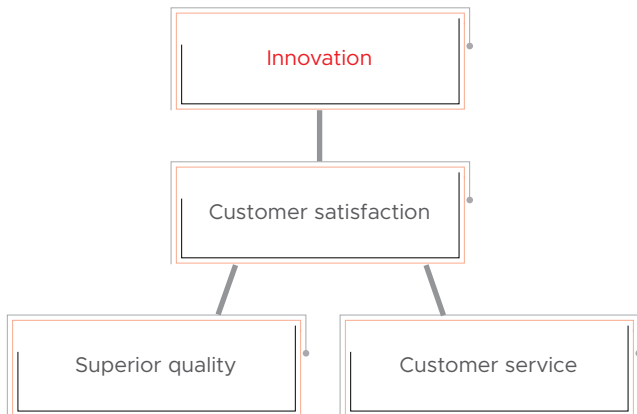
Customers	Suppliers	Regulators	Community
<ul style="list-style-type: none"> End users Distributors Franchisees Tilers Architects 	<ul style="list-style-type: none"> Local suppliers Overseas suppliers B2B suppliers Others 	<ul style="list-style-type: none"> Government 	<ul style="list-style-type: none"> Local community
<ul style="list-style-type: none"> The diverse portfolio of Mosaic collection Sales commission Assistance through call centre Training and technical knowledge Transport allowances to the dealer network Salaries of franchise and distributor staff paid during the lockdown 	<ul style="list-style-type: none"> Value Delivered Rs. 8,403 Mn paid to local suppliers Rs. 2,287 Mn paid to foreign suppliers 32 New suppliers 	<ul style="list-style-type: none"> Rs.1,890 Mn paid in taxes Export income of Rs.642 Mn 	<ul style="list-style-type: none"> Direct and indirect employment CSR spend of Rs.2 Mn Infrastructure development



Social and Relationship Capital

Our relationship with Customers

In order to achieve customer satisfaction, we build our products with three major elements, namely, innovation, superior quality, and customer service.



Innovation

- o We continuously encourage employees to be innovative and to present their innovative ideas. As a result, we were able to introduce 34 of new designs to our tile range
- o Investing Rs. 16.1 Mn in R&D for the year 2021/22.

Customer Services

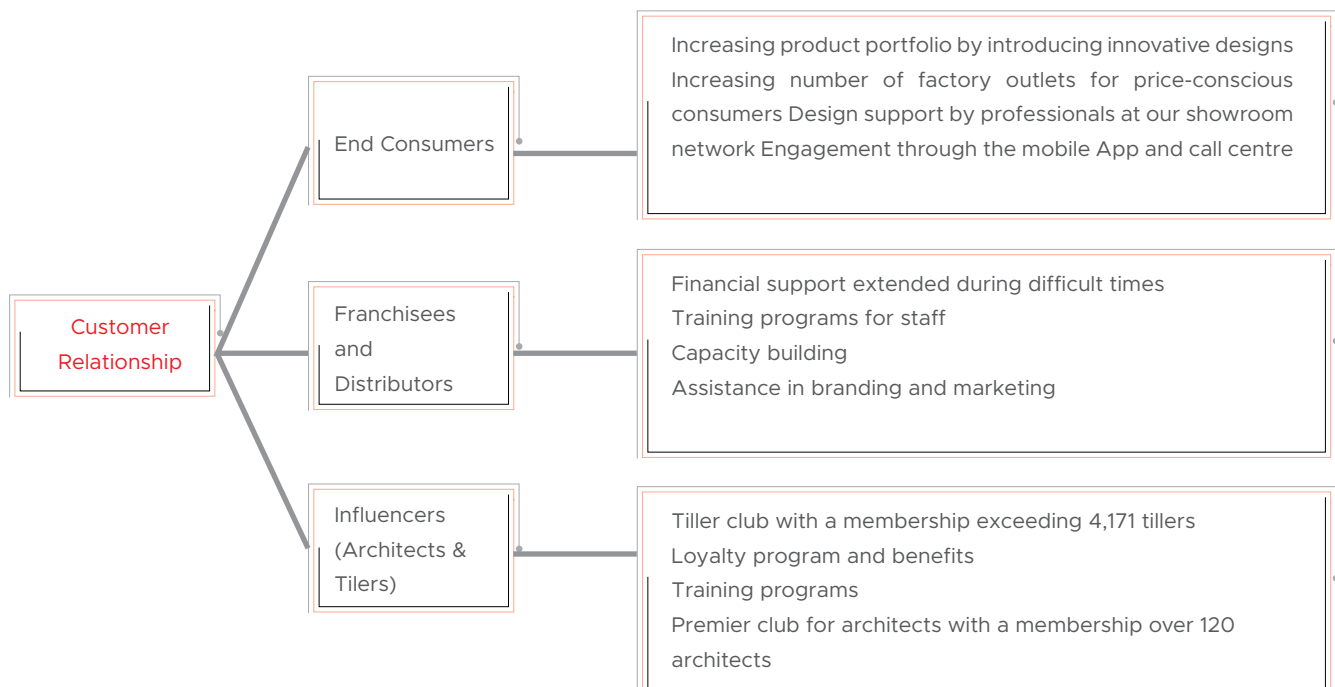
- o We rely on our digital platforms to present our new designs to customers and share information about their quality and textures.

- o We believe that the customer feedback is important in determining ways to improve our service, thus we maintain a call centre to handle customer complaints and feedback
- o We also have a competent marketing staff to enhance our products based on customer feedback.

Superior quality

- o We have obtained quality certifications and follow international best practices in our production processes
- o We continuously upgrade our manufacturing processes to maintain an advanced manufacturing plant
- o We prioritise knowledgeable and experienced labourers where we have specialised labourers to maintain the procedure.
- o We maintain our relationship with market intermediaries, i.e., tillers and architects through Tiller Club which has a membership of 4,171 tillers and Premier Club Architects with a membership of over 120.
- o Despite the fact that showrooms were closed during the COVID-19 pandemic, we assisted dealers to secure dealer showroom worker salaries.

We maintain productive relationships with customers via multiple channels.



49 Franchise Showrooms	30 distributors	19 factory outlets	Premier club for architects	Call Centre
2 own showrooms	Customer Touchpoints			43 direct dealers
Tiler club	LANKA TILES Mobile App	Annual meeting for franchisees	Trade exhibitions	Social media

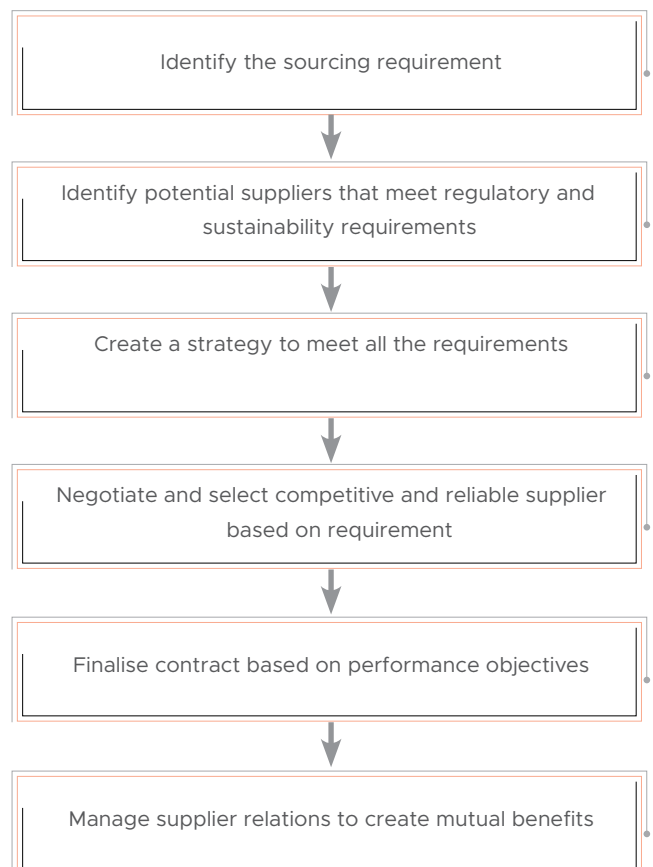
Suppliers

Our production utilise both local and imported raw material. When selecting our suppliers, we rely on different suppliers from different areas to ensure our business continuity during difficult times like the COVID pandemic. We conform with regulatory and environmental requirements by conducting supplier assessments pre and post selecting the suppliers on a periodical basis.

<ul style="list-style-type: none"> ▣ Fair Dealing ▣ Annual registration of all suppliers ▣ Frequent procurement meetings ▣ Adherence to contracts ▣ Transparency ▣ Site Visits 	<ul style="list-style-type: none"> ▣ Knowledge Sharing ▣ Quality inspections ▣ Continuous feedback ▣ Ensuring all suppliers confirm to regulatory requirements ▣ Ensuring that suppliers are certified by the Central Environmental Authority 	<ul style="list-style-type: none"> ▣ Value Delivered ▣ On time payments ▣ Financial support ▣ Assistance with technical support ▣ Providing feedback
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Community

During the year we focused on new development projects under healthcare, education, infrastructure and sanitisation within the community. Our community engagement projects undergo a strict selection, planning and assessment criteria to ensure the deserving and most impactful activities are invested upon.





Intellectual Capital



Intellectual Capital

Highlights

- ▣ Lanka Tile brand valued at Rs.2,084 Mn by Brand Finance Sri Lanka in 2022
- ▣ More than 1.4% number of staff with over 20 years of expertise/experience
- ▣ SLS, CE (UK), OHSAS certified brand
- ▣ ISO 14001 and 9001 certified systems and processes

Our Intellectual Capital has been a key strength for Lanka Tiles in our growth over the last three decades. Having started as a pioneer tile manufacturer in Sri Lanka, we have grown and nurtured an abundance of knowledge and experience during these years. Through this journey, our brand has evolved and grown to be one of the most respected brands in Sri Lanka.

The Lanka Tiles brand name, skills, knowledge and expertise, innovation, system and processes and operational excellence constitute the intellectual capital of the company.

Our Brand

The Lanka Tiles brand is our most valuable intellectual property. Built with years of trust and reliability, the Lanka Tiles brand is a well known and sought after brand in Sri Lanka. Our brand is resonant with advanced technology, expertise and professionalism, innovation and superior quality of products. We have maintained our competitive edge in the local market while making steady progress as a leading tile exporter in the global arena. In 2022, Lanka Tiles was valued at Rs. 2,084 Mn by Brand Finance Sri Lanka, gaining the 48th place among the 100 Most Valuable Sri Lankan Brands.

Skills, Knowledge and Expertise

For years, we have mastered the art of tile manufacturing. We have invested in developing the skills, knowledge and expertise of our teams through continuous training, skills development, and knowledge enhancement. Our recruitment process and value proposition have attracted top performers. In addition, our experienced employees and leadership team serve as our valuable knowledge base. We believe educated and experienced employees are the best investment for the company. Towards this, we provide extensive learning, training and skills development opportunities.

Innovation

Innovation is a key differentiator that has given Lanka Tiles an advantage over our competitors. We nurture a culture of innovation. Our Research and Development team continuously monitor market trends and consumer needs to identify potential innovations. Lanka Tiles is proud to have added over 34 new designs in our portfolio during the year. In addition to product innovation, our R&D would also focus increasing the efficiency and productivity of our processes while exploring ways of minimising the environment impact from our manufacturing process.

Operational Excellence

With the help of technology investments, Lanka Tiles has continued to improve our operational excellence through waste reduction and productivity improvement. We strive to improve our quality, processes, products and customer service in all our endeavours. We increased our production by 1.3 Mn sq.ft for the year 2022. Our goal is to provide excellent service while meeting the needs of our customers. During the financial year, we implemented the following activities to reduce waste while increasing the quality.

- ▣ Automotive maintenance
- ▣ Planned maintenance
- ▣ Quality Integration
- ▣ Focus Improvement
- ▣ Early Equipment Management



Systems and Processes

Ensuring seamless and efficient systems and processes are crucial in operational efficacy and productivity. Technology improvements to our systems and processes have been implemented across all divisions. A three-year strategic plan that prioritises health and safety, environmental impact, and employee performance was also implemented. Some of the systems we maintain include:

- ▣ A production quality system: maintain the best practices for workflows, health and safety environmental safety
- ▣ Employee performance management system
- ▣ Total Productive Maintenance (TPM): evaluate existing production flows and procedures, identify modifications, eliminate repetitive activities and duplications

Certifications

- ▣ SLS ISO 14001:2015 - Certificate of the Environmental Management System by the Sri Lanka Standards Institution
- ▣ SLS ISO 9001 :2015 - Quality Managements system certification from Sri Lanka Standards Institution
- ▣ CE Mark Certificate - Certificate for Ceramic Tiles by QSA International, UK
- ▣ OHSAS 18001:2007 - Occupational Health and Safety Management System certification from SLSI
- ▣ SLS 1181:2013 - Product Certification Mark (SLS Mark)



Natural Capital

GRI 301-1, 301-2, 303-1, 302-1, 302-2, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-1, 308-2



Natural Capital

Highlights

- ▣ Energy saving of 550 KWH
- ▣ 100% Water treatment for reuse
- ▣ ISO 14000 certified environment management system
- ▣ Green Label certification
- ▣ 13,292 MT of Raw material recycled for reuse
- ▣ Implemented 3R initiatives towards environment conservation

Being in an industry that is reliant on natural resources we are mindful of the impact our manufacturing process has on the environment. Ensuring a minimal impact on the environment is a top priority for Lanka Tiles and towards this goal, we have instilled natural resource management practices, manufacturing process and system standards, and environment policies within the Group.

The Group's most valued natural capital includes the clay mining land and the land housing the manufacturing plants, showrooms and warehouses. We hold over 5.25 acres of mining land and freehold land to the value of Rs. 1.3 Bn. In addition, we are in the process of reducing our mining land and using this as extraction leads for natural resources. This rehabilitation procedures is a step towards rejuvenating the land which goes beyond our environmental commitments.

Further, our structured ISO 14000 certified environment management system and Green Label certification ensures the efficient use of natural resources while minimising the impact on the environment.

We follow the 3R model in our environment planning: Recycle, Reuse, and Reduce.

Additionally, Lanka Tiles has an environmental policy in place within the Group, and our Environmental Management System (EMS) educates communities through discussions and the corporate website on best environmental practices.

Natural Resource Inputs and Outputs



Environment Impacts

- ▣ Energy Consumption Electricity 23.28 Mn Kwh, 11.7 Mn Kg LPG, 0.4 Mn Litres of Diesel
- ▣ Water Consumption 30 Mn litres
- ▣ Carbon footprint 51,255 Tco2
- ▣ Water recycled 2.6 Mn Litres
- ▣ Gross direct (scope 1) GHG emissions 36,205 Tco2
- ▣ Energy indirect (scope 2) GHG emissions 13,607 Tco2
- ▣ Other indirect (scope 3) GHG emissions 1,442 Tco2

Raw material and waste management	Energy Consumption	Managing Water Consumption	Controlling Emissions
<ul style="list-style-type: none"> ▣ Recycle and reuse ▣ Ensuring suppliers are compliant of environmental regulations 	<ul style="list-style-type: none"> ▣ Awareness programs for staff ▣ Monitoring energy consumption ▣ Implementation energy-saving practices 	<ul style="list-style-type: none"> ▣ Measuring water consumption ▣ Awareness programs ▣ Proper waste water management practices 	<ul style="list-style-type: none"> ▣ Heat recovery system ▣ Minimising carbon emission ▣ Testing air quality

Energy

- ▣ During the financial year, we were able to maintain our energy usage at the same level as the previous year, which was Electricity 23.28 Mn Kwh, 11.7 Mn Kg LPG, 0.4 Mn Litres of Diesel.

- ▣ To reduce energy consumption, we plan to install a heat recovery system for kilns, which will recover heat from the spray dryer and pre-dryer at a cost of USD 250 million and save 153 million per year.

- We also changed the burners in our kilns and kept them in good working condition which allowed us to produce 3200 square meters.

Energy Consumption by type

Non-renewable type	2021/22	2020/21
Diesel (Litres)	403,775	342,954
LPG (Kg)	11,735,305	8,780,001
Electricity (kWh)	23,280,533	18,161,423

Water

- We were able to recycle and reuse 2.6 Mn litres of water during the year, while our water consumption was 30 Mn litres.
- We installed a dry squaring machine and a sorting machine to save water consumption
- In the effluent water treatment plant, we installed two new filter presses where we focus on zero environmental hazards. As we increased our production, water withdrawal was also increased. With this project we were able to reuse water by treating 100%.
- We also conduct awareness programmes for our staff in order to decrease our water consumption.

Water consumption by type	2021/22	2020/21
Municipal Water (Litres)	8,819	8,569
Surface water (Litres)	30,034,965	22,430,240
Total	30,043,784	22,438,809

Material (Raw Material)

In our manufacturing process, we primarily use Ball Clay and Feldspar where we follow the 3R process; reduce, reuse and recycle to ensure efficient use. After extraction in order to rescue the environmental impact we rehabilitate mines.

Raw Material type	2021/22	2020/21
Ball Clay MT	31,974	24,178
Feldspar MT	69,822	49,159
Silica sand MT	1,499	1,018

- During the year, we reused after recycling 13,292 (12%) of raw materials from the consumed 112,766 MT of raw materials.
- In order to save money and increase quality, we modified the composition by reducing the amount of talc we add to the mixture from 4% to 3%. We also promote having a zero impact within our firm by reusing and recycling raw materials.
- We visit our clay mining land which covers over 5.25 acres and other freehold land to assess environmental impacts and put in place the necessary measures.

Other Pollutants and Waste Management Activities

Lanka Tiles PLC is particularly concerned about sound pollution, dust emission, and other emissions that affect the environment. These are inevitable by nature of the industry we operate in and therefore we have taken stringent measures to mitigate such impacts.

Type of impact	Action taken	Achievements
Dust Emission	<ul style="list-style-type: none"> • we installed dust collectors at containment points in order to minimise dust emission and reuse them for production process 	<ul style="list-style-type: none"> • We maintain it well according to the parameters set by CEA
Sound Pollution	<ul style="list-style-type: none"> • Purchasing the land surrounding our factory premises • Outsourcing the crushing process to an outside party • Introducing a soundproofing system for new Ball Mill 	<ul style="list-style-type: none"> • Reduce the complains from the outsiders Increase the relationship with Our Supplier
Effluents and waste Management	<ul style="list-style-type: none"> • Testing of effluents and waste before releasing to the environment • Upgraded treatment plant to comply with regulations set by the Environmental Protection Authority 	<ul style="list-style-type: none"> • 2.6 Mn Litres of water recycled during the year



Natural Capital



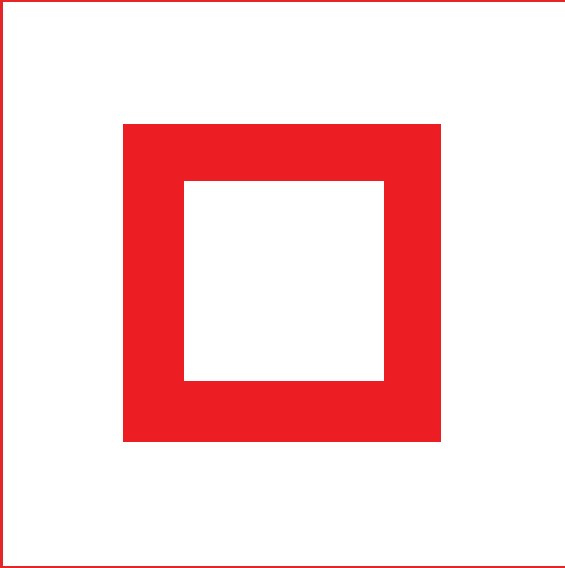
Future Outlook

- Expansion of solar power generation in our manufacturing plants.

With the completion of Phase 1 of the solar panel installations, we plan to expand this initiative to our manufacturing plants to minimise our dependency on conventional energy sources.

- Reduce waste

In line with our 3R policy, we hope to increase our resource wastage through increase employee participation and use of technology to ensure as much waste is recycled, reused or reduced.



Designed For Living

CORPORATE GOVERNANCE

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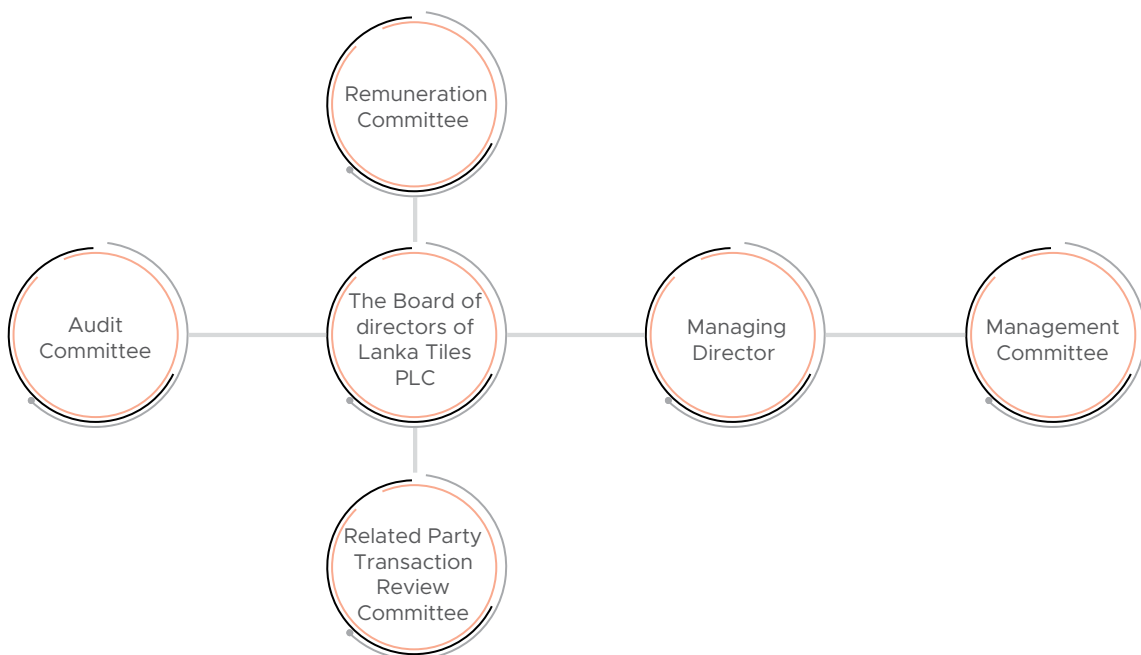
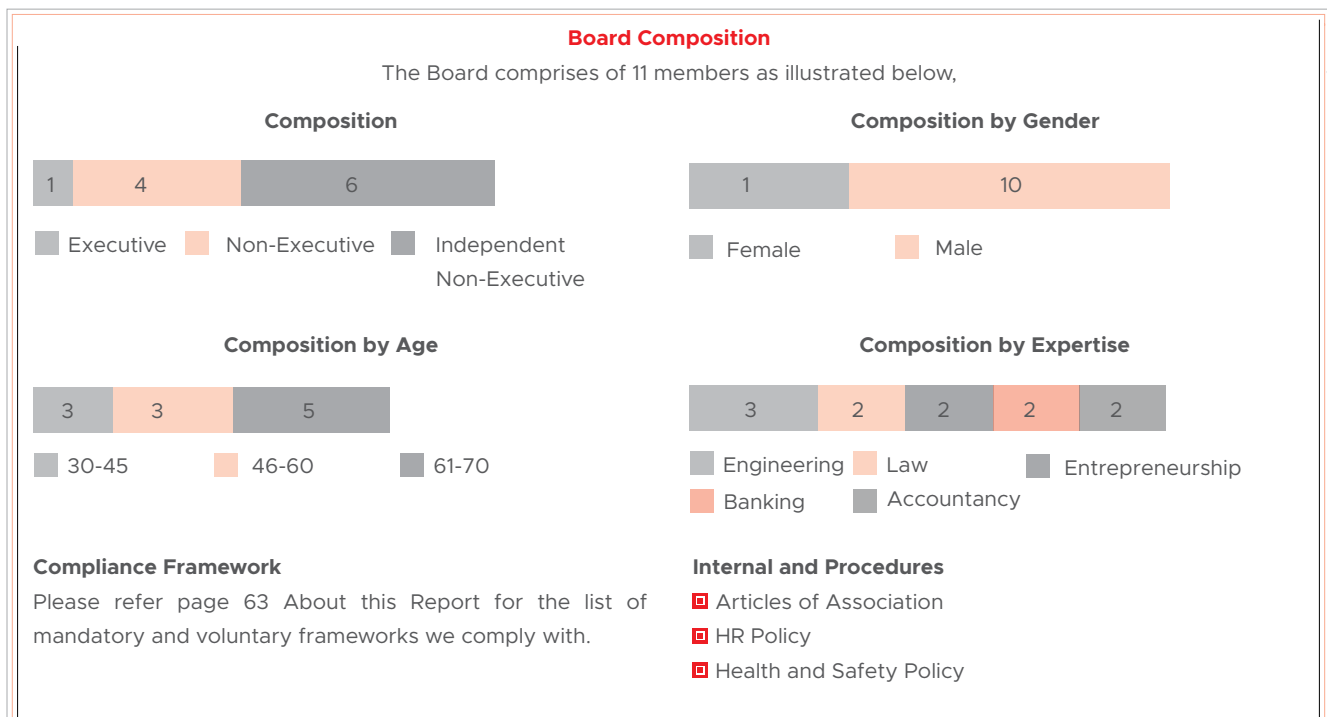


Corporate Governance

The Lanka Tiles Group is a reputed business entity in Sri Lanka, spearheading the tiling industry and setting the benchmark on multiple areas. Recognised as a best corporate citizen of Sri Lanka in many occasions and certified as a governance and accountability champion, the Group is committed to ensure an effective governance framework and risk management is in force within the group. This framework has over the years, guided the Group's strategic way forward and helped overcome obstacles and unstable situations in achieving our corporate goals.

Board Composition

The Board comprises of 11 members as illustrated below



Governance in 2021/22

The 2021/22 financial year was difficult and uncertain due to global economic disruption caused by Covid 19, rupee depreciation, and the Russian-Ukraine conflict. The Board of Directors of Lanka Tiles played a critical role in risk management and supply chain maintenance, as well as assisting the company in seizing opportunities.

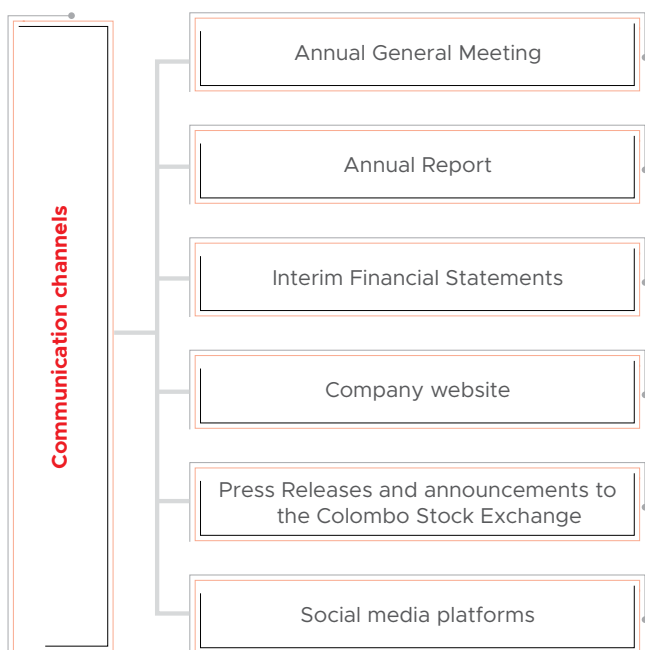
Lanka Tiles PLC held its Annual General Meeting virtual/physical with the participation of shareholders and the Chairman of the Board and the Board Committees were present and responded to the questions raised.

The Board disclosed the impact of the Covid 19 pandemic on the Group as mandated by the Colombo Stock Exchange. Shareholders

As of 31st March 2022, shares of Lanka Tiles PLC were held among 4,632 shareholders with our parent Company, Lanka Walltiles PLC holding 68.217%. The total number of shares in issue to 265,252,050 shares.

Communication with shareholders

The Company maintains an effective communication with its shareholders via various channels.



The Board understands its obligation to offer a balanced and fair assessment of the Group's financial condition, performance, and prospects, and is committed to full disclosure, with a focus on accuracy, timeliness, and relevance.

Role of the Chairman and Managing Director

The clear distinction between the Chairman's and Managing Director's tasks and responsibilities is recognised and respected by our organisation. This maintains a balance of authority, ensuring that no single person exercises unconstrained control over decision-making and implementation.

Appointment of Directors

The Company notifies the Colombo Stock Exchange when it appoints a new Director to the Board, along with a brief resume of the Director that includes the nature of his/ her expertise in relevant functional areas, other directorships held, memberships on Board Committees, and the nature of the appointment.

Re- election of Directors

Except for individuals above 70 years of age, Directors are appointed by the Board and are available for re-election by the shareholders at the next Annual General Meeting.

Independence of Non-executive Directors

The Board determines the Directors' independence based on annual statements given by Non-Executive Directors in compliance with the Colombo Stock Exchange's Listing Rules. Directors are allowed to make independent decisions since they are not involved in day-to-day management and have no business dealings with the company.

Dr. S. Selliah, Mr. K. D. G. Gunaratne, Ms. A. M. L. Page, Mr. J. A. R. N. Adihetty, Mr. S R Jayaweera, and Mr. J R Gunaratne meet the independence criteria set forth in Rule 7.10.4 of the Listing Rules, and the Board has determined that they are Independent Directors based on declarations submitted by the said Directors.

Board Committees

The Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee are the three primary Board committees formed by the Board to aid in the effective and efficient discharge of the Board's functions and responsibilities. The committees are given all necessary resources to enable them to carry out their responsibilities effectively. The Company Secretary serves as the committee secretary, and the minutes of each committee meeting are forwarded to all directors once they are completed.



Corporate Governance

The composition and role of each Committee is summarised below

Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Composition		
Three Non-Executive Directors (two of whom are independent) of Lanka Walltiles PLC the parent Company of Lanka Tiles PLC. J D N Kekulawala (Chairman) Dr. S Selliah T G Thoradeniya	Three Independent Non-Executive Directors of Royal Ceramics Lanka PLC S H Amarasekera – Chairman R N Asirwatham L N De S Wijeyeratne	Three Non-Executive Directors of Lanka Walltiles PLC two of whom are Independent. Dr. S Selliah (Chairman) J D N Kekulawala T G Thoradeniya
Mandate		
Monitor and supervise management's financial reporting process in ensuring: The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. The External Auditor's independence and performance. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process	The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company	Committee conducts an independent review of all related party transactions to ensure that the Company complies with the rules set out in the Code of Best Practice issued by the SEC
Refer page 80 for Audit Committee Report	Refer page 79 for Remuneration Committee Report	Refer page 78 for Related Party Transactions Review Committee Report

Meeting and Attendance

Meetings for the year ended 31.03.2022 and the attendance at the same given below.

Name	Attendance			
	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Dhammika Perera / G A R D Prasanna	11/11	-	-	-
A M Weerasinghe	11/11	-	-	-
J A P M Jayasekara	11/11	-	-	-
Dr. S Selliah	11/11	4/4	-	5/5
T G Thoradeniya	10/11	4/4	-	5/5
K D D Gunaratne	09/11	-	-	-
A M L Page	08/11	-	-	-
J A N R Adhihetty	11/11	-	-	-
S M Liyanage	11/11	-	-	-
S R Jayaweera	10/11	-	-	-
J R Gunaratne	10/11	-	-	-
J D N Kekulawala (Parent Company Board Member)	-	4/4	-	5/5
S H Amarasekara (Director of Royal Ceramics Lanka PLC)	-	-	1/1	-
R N Asirwatham (Director of Royal Ceramics Lanka PLC)	-	-	1/1	-
L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)	-	-	1/1	-

Compliance

Given below is the status of compliance with the CSE Listing Rules – section 7-10 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
Directors			
A.1	The Board		
A. 1.1	Board Meetings	Monthly meetings are held, with special meetings held when needed.	✓
A.1.2	Role of the Board	The emphasis is on building corporate development plans and providing managerial guidance. Sets the budget for the financial year and holds monthly meetings to monitor progress. Approval of significant capital expenditures. Ascertain the existence of an effective internal control and risk management structure.	✓



Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A 1.3	Compliance with laws and access to independent professional advice	<p>The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further, the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with same</p> <p>When it is judged appropriate, the Board obtains independent professional assistance, particularly before making any decisions that could have a substantial impact on the Company. Furthermore, the Board is continually aware of new laws/regulations that are enacted and ensures that they are followed.</p> <p>Further, the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with same.</p>	✓
A 1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	<p>All Directors have access to the advice of the Company Secretary.</p> <p>The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary.</p>	✓
A 1.5	Independent judgment of the Directors	Board comprises mainly of independent professionals who in turn exercise independent judgment in discharging their duties.	✓
A 1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare.	✓
A 1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are recorded.	✓
A 1.8	Induction & Training of Directors	<p>At the time a Director is appointed, a letter confirming such appointment together with details on the duties of a Director in terms of the Act and Listing Rules are forwarded to them.</p> <p>All Directors have considerable experience in the industry.</p> <p>Relevant local and foreign training opportunities are made available.</p>	✓
A 2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director pages 12 and 15.	✓
A 3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/concerns on matters.	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A 4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	✓
A 5 Board Balance			
A.5.1/ A5.2/A.5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a)	Presence of Non-Executive Directors Independence of Non-Executive Directors	Please refer an Effective Board in page 60	✓
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence are obtained by the secretary annually.	✓
A.5.6	Alternate Director to a Non-Executive Director	Mr. G A R D Prasanna is appointed as the alternate Director to Mr. Dhammika Perera and meets the criteria for and Independent Director	✓
A.5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and Members of staff are excused from meetings.	✓
A.5.10	Recording concerns	Concerns of directors are recorded in minutes even in the case of disagreement.	✓
A.6	Supply of Information		
A6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least one week before the meeting	✓
A7	Appointments to the Board		✓
A 7.1/ A 7.2	Nomination Committee and the assessment of composition of the Board	All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of directors. The board skill and knowledge is assessed by the parent company board annually and informed to the directors.	✓
A.7.3 7.10.3 (d)	Disclosure of Appointment of a New Director	Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non Executive/Executive Director	✓
A.8 Re-election			
A.8.1/A8.2	Re-election	At each AGM, 1/3rd of the Non-Executive Director presents themselves for re-election. Newly appointed directors are re-elected at the 1st AGM following their appointment.	✓
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director. Disclose to CSE.	✓



Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.9 Appraisal of Board Performance			
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	The Board regularly self-evaluates its performance based on achievement of corporate objectives, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements. In addition, the Remuneration Committee also evaluates the performance of the Board and makes necessary recommendations.	✓
A.10 Disclosure of Information in Respect of Directors			
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 18 to 21.	✓
A.11 Appraisal of Chief Executive Officer			
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	Appraisal of the MD is done when considering increments/bonuses to be paid. Achievement of the budget is a key factor that is considered	✓
B.1 Remuneration Procedure			
B.1.1	Set up a Remuneration Committee with agreed terms of reference	The Report of the Remuneration Committee on page 79 gives the composition of the Committee and a description of its activities during the year.	✓
B.1.2 7.10.5 (a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors of Royal Ceramics Lanka PLC.	✓
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 79	✓
B.1.4 7.10.5 (b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	✓
B.1.5	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	✓
B.2 The Level & Makeup of Remuneration			
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management Team while remaining within the industry standards and annual performance approved.	✓
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Director is linked to the achievement of targets and individual performance.	✓
B.2.7	Executive share options	Company does not have a ESOP	✓
B.2.8/B.2.9	Designing schemes of performance-based remuneration	Refer the Report of the Remuneration Committee on page 79	✓

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B.3 Disclosure of Remuneration			
B.3.1 7.10.5 (c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 79 Notes 27.3 in the financial statements on 128.	✓
Relations with Shareholders			
C.1	Constructive use of AGM and Conduct of Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 days as required by the Articles of Association and the Code.	✓
C.1.2	Separate resolution for substantially separate issues	Separate resolutions are passed for each matter taken up at the AGM	✓
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	✓
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairman of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company	✓
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	✓
C.2 Communications with shareholders			
C.2.1. to C.2.7	Communications with Shareholders	<p>The AGM and EGM (if any) are used as the method for communicating with the shareholders.</p> <p>All quarterly and annual financial information and other important matters as required for by the Act and the Listing CSE Rules are shared by way of disclosures through the CSE.</p> <p>The Company Secretaries/Registrars are the main contact people for the shareholders.</p> <p>All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/ Subcommittee meetings.</p> <p>All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.</p>	✓
C.3 Major & Material Transactions			
C.3.1 & C.3.2	Disclosure of Major Transactions	<p>There were no transactions during the period under review which are considered as material/ Major as per the companies Act.</p> <p>The report of the Related Party Transactions Review Committee is on the page 78.</p>	✓
D Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on page 76 & 77	✓



Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.1.2	Interim and price sensitive reports to public and regulators	In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange	✓
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Managing Director and the Chief Financial Officer.	✓
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on pages 71 to 75.	✓
D.1.5	Statements on responsibilities for preparation of financial statements and internal control	Refer the following: <ul style="list-style-type: none"> • Statement of Board responsibility for preparation of financial statements - page 76 • Statement from Auditors' on their reporting responsibilities – pages 82 to 85. • Statement on Internal Control – page 34. 	✓
D.1.6	Management discussion & analysis	Refer Annual Report from page 23 to 39 which provides a comprehensive management discussion and analysis of the Group's operations.	✓
D.1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	✓
D.1.8	Related Party transactions	Refer the following disclosures on Related Party Transactions: <ul style="list-style-type: none"> • Related Party Transactions Review Committee Report on page 78. • Annual Report of the Board of Directors on pages 71 to 75. • Note 27 on page 125 to 127 to the financial statements. 	✓
D.2 Risk Management & Internal Control			
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements: <ul style="list-style-type: none"> • Risk Report on page 32. • Risk & Internal Control on pages 32 - 34 • Directors' Statement on Internal Controls on page 34. • Audit Committee Report on page 80 	✓
D.2.2	Confirm assessment of the principal risks of the company		
D.2.3	Internal Audit		
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures		
D.2.5	Compliance with Directors' responsibilities as set out by the Code		

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.3 Audit Committee			
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive Directors of which at least 2 must be independent	Audit Committee comprises 03 non-executive directors of whom 02 are independent. Refer Audit Committee on page 80	✓
D.3.2. 7.10.6(b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarised in the Audit Committee Report on page 80.	✓
D.3.3. 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 80.	✓
D.4 Related Party Transactions Review Committee			
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer report of the Related Party Transactions Review Committee on page 78	✓
D.5 Code of Business Conduct & Ethics			
D.5.1.	Board declaration for compliance with Code	Refer Code of Ethics on page 70	✓
D.5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	✓
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on page 78	✓
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on 70 and The Board of Directors' Statement on Internal Controls on page 34	✓
D.6	Corporate Governance disclosures	The Corporate Governance Report on page 60 - 70 together with its Annexes comply with this requirement.	
E Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	✓
E.2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	✓
F Other Investors			
F.1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	✓
F.2	Encouraging shareholder participation	Refer Shareholder Relations on page 146. The Company encourages individual shareholders to participate in general meetings and exercise their voting rights.	✓



Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
G Internet of things and cybersecurity			
G	Internet of things and cybersecurity	The Company has implemented a cybersecurity policy and has robust cybersecurity risk management process and has a designated Chief Information Security Officer in place.	✓
H Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 40 to page 56	✓
	Principle 3 - Reporting on Labour Practices (Human Capital)	Refer Human Capital Report in page 48	✓
	Principle 4 - Reporting on Society (Social Impact)	Refer Social Capital on pages 51 to 53.	✓
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Refer Social Capital on pages 51 to 53.	✓
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Refer Stakeholder Engagement report page 28.	✓
	Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	Refer GRI Index in pages 140 - 142	✓

Statement of Compliance

From the above mentioned details it can be concluded that the Company is fully compliant with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka in 2017 and the Corporate Governance Rules of Colombo Stock Exchange.

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

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

Dhammika Perera
Chairman

J A P M Jayasekera
Managing Director

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

The Board of Directors of Lanka Tiles PLC is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiary (collectively referred to as 'the Group') for the year ended 31st March 2022 as set out on page 86 To 132

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

Formation

The Company is a public limited liability company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The registered office and the principle place of business of the Company is located at No.215, Nawala Road, Narahenpita, Colombo 05.

The Company was incorporated in Sri Lanka on 30 March 1984 under the Companies Act No. 17 of 1982 as a private limited liability Company bearing the name Lanka Tiles (Private) Limited.

On 7th August 1984, Lanka Tiles Limited was listed on the Colombo Stock Exchange as a Public Limited Liability Company.

Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 19th March 2008 and was accordingly renamed as Lanka Tiles PLC and bears registration number PQ129.

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

The main activity of the Company, which remains unchanged since the previous year, is the manufacture and sale of glazed ceramic floor tiles.

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

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 82 to 132.

Summarised financial results

Year ended 31st March	2022 Rs.'000	2021 Rs.'000
Revenue	14,591,620	12,626,485
Total comprehensive Income for the year	4,150,908	2,911,494

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 82

Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Financial Reporting Standards (LKASs) relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). The significant accounting policies adopted in the preparation of financial statements are given on pages 90 to 99.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 18 to 21.

Executive Directors

Mr. JAPM Jayasekera - Managing Director

Non - Executive Directors

Mr. Dhammika Perera - Chairman
(Alternate Director Mr. G A R D Prasanna)

Mr. A M Weerasinghe - Deputy Chairman
Mr. T G Thoradeniya - Director
Mr. S M Liyanage - Director

Independent Non - Executive Directors

Dr. S Selliah - Director
Mr. K D G Gunaratne - Director
Ms. A M L Page - Director
Mr. J A N R Adihetty - Director
Mr. S R Jayaweera - Director
Mr. J R Gunaratne - Director

Mr. Dhammika Perera, Mr. K D G Gunarante and Mr. S M Liyanage retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Directors of the subsidiary Company Beyond Paradise Collection Ltd

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

Lankatiles (Private) Limited

Mr. A.M Weerasinghe
Mr. J A P M Jayasekera
Mr. Fatheraj Singhvi
Mr. Praveen Kumar Singhvi

LTL Development (Pvt) Ltd

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

Interests Register

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



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

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

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2022.

The relevant interests of Directors in the shares of the Company as at 31st March 2022 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 27.3 to the Financial Statements on page 128.

Directors' Interests in Contracts

The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 27 to the Financial Statements. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the related entities.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with requirements of the

Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Independent Auditors

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

A total amount of Rs.2,157,000 (2021 – Rs.2,008,000/-) is payable by the Company to the Auditors for the year under review comprising Rs.1,043,000 (2021 – Rs.918,000/-) as audit fees and Rs.1,145,000 (2021 – Rs.1,090,000/-) for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 19th May 2022 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Independence of Auditors

Based on the declaration provided by Messrs Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Stated Capital

The Stated Capital of the Company is Rs. 900,967,696/- (2021 - Rs.900,967,696/-)

Further to the Sub-Division of shares on 26th March 2021, the number of shares issued by the Company stood at 265,252,050 fully paid ordinary shares as at 31st March 2022 (which was the same as at 31st March 2021).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2022 and 31st March 2021 are as follows.

	Shareholding as at	
	31/03/2022	31/03/2021
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	-	633,050
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	12,500
Mr. J A R N Adhihetty	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-
Mr. J R Gunaratne	-	-

Shareholders

There were 4,632 shareholders registered as at 31st March 2022 (3,327 shareholders as at 31st March 2021). The details of distribution are given on page 136 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 136 to 137 under Share Information.

Employment Policy

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

As at 31st March 2022, 730 persons were in employment (702 persons as at 31st March 2021).

Reserves

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 112.

Capital Expenditure

The total capital expenditure during the year amounted to Rs. 700 Mn on property, plant and equipment compared

to Rs.434 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 03 to the financial statements. Additions of intangible assets of the Company and Group during the year amounted to Rs. 2.1 Mn And all other related movements are disclosed in Note 04 to the Financial Statements.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs.6,471 Mn (2021 – Rs.6,374 Mn)

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

Location	No. of Buildings	Lands in extent	Valuation/Cost	
			2022 (Rs. '000)	2021 (Rs. '000)
Factory at Jaltara, Ranala	42	28A-02R-32.69P	1,708,900	1,708,900
Land adjacent to the factory	17	08A-02R-08.56P	252,100	252,100
Warehouse at Biyagama	5	02A-00R-15.93P	528,400	528,400
Ball Clay land at Kalutara	-	5A-01R-0.83P	53	53
Nawala Land	-	00A-00R-32.03P	240,200	240,200
Land at Madampe	-	13A-00R-02P	-	42,900
Total			2,729,653	2,772,553

The movement of fixed assets during the year is given in Note 03 to the financial statements.

Dividends

An interim dividend of Rs. 3/- per share for the year ending 31st March 2022 was declared on 28th October 2021. A second interim dividend of Rs.1/80 per share for the year ending 31st March 2022 was declared on 25th February 2022.

A third interim dividend of Rs. 1.90 per share for the year ended 31st March 2022 was declared on 26th May 2022.

Substantial Shareholdings

The Company is controlled by Lanka Walltiles PLC which holds 68.2% of the issued share capital of the Company. Lanka Walltiles PLC itself is a subsidiary of Royal Ceramics Lanka PLC of which the ultimate parent Company is Vallibel One PLC.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2022 are given in Notes and 05 to the Financial Statements on pages 106 to 109.

Public Holding

28.342% (2021 - 28.014%) of the issued shares of the Company are widely held by the public



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

Donations

The Company made donations amounting to Rs.4,823,846 in total, during the year under review. (For 2021 -Rs.8,650,000)

Risk Management

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 32 to 34.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 28 to the Financial Statements on page 128 there were no material Contingent Liabilities as at the Balance Sheet date.

Events after the Reporting Period

As disclosed in Note 29 to the financial statements there are no material events as at the date of the auditor's report which require adjustment to or disclosure in the financial statements.

Corporate Governance

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

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

Audit Committee

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

Remuneration Committee

Mr. S H Amarasekera - Chairman
Mr. R N Asiriwatham
Mr. L N de S Wijeyeratne

Related Party Transaction Review Committee

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

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2022

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

The Corporate Governance Statement on pages 62 to 70 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, **Environmental Protection**

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

Going Concern

In determining the basis of preparing the financial statements for the year ended 31st March 2022, based on available information, the management has assessed the existing and anticipated effects of COVID 19 on the Group Companies and the appropriateness of the use of the going concern basis.

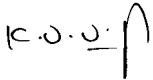
Having presented the outlook for each industry group to the Lanka Tiles PLC Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

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

Annual General Meeting

The Notice of the Thirty Eighth (38th) Annual General Meeting appears on page 146.

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



Dhammika Perera

Chairman



J A P M Jayasekera

Managing Director



P W Corporate Secretarial (Pvt) Ltd

Secretaries

31st May 2022



Statement of Directors' Responsibility

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2021/22, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
LANKA TILES PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries
31st May 2022

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

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

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably presents the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

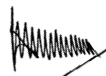
Our internal auditor have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The financial statements were audited by Ernst & Young, Chartered Accountants, the Independent Auditors. The independence of the external auditor has been assessed by the Audit Committee and the Board and have been determined as independent.

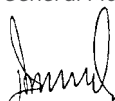
The Audit Committee of your Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the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

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

It is also confirmed that the Company is compliant with the Code of Best Practice in Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.



B T T Roche
General Manager - Finance



J A P M Jayasekera
Managing Director
31st May 2022



Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in January 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

Purpose of the Committee

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

Responsibilities of the Related Party Transactions Review Committee

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

- Ensure that the Company complies with the rules set out in the Listing Rules
- Subject to the exceptions given in the Listing Rules, review, in advance all proposed related party transactions
- Perform other activities related to the Charter as requested by the Board
- Have meetings every fiscal quarter and report to the Board on the Committee's activities
- Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

Composition of the Committee

The Related Party Transactions Review Committee comprises of the following three Non-Executive Directors of Lanka Walltiles PLC which is the parent company of LTPLC.

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

The Managing Director and the General Manager - Finance attend meetings by invitation and the Company Secretary functions as the Secretary to the Committee.

The Committee members possess vast experience in business management and financial expertise to perform the duty of the Committee successfully.

Meetings

The Committee held five meetings during the year.

The attendance of the members at the meeting is as follows.

Mr. J D N Kekulawala	- 5/5
Dr. S Selliah	- 5/5
Mr. T G Thoradeniya	- 5/5

The minutes of the Committee meeting were tabled at Board meeting, for the review of the Board.

Procedures for Reporting RPT's

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

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

Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2021/22 and has communicated the comments and observation to the Board of Directors. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no non-recurrent related party transactions entered into during the course of the financial year aggregative value of which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 2022, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 27 to the Financial Statements, on pages 125 to 128 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on page 71 of this Annual Report.

Dr. S Selliah

Chairman - Related Party Transactions Review Committee
31st May 2022

Remuneration Committee Report

Role of the Remuneration Committee

The Remuneration Committee is a sub-committee of Royal Ceramics Lanka PLC Board, to which it is accountable. The Committee evaluates the performance of the respective Group Company Boards, its Chief Executive Officers, Key Management Personal and executive staff against the set objectives and goals, and determines the remuneration policy of the Group Company for all levels of employees. The Committee supports and advises the Board on remuneration and remuneration related matters and makes decisions under delegated authority with a view to aligning the interests of employees and shareholders.

Composition of the Remuneration Committee

The Remuneration Committee comprises of the following three independent non-executive Directors of Royal Ceramics Lanka PLC.

Mr. S H Amarasekera - Chairman
Mr. R N Asirwatham
Mr. L N De S Wijeyeratne

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

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

Meetings

The Remuneration Committee met once for the year. The attendance of the members at the meeting is as follows.

Mr. S H Amarasekera - 1/1
Mr. R N Asirwatham - 1/1
Mr. L N De S Wijeyeratne - 1/1

Functions performed by the Remuneration Committee

- a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personal of the Company to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for last financial year is given on Page 136 of the Annual Report under key management remuneration.
- b. Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. It also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- c. Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.

d. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.

e. Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

Conclusion

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



S H Amarasekera

Chairman of the Remuneration Committee
31st May 2022



Audit Committee Report

Role of the Audit Committee

The Audit Committee is a Sub Committee of the Board, to which it is accountable. The function of the Audit Committee is defined in the Audit Committee Charter. Primarily it is to assist the Board in its oversight of the integrity of the Financial Statements of the Company, to assess the adequacy of the risk management framework of the Company, assess the independence and the performance of the Company's external audit function and internal audit functions, and review compliance of the Company with legal and regulatory requirements.

Composition of the Audit Committee

The Audit Committee comprised of the following three Directors.

Mr. J D N Kekulawala

Chairman, Independent Non – Executive Director

Dr. S Selliah

Committee Member - Independent Non – Executive Director

Mr. T G Thoradeniya

Committee Member- Non – Executive Director

The Managing Director and the General Manager – Finance attend the meetings at the invitation of the Audit Committee.

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

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

Meetings

The Audit Committee met 04 times during the year. The attendance of the members at the meeting is as follows.

Mr. J D N Kekulawala	- 4/4
Dr. S Selliah	- 4/4
Mr. T G Thoradeniya	- 4/4

Functions performed by the Audit Committee

- The Committee reviewed the provisional financial statements that were published for financial year 2021/22 and the audited financial statements of financial year 2021/22. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
 - The Committee reviewed the quarterly internal audit reports. The internal audit function is carried out by M/s. BDO Partners. The Internal audits are done on a process based audit framework to improve process performance and control.
 - The Committee reviewed the external auditor's report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
 - The Audit Committee in conjunction with the Managing Director of the Company reviewed the Company's disclosure controls and procedures and internal control over financial reporting.
 - The Audit Committee reviewed the Company's framework and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have
- been taken to monitor and control such exposures.
 - The Audit Committee reviewed the company's arrangement for the confidential receipt, retention and treatment of complaints alleging fraud, received from any sources and pertaining to accounting, internal controls or other such matters and assured the confidentiality to whistle-blowing employees. It also reviewed the company's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance and reviewed the procedure for receiving and dealing with "Non-Compliance with Laws and Regulations (NOCLAR) referred by Professional Accountants.
 - Performed other activities related to this charter as requested by the Board of Directors. Oversaw special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually and requested Board approval for proposed changes, and ensured appropriate disclosure as may be required by law or regulations.

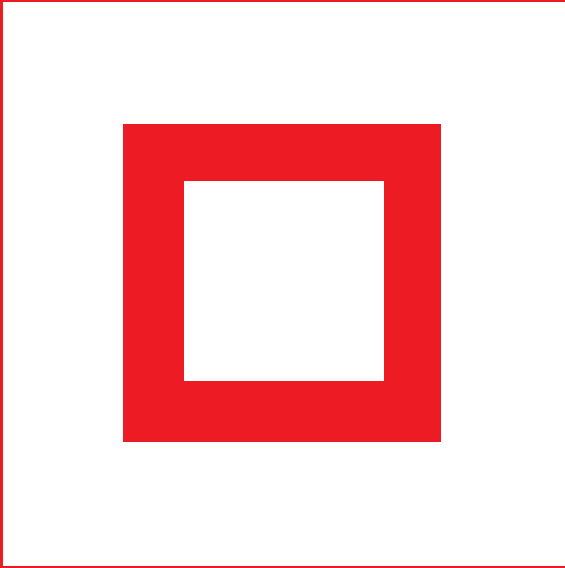
Conclusion

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

J D N Kekulawala

Chairman – Audit Committee

31st May 2022



Deliver Lasting Value

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Independent Auditor's Report



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

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

TO THE SHAREHOLDERS OF LANKA
TILES PLC

Report on the audit of the Consolidated
Financial Statements

Opinion

We have audited the financial statements of Lanka Tiles 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 2022, and the 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 the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022, 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 (SLAuSs). 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 judgement, 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.

Key audit matter	How our audit addressed the Key Audit Matter
Recognition of Revenue	
<p>The Group's Revenue for the year ended 31 March 2022, amounting to Rs. 14.59Bn is derived from sales of glazed ceramic and porcelain floor tiles as disclosed in note 17 to the financial statements.</p> <p>Revenue was a key audit matter due to:</p> <ul style="list-style-type: none"> • the significance of the amount • high volume of transactions and significant increase recorded during the current year 	<p>We identified sales of glazed ceramic and porcelain floor tiles as significant revenues and our audit procedures amongst others included the following;</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the Group's revenue recognition accounting policy, • Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to revenue recognition • Performed analytical procedures to understand and assess the reasonableness of the reported revenues • Tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition • Tested the appropriateness of revenue recognised by reviewing the relevant sales contracts and other supporting documents; and • Assessed the adequacy of the disclosures in respect of revenue in Note 17 to the financial statements
Valuation of Land and Buildings	
<p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value in accordance with its accounting policies disclosed in notes 2.3.7 and 2.3.10. The fair values of land and buildings were determined by an external valuer engaged by the Group.</p> <p>This was a key audit matter due to the:</p> <ul style="list-style-type: none"> • materiality of the reported Land & Buildings within Property, Plant and Equipment and Investment Property which amounted to Rs. 6.47Bn and Rs. 483Mn respectively as of reporting date • degree of assumptions, judgements and estimation uncertainties associated with the fair valuation of Land and Buildings such as reliance on comparable market transactions and consideration of current market conditions <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings as disclosed in notes 3.3.1 and 3.6.1:</p> <ul style="list-style-type: none"> • Estimate of per perch value of the land • Estimate of the per square foot value of the buildings 	<p>Our audit procedures were focused on the valuations performed by the external valuer engaged by the Group, and included the following;</p> <p>We assessed the competency, capability and objectivity of the external valuer engaged by the Group</p> <ul style="list-style-type: none"> • We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property • We assessed the reasonableness of the significant judgements made by the valuer and valuation techniques used, per perch price and value per square foot used by the valuer in the valuation of each property <p>We have also assessed the adequacy of the disclosures made in notes 2.3.7, 2.3.10, 3.3 and 3.6.1 in the financial statements</p>



Independent Auditor's Report

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 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. We have nothing to report in this regard

Responsibilities of management and those charged with governance for the financial statements

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 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 SLAuSs, we exercise professional judgement 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 the 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.

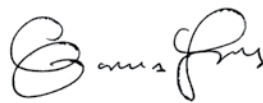
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 2471.



31st May 2022
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA 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 A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



Consolidated Statement of Financial Position

As at 31st March	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
ASSETS					
Non current assets					
Property, plant and equipment	3.1	6,471,179	6,373,888	6,471,179	6,373,888
Investment Properties	3.6	483,091	394,819	-	-
Intangible assets	4	8,970	11,295	8,970	11,295
Investments in subsidiaries	5	-	-	270,242	6,242
Investments in associates	6	1,563,428	1,339,684	1,501,249	1,283,017
Right of use assets	3.7	65,378	63,878	65,378	63,878
		8,592,046	8,183,564	8,317,018	7,738,320
Current assets					
Inventories	7	2,473,794	2,322,116	2,473,794	2,322,116
Trade and other receivables	8	910,523	1,026,460	910,523	1,026,380
Amounts due from related parties	9	14,109	386,286	65,168	611,843
Cash and cash equivalents	25	4,936,501	2,329,621	4,919,853	2,316,965
		8,334,927	6,064,483	8,369,338	6,277,304
Total assets		16,926,973	14,248,047	16,686,356	14,015,624
EQUITY AND LIABILITIES					
Stated capital	10	900,968	900,968	900,968	900,968
Reserves	11	1,577,493	1,582,908	1,575,310	1,582,523
Retained earnings		9,740,862	7,443,205	9,567,744	7,262,288
Equity attributable to equity holders of the parent		12,219,323	9,927,081	12,044,022	9,745,779
Non controlling interest		8,095	6,192	-	-
Total equity		12,227,418	9,933,273	12,044,022	9,745,779
Non-current liabilities					
Interest bearing liabilities	12	705,420	971,206	705,420	971,206
Deferred tax liabilities	13	907,441	781,531	853,796	740,486
Retirement benefit liability	14	158,999	198,598	158,999	198,598
		1,771,860	1,951,335	1,718,215	1,910,290
Current liabilities					
Trade and other payables	15	1,548,896	1,630,048	1,548,770	1,628,073
Contract liability	15.2	90,233	27,024	90,233	27,024
Income tax liabilities		293,822	263,175	293,822	262,947
Amounts due to related parties	16	232,352	121,465	228,902	119,784
Current portion of interest bearing liabilities	12	762,392	321,727	762,392	321,727
		2,927,695	2,363,439	2,924,119	2,359,555
Total equity and liabilities		16,926,973	14,248,047	16,686,356	14,015,624

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

B T T Roche
General Manager (Finance)

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,

J A P M Jayasekara
Managing Director

Dhammika Perera
Chairman

The accounting policies and notes on pages 90 to 132 form an integral part of the financial statements.
The figures in brackets indicated deductions.

31st May 2022

Colombo

Consolidated Statement of profit or loss and other comprehensive income

For the Year ended 31 March 2022	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from contracts with customers	17	14,591,620	12,626,485	14,591,620	12,626,485
Cost of Sales		(7,982,698)	(7,880,382)	(7,982,698)	(7,880,382)
Gross Profit		6,608,922	4,746,103	6,608,922	4,746,103
Other Income/ (Costs)	18	96,441	44,339	94,420	42,624
Distribution Costs		(1,583,831)	(1,462,202)	(1,583,831)	(1,462,202)
Administrative Expenses		(575,767)	(492,682)	(573,381)	(490,572)
Finance Cost	19	(88,126)	(223,839)	(88,126)	(223,839)
Finance Income	20	174,016	16,366	174,016	16,366
Other Operating Expenses		-	(59,962)	-	(59,962)
Share of Net Profit of Associate		405,353	286,545	402,764	286,545
Profit Before Tax	21	5,037,008	2,854,668	5,034,785	2,855,063
Income Tax Expense	22	(926,692)	(403,774)	(913,924)	(410,388)
Profit for the Year		4,110,316	2,450,894	4,120,860	2,444,675
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation / (Disposal) of Land and Building	3	-	385,163	-	385,163
Actuarial Gain/ (Loss) on Retirement Benefit Liability	14	39,771	(13,005)	39,771	(13,005)
Deferred tax on components of other comprehensive income	22	(7,556)	9,165	(7,556)	9,165
Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods		32,215	381,323	32,215	381,323
Net Other Comprehensive Income may be reclassified to profit or loss in subsequent periods (net of tax):					
Foreign currency translation differences of foreign operations		3,523	618	-	-
Share of other comprehensive income of associates investment		4,854	78,659	1,931	78,659
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		8,377	79,277	1,931	78,659
Other Comprehensive Income/(loss) for the Year, net of tax		40,592	460,600	34,146	459,982
Total Comprehensive Income for the Year, net of tax		4,150,908	2,911,494	4,155,006	2,904,657
Profit attributable to :					
Equity holders of the parent		4,110,139	2,450,773	4,120,860	2,444,675
Non controlling interest		177	121	-	-
Profit for the year		4,110,316	2,450,894	4,120,860	2,444,675
Total comprehensive income attributable to :					
Equity holders of the parent		4,149,005	2,911,071	4,155,006	2,904,657
Non controlling interest		1,903	423	-	-
Total Comprehensive Income for the Year		4,150,908	2,911,494	4,155,006	2,904,657
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	23	15.50	9.24	15.54	9.22

The accounting policies and notes on pages 90 to 132 form an integral part of the financial statements. The figures in brackets indicated deductions.



Statement of Changes in Equity

As at 31 March	Stated capital	Revaluation reserve	Amalgamation reserve	Retained earnings	Exchange translation reserve	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP							
Balance as at 1st April 2020	900,968	730,515	460,151	5,781,070	70	5,769	7,878,543
Profit for the Year	-	-	-	2,450,773	-	121	2,450,894
Other Comprehensive Income	-	-	-	68,125	316	302	68,743
Revaluation gain	-	391,857	-	-	-	-	391,857
Total Comprehensive Income	-	391,857	-	2,518,898	316	423	2,911,494
Dividends							
1st Interim 2020/21 (Rs. 3.85 per share)	-	-	-	(204,244)	-	-	(204,244)
2nd Interim 2020/21 (Rs. 12.30 per share)	-	-	-	(652,520)	-	-	(652,520)
	-	-	-	(856,764)	-	-	(856,764)
Balance as at 1st April 2021	900,968	1,122,372	460,151	7,443,204	386	6,192	9,933,273
Profit for the Year							
Other Comprehensive Income	-	-	-	4,110,139	-	177	4,110,316
Transfer from revaluation reserve on disposal of land	-	(7,213)	-	7,213	-	-	-
Total Comprehensive Income	-	(7,213)	-	4,154,421	1,797	1,903	4,150,908
Dividends							
Final 2020/21 (Rs. 2.20 per share)	-	-	-	(583,554)	-	-	(583,554)
1st Interim 2021/22 (Rs. 3.00 per share)	-	-	-	(795,756)	-	-	(795,756)
2nd Interim 2021/22 (Rs. 1.80 per share)	-	-	-	(477,453)	-	-	(477,453)
	-	-	-	(1,856,763)	-	-	(1,856,763)
Balance as at 31 March 2022	900,968	1,115,159	460,151	9,740,862	2,183	8,095	12,227,418

	Stated capital	Revaluation reserve	Amalgamation reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
COMPANY					
Balance as at 1st April 2020	900,968	730,515	460,151	5,606,252	7,697,886
Profit for the Year	-	-	-	2,444,675	2,444,675
Other Comprehensive Income	-	-	-	68,125	68,125
Revaluation gain	-	391,857	-	-	391,857
Total Comprehensive Income	-	391,857	-	2,512,800	2,904,657
Dividends					
1st Interim 2020/21 (Rs. 3.85 per share)	-	-	-	(204,244)	(204,244)
2nd Interim 2020/21 (Rs. 12.30 per share)	-	-	-	(652,520)	(652,520)
	-	-	-	(856,764)	(856,764)
Balance as at 1st April 2021	900,968	1,122,372	460,151	7,262,288	9,745,779
Profit for the Year	-	-	-	4,120,860	4,120,860
Other Comprehensive Income	-	-	-	34,146	34,146
Transfer from revaluation reserve on disposal of land	-	(7,213)	-	7,213	-
Total Comprehensive Income	-	(7,213)	-	4,162,219	4,155,006
Dividends					
Final 2020/21 (Rs. 2.20 per share)	-	-	-	(583,554)	(583,554)
1st Interim 2021/22 (Rs. 3.00 per share)	-	-	-	(795,756)	(795,756)
2nd Interim 2021/22 (Rs. 1.80 per share)	-	-	-	(477,453)	(477,453)
	-	-	-	(1,856,763)	(1,856,763)
Balance as at 31 March 2022	900,968	1,115,159	460,151	9,567,744	12,044,022

The accounting policies and notes on pages 90 to 132 form an integral part of the financial statements.
The figures in brackets indicated deductions.

Consolidated Statement of Cash Flow

For the Year ended 31st March	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax		5,037,008	2,854,668	5,034,785	2,855,063
Adjustments for					
Depreciation & amortisation	21	437,616	419,769	437,616	419,769
Amortisation of Right of use Lease Assets	3.7	37,621	37,622	37,621	37,622
Profit/ (loss) on sale of property, plant & equipment	18	31,814	(6,845)	31,814	(6,845)
Interest income	20	(174,016)	(16,366)	(174,016)	(16,366)
Finance costs	19	80,606	213,400	80,606	213,400
Provision for retirement benefit obligations	14	14,043	32,318	14,043	32,318
Profit share of results of associate		(405,353)	(286,545)	(402,764)	(286,545)
Allowance/ (reversal) for obsolete and slow moving inventories	7	13,052	44,427	13,052	44,427
Allowance for impairment of trade receivable unrealised (Profit)/ losses on inventory purchased from associate	8	2,600	5,400	2,600	5,400
Interest expense on lease liability		-	(1,040)	-	(1,040)
Foreign exchange (gain)/ loss		11,490	10,439	11,490	10,439
		(84,312)	(7,960)	(84,312)	(7,960)
Operating profit/(loss) before working capital changes		5,002,169	3,299,287	5,002,535	3,299,682
Working capital adjustments:					
(Increase)/ decrease in inventories		(164,729)	2,415,091	(164,729)	2,415,091
(Increase)/ decrease in trade and other receivables		113,337	(23,511)	113,257	(23,492)
(Increase) /decrease in due from related parties		372,177	141,155	282,675	87,048
Increase/ (decrease) in due to related parties		110,887	(23,097)	109,118	(24,721)
Increase /(decrease) in trade and other payables		75,269	426,680	69,706	425,080
Cash generated from/(used in) operations		5,509,110	6,235,605	5,412,562	6,178,688
Interest received		174,016	16,366	174,016	16,366
Finance costs paid		(80,606)	(213,400)	(80,606)	(213,400)
Retirement benefit plan costs paid	14	(13,871)	(27,759)	(13,871)	(27,759)
Income tax paid		(786,607)	(176,818)	(778,800)	(176,818)
Net cash flows from/(used in) operating activities		4,802,042	5,833,994	4,713,301	5,777,077
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment and intangible assets		(700,196)	(434,648)	(611,924)	(434,648)
Proceeds from sale of property, plant & equipment		47,528	9,104	47,528	9,104
Acquisition of investments		-	(56,667)	-	-
Dividend Received		186,463	87,980	186,463	87,980
Net cash flows from/(used in) investing activities		(466,205)	(394,231)	(377,933)	(337,564)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained	12	-	1,172,021	-	1,172,021
Repayment of interest bearing borrowings	12	(250,000)	(2,713,094)	(250,000)	(2,713,094)
Repayment of Lease liability		(43,624)	(43,938)	(43,624)	(43,938)
Dividends paid - on Ordinary Shares	24	(1,856,748)	(856,764)	(1,856,748)	(856,764)
Net cash flows from/(used in) financing activities		(2,150,372)	(2,441,775)	(2,150,372)	(2,441,775)
Net increase/(decrease) in cash and cash equivalents		2,185,465	2,997,988	2,184,996	2,997,738
Foreign exchange difference arising on translation of foreign operation		3,523	618	-	-
Cash and cash equivalents at the beginning of the year	25	2,271,874	(726,732)	2,259,218	(738,520)
Cash and cash equivalents at the end of the year	25	4,460,862	2,271,874	4,444,214	2,259,218

The accounting policies and notes on pages 90 to 132 form an integral part of the financial statements. The figures in brackets indicated deductions.



Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 Principal activities and nature of operations

During the year principal activities of the company were the manufacture and sales of glazed ceramic and porcelain floor tiles for export and local markets and holding investments.

The principal activities of the other company of the Group are disclosed in Note 5.1 and 6.1 to the Financial Statements.

1.3 Parent enterprise and ultimate parent enterprise

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

The Group’s ultimate controlling party is Mr. K.D.D. Perera.

1.4 Date of authorisation for issue

The Financial Statement of Lanka Tiles PLC and its Subsidiaries for year ended 31 March 2022 was authorised for issue in accordance with a resolution of the Board of Directors on 31 May 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.1.1 Basis of measurement

The financial statements of the Company and the Group have been prepared on a historical cost basis, other than for following assets measured at fair value.

1. Property, Plant and Equipment – Land and Buildings .
2. Investment properties

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

2.1.2 Statement of Compliance

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

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

2.1.3 Going concern

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

2.1.4 Comparative information

The accounting policies have been consistently applied by the Company and they are consistent with those used in the previous years. Previous year’s figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.1.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2022.

Subsidiaries and equity accounted investees are disclosed in Note 05 to 06 the Financial Statements.

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee
3. The ability to use its power over the investee to affect its returns

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired

or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Companies in the Group, the Group holdings in its subsidiary are given in Note 5.1 to the financial statements.

2.1.6 Equity accounted investees (Investment in associates)

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the group has significant influence. Under the associate is carried in the statement of Financial Position cost plus post acquisition changes in the Group' share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment

and is neither amortised nor individually tested for impairment. The Statement of profit or loss of income reflects the share of the results of operations the associate. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of changes in Equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the Statement of profit or loss. This s profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. The Financial Statement of the associate are prepared for the same reporting period as the Group.

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

2.2 Significant accounting judgments, estimates and assumptions

2.2.1 Judgements

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

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

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

2.2.2 Estimates and Assumptions

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

a) Defined benefit plans

The cost of defined benefit plan- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 14 for the assumptions used and the sensitivity thereon.

b) 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/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 7.1).



Notes to the Financial Statements

c) Fair value of Freehold Land and Buildings and Land classified as Investment properties

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

Fair value related disclosures for assets measured at fair value are summarised in the Note 3.3.1 and 3.6.1 to the financial statements.

d) Impairment of debtors

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns

(i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default

rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. (Note 8.1)

d) Impairment of Non-Financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When values in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign currency translation

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

2.3.2 Fair Value Measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarised in the 12.4 to the financial statements.

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

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

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

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

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

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

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

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

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

2.3.3 Taxation

Current taxes

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

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

Deferred taxation

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

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

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

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

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

Sales tax

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

recoverable and payable in respect of taxation authorities is included as a part of other receivables and other payables in the Statement of Financial Position.

2.3.4 Borrowing costs

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

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

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

2.3.5 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:-

Manufacturing goods

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



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work-in-progress

At actual cost

Trading goods

At purchase cost on first in first out basis

Consumable and spares

At actual cost on weighted average basis

Goods in transit

At actual cost

Raw materials

At purchase cost on weighted average cost basis.

2.3.6 Financial Instruments

Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9, are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that

do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent Measurement

The Group classifies all of these financial assets in the measurement category of financial assets at amortised cost.

a) Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, amounts due from related parties, short term investments, long term receivables and cash and cash equivalents.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

Derecognition

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

2.3.7 Property, plant and equipment

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

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

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

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

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

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

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the 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.

2.3.8 Intangible assets

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and related expenditure is reflected in the Statement of profit or loss in the year in which expenditure is incurred.

Useful economic lives, amortisation and impairment

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



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lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

The estimated useful life of assets are as follows:

Accounting Software 05 Years

2.3.9 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for consideration. To assess whether a contract conveys the right control the use of an identified asset, the Group consider whether;

- * The contracts involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- * The group has the right to obtain substantially all of the economic benefits of assets throughout the period of use.
- * The group has right to direct the use of the asset. The group has the right when it has decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either;

* The group has right to operate the asset; or

* The group designated the asset in a way that predetermines how and for what purpose it will be used.

a) Group as the Lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right of use assets representing the right of use the underlying assets.

b) Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and

equipment and are in the range of 1 to 5 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.2.2- Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the

lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 3.7).

(c) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The accounting policies applicable to the Group as a lessor in the comparative period were not difference from SLFRS 16.

2.3.10 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property. Investment Property is recognised if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

Subsequent measurement

The Group applies the Fair Value Model for Investment Properties in accordance with Sri Lanka Accounting Standard 40 (LKAS 40), - "Investment Property". Accordingly, land and buildings classified as Investment Properties are stated at Fair Value.

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

2.3.11 Provisions

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

2.3.12 Retirement benefit obligations

(a) Defined Benefit Plan – Gratuity

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

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Interest expense and the current service cost related to the liability is recognised in profit or loss and actuarial gain or loss is recognised in other comprehensive income.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2022.

Funding Arrangements

The Gratuity liability is not externally funded.

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

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and



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regulations. These are recognised as an expense in the statement of income as incurred.

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

2.3.13 Impairment of non-financial assets

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

2.3.14 Revenue recognition

Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items in Sri Lanka and overseas as detailed in Note. 17. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

Sale of goods - tiles and associated items

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the

customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognise the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

• Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

• Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customers. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is additional.

• Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

• Contract liabilities

A contract liability is the obligation to transfer goods to a customer for

which the company has received consideration from the customer. If a customer pays consideration before the company transfers goods to the customers, a contract liability is recognised when the payment is due. Contract liabilities are recognised as revenue when the company performs under the contracts.

Other Sources of Revenue

(a) Interest

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

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

(b) Dividends

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

(c) Rental income

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

(d) Other income

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the statement of total comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of

re-valued property, amount remaining in revaluation reserve relating to that asset is transferred directly to retained earnings.

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

2.4 Cash & cash equivalents

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

For the purpose of statement of cash flow, cash and cash equivalents consist of cash in hand, cash at bank deposits in bank net of outstanding bank overdrafts. Investments with short maturities are also treated as cash equivalents. Bank overdrafts are disclosed under interest bearing liabilities in the statement of financial position.

2.5 STANDARDS ISSUED BUT NOT EFFECTIVE AS AT 31 MARCH 2022

The amended standards that are issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. None of the above new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the group in the foreseeable future. The group intends to adopt these amended standards, if applicable when they become effective.

Amendments to SLFRS 3: Definition of a Business – Updating a reference to conceptual framework

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. IASB also add to SLFRS 3 a requirement that, for obligations

within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the

annual reporting period in which it first applies the amendments

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

LKAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41

The amendment applies prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted



Notes to the Financial Statements

3. PROPERTY, PLANT & EQUIPMENT

3.1 Property, Plant & Equipment

GROUP/COMPANY

	Balance as at 01.04.2021	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Carrying Amounts					
At Cost					
Plant and Machinery	5,471,014	247,326	-	(71,706)	5,646,634
Water Supply, Electricity Distribution Scheme	469,528	11,897	-	(776)	480,649
Tools, Implements, Furniture & Fittings and Electrical Appliances	533,534	93,065	-	(445)	626,154
Transport & Communication Equipment	150,337	1,063	-	(778)	150,622
	6,624,413	353,351	-	(73,705)	6,904,059
At Valuation					
Freehold Land	1,339,981	3,097	-	(42,900)	1,300,178
Buildings	1,432,573	13,032	-	-	1,445,605
	2,772,554	16,129	-	(42,900)	2,745,783
In the Course of Construction					
Capital Work In Progress Building & Others	83,742	275,520	-	(35,252)	324,010
	83,742	275,520	-	(35,252)	324,010
Total	9,480,709	645,000	-	(151,857)	9,973,852

	Balance as at 01.04.2021	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation					
At Cost					
Buildings	-	36,482	-	-	36,482
Plant and Machinery	2,415,044	294,002	-	(35,370)	2,673,676
Water Supply, Electricity Distribution Scheme	267,336	29,690	-	(697)	296,329
Tools, Implements, Furniture & Fittings and Electrical Appliances	327,250	64,963	-	(445)	391,768
Transport & Communication Equipment	97,191	7,978	-	(751)	104,418
Total	3,106,821	433,115	-	(37,263)	3,502,673

3.2 Net Book Value of Assets

As at 31 March	Group/Company	
	2022	2021
	Rs.'000	Rs.'000
At Valuation		
Freehold Land	1,300,178	1,339,981
Buildings	1,409,123	1,432,573
At Cost		
Plant and Machinery	2,972,958	3,055,970
Water Supply, Electricity Distribution Scheme	184,320	202,192
Tools, Implements, Furniture & Fittings and Electrical Appliances	234,386	206,284
Transport & Communication Equipment	46,204	53,146
	6,147,169	6,290,146
Capital Work in Progress	324,010	83,742
Total	6,471,179	6,373,888

3.2.1 Carrying amounts of Land and Building that would have been recognised has the assets been carried under the cost model.

As at 31 March 2022	Cost	Net Book Value
	Rs 000	Rs.'000
Land	527,912	527,912
Building	1,303,531	1,066,230

3.3 Assets At Valuation

The following properties are revalued and recorded under freehold land and buildings. Fair Value measurement disclosure for revalued land based on unobservable inputs are as follows,

- Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level -2)
- Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).



Notes to the Financial Statements

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

3.3.1 The fair value of freehold lands and buildings were determined by means of a revaluation during the financial year 2020/21 in reference to market based evidence and the details of the valuations are indicated below,

Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000'
Factory Premises, Jaltara, Ranala - Land	28A-02R-32.69P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 50,000/- to 120,000/- per perch	517,878
Factory Premises, Jaltara, Ranala - Building	415,638 sq.ft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1000/- to Rs. 4250/- per sq.ft	1,191,022
Land Adjacent to the Factory Premises, Jaltara, Ranala - Land	08A-02R-08.56P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 120,000/- to 200,000/- per perch	203,001
Land Adjacent to the Factory Premises, Jaltara, Ranala - Building	25,604 sq.ft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1,200/- to Rs. 4500/- per sq.ft	49,099
Lanka Tiles Warehouse, Samurdhi Mawatha Biyagama - Land	02A-00R-15.93P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 1,000,000/- per perch	335,949
Lanka Tiles Warehouse, Samurdhi Mawatha Biyagama - Building	48,531 sq.ft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1500/- to Rs. 4000/- per sq.ft	192,451
Ball Clay Land Kalutara - Land	5A-01R-0.83P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 10,000/- per acre	53
Under Construction Show room , Nugegoda - Land	00A-00R-32.03P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 7,500,000/- per perch	240,200

Significant increases/(decrease) in estimated price per perch/per square foot in isolation would result in a significantly higher/ (lower) fair value

3.4 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 612 Mn (2020/21 - Rs.433 Mn). Cash payments amounting to Rs. 612 Mn (2020/21- Rs.433 Mn) were made during the year for purchase of Property, Plant and Equipment.

During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 700 Mn (2020/21 - Rs.434 Mn). Cash payments amounting to Rs. 700 Mn (2020/21- Rs.434 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.5 Property, plant and equipment of the Group / Company include fully depreciated assets in use as at 31st March 2022, the cost of which amounted to the Group / Company Rs. 1,274.9 Mn (2020/2021 - Rs.1,906.04 Mn).

Property, plant & equipment with a carrying value of Rs. 127 Mn (2021- Rs.127 Mn) for the Group / Company have been pledged as security for term loans obtained. The details are shown in Note 26 to the Financial Statements.

The Useful lives of the assets are estimated as follows ;

	2021/22	2020/21
Buildings	50 years	50 years
Plant & Machinery	12 - 20 years	12 - 20 years
Water Supply, Electricity Distribution Scheme	10 years	10 years
Tools, Implements, Furniture & Fittings and Electrical Appliances	02-05 years	02-05 years
Transport & Communication Equipment	03-05 years	03-05 years
Right of Use Assets	01- 05 years	01- 05 years

3.6 Investment property

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April	394,819	394,819	-	-
Development incurred	88,272	-	-	-
Balance as at 31st March	483,091	394,819	-	-

The group has leased out its land under cancellable operating lease arrangements to its affiliated company - LWL Development (Private) Limited. This property has been classified as investment property in accordance with LKAS 40 Investment Property ("LKAS 40"). The Group has initially accounted for the investment property at cost, and subsequently accounted for it under the fair value model.



Notes to the Financial Statements

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

3.6.1 The fair value of investment properties were determined by means of an independent revaluation carried out by B154 (Chartered valuation surveyors), during the financial year 2020/21 in reference to market based evidence and the details of the valuations are indicated below;

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

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

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

Group	Location	Extent	Valuation Date	Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000'
Beyond Paradise Collection Limited	Beyond Paradise Collection	48A-03R-17.9P	31 March 2021	FRT Valuation Services (Private) Limited	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Building	981.sq.ft	31 March 2021	FRT Valuation Services (Private) Limited	Contractor's method	Rs.4,000/- per sq.ft	3,924
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Building	981.sq.ft	31 March 2020	Mr. Ranjan J Samarakone	Contractor's method	Rs.4,000/- per sq.ft	3,924

Significant increases/(decrease) in estimated price per perch in isolation would result in a significantly higher/(lower) fair value.

Amounts recognised in profit or loss in relation to investment properties

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Rental income derived from investment Properties	1,200	1,200	-	-
Direct costs related to investment properties	(1,819)	(1,646)	-	-
	(619)	(446)	-	-

3.7 Right of use Assets

Right of Use Assets/Lease Liabilities

Set below, are the carrying amounts of the Group/Company's right of use assets and liabilities and the movements during the period.

	Group/Company	
	Building	Total
	Rs.'000	Rs.'000
Right of Use Asset		
As at 1 April 2021	63,878	63,878
Additions	39,121	39,121
Less: Depreciation Expense	(37,621)	(37,621)
As at 31 March 2022	65,378	65,378
Lease Liability		
As at 1 April 2021	68,519	68,519
Additions	39,121	39,121
Interest Expense	11,490	11,490
Less: Payments	(43,624)	(43,624)
As at 31 March 2022	75,506	75,506

The following are the amounts recognised in profit or loss:

	Group/Company	
	2022	2021
	Rs.'000	Rs.'000
Amortisation expense of right-of-use assets	37,621	37,622
Interest expense on lease liabilities	11,490	10,439
Expense relating to short-term leases (included in selling & distribution expenses)	31,467	24,624
Total amount recognised in profit or loss	80,578	72,685

	Group/Company	
	2022	2021
	Rs.'000	Rs.'000
Payable as follows :		
Payable within One Year	36,753	13,980
Payable within One to Five Years	38,753	54,539
Lease Liabilities as at 31st March	75,506	68,519



Notes to the Financial Statements

4. Intangible Assets

Software	Group/Company	
	2022	2021
	Rs.'000	Rs.'000
Balance as at 1 April	11,295	12,594
Additions	2,176	1,527
Amortisation charge	(4,501)	(2,826)
Balance as at 31 March	8,970	11,295
As at 31 March		
Cost	17,376	15,200
Accumulated amortisation	(8,406)	(3,905)
Balance as at 31 March	8,970	11,295

5. INVESTMENTS IN SUBSIDIARIES

COMPANY

a) Non-quoted	Holding %		Cost		Market Value/ Directors' Valuation*	
	2022	2021	2022	2022	2021	2021
LTL Development Limited	100.00	100.00	0.01	0.01	0.01	0.01
Beyond Paradise Collection Limited	100.00	100.00	264,000	0.01	0.01	0.01
Lankatiles (Pvt) Ltd (Foreign Subsidiary)	51.00	51.00	6,242	6,242	6,242	6,242
Total Non-quoted Investments in Subsidiaries			270,242	6,242	6,242	6,242

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

5.1 Details of those companies in which Lanka Tiles PLC, held a controlling interest, as at 31 March 2022 directly or indirectly (Group) are set out below:

Name of Company	Percentage of share holding in subsidiaries Group		Principal activities of the company	Auditors	Principal Place of Business	Country of Incorporation
	2022	2021				
1. Beyond Paradise Collection Limited	100.00	100.00	Property Holding Company	M/s. Ernst & Young	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
2. Lankatiles (Pvt) Ltd (Foreign Subsidiary)	51.00	51.00	Distribution of Tiles in India	M/s. K S Muralidhar	No 196 A1, Bommasandra Industrial Area, Bangalore	India
3. LTL Development Limited	100.00	100.00	Property Holding Company	M/s. Ernst & Young	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka

6. INVESTMENT IN ASSOCIATES (EQUITY ACCOUNTED INVESTEEES)

Company

	Holding Percentage		Cost	
	2022	2021	2022	2021
			Rs.'000	Rs.'000
Quoted Investment				
Swisstek Ceylon PLC	47.80	47.80	1,501,249	1,283,017
As at 31st March	47.80	47.80	1,501,249	1,283,017

Group

	Holding Percentage		Cost	
	2022	2021	2022	2021
			Rs.'000	Rs.'000
Quoted Investment				
Swisstek Ceylon PLC	47.80	47.80	1,501,249	1,283,017
Non-quoted Investment				
CP Holdings (Pvt) Ltd	24.63	24.63	62,179	56,667
As at 31st March			1,563,428	1,339,684



Notes to the Financial Statements

6. INVESTMENT IN ASSOCIATES (EQUITY ACCOUNTED INVESTEEES) (Contd.)

Movement in Associate - Swisstek Ceylon PLC	2022	2021
	Rs.'000	Rs.'000
As at beginning of the year	1,283,017	1,005,793
Share of results of associates	402,764	286,545
Dividends	(186,463)	(87,980)
Share of Other Comprehensive Income	1,931	78,659
At the end of the year	1,501,249	1,283,017
Movement in Associate - CP Holdings (Pvt)Ltd		
As at beginning of the year	56,667	-
Investment During the Year	-	56,667
Share of results of associates	2,589	-
Share of Other Comprehensive Income	2,923	-
At the end of the year	62,179	56,667

The Company holds 47.8% (2020/21 - 47.8%) ownership interest in Swisstek (Ceylon) PLC. The principal activities of Swisstek (Ceylon) PLC are manufacturing and selling of Tile Grout and Tile Mortar. Its subsidiary Swisstek Aluminium Limited manufacture and sells aluminium extrusions.

The market value of quoted associate investment as at date of last traded is Rs. 1,445,912,2390 (2021 –Rs. 1,413,199,440)

The Company's share of the results of the associates and its summarised financial information are as follows:

Swisstek Ceylon PLC

Summarised Statement of Financial Position	2022	2021
	Rs.'000	Rs.'000
As at 31 March		
Current Assets		
Cash and Cash equivalents	575,657	217,164
Other current assets	6,441,336	3,209,964
Total current assets	7,016,993	3,427,128
Non current assets	3,704,126	3,148,809
Current liabilities	6,427,060	3,044,591
Non current liabilities	934,253	650,418
Net Assets	3,359,806	2,880,928

Summarised Statement of Comprehensive Income

	2022	2021
	Rs.'000	Rs.'000
Revenue	9,534,324	5,393,229
Gross profit	2,123,220	1,506,959
Profit for the year		
Profit attributable to owners of the company for the year	842,603	599,466
Other comprehensive income attributable to owners of the company	4,040	164,559
% Interest held	47.8	47.8
Share of profit	402,764	286,545
Share of other comprehensive income	1,931	78,659

CP Holdings (pvt) Ltd**Summarised Statement of financial position**

	2022	2021
	Rs.'000	Rs.'000
As at 31 March		
Current assets	15,742	22,216
Non current assets	352,079	326,966
Current liabilities	1,282	9,323
Non current liabilities	4,302	-
Net Assets	362,237	339,859

Summarised Statement of comprehensive income

	2022	2021
	Rs.'000	Rs.'000
Revenue	-	-
Gross profit	-	-
Profit for the year		
Profit attributable to owners of the company for the year	10,512	-
Other comprehensive income attributable to owners of the company	11,867	-
% Interest held	24.6	-
Share of profit	2,589	-
Share of other comprehensive income	2,923	-

6.1 Details of those companies in which Lanka Tiles PLC, held as Associates as at 31 March 2022 directly or indirectly (Group) are set out below:

Name of Company	Principal activities of the company	Auditors	Principal Place of Business	Country of Incorporation
1. Swisstek Ceylon PLC	Manufacture and sale of tile grout and tile mortar.	M/s. KPMG	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
2. CP Holdings Private Limited	Property Holding Company	M/s. Ernst & Young	No 23, Nawala Road, Narahenpita, Colombo 05	Sri Lanka



Notes to the Financial Statements

7. INVENTORIES

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Raw materials	2,000,595	1,718,245
Work in progress	75,741	48,016
Finished goods	315,385	414,894
Trading Stocks	237,324	283,160
Provision for obsolete and slow moving stocks	(155,251)	(142,199)
Total	2,473,794	2,322,116

7.1 Provision for obsolete and slow moving stocks

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Provision as at 01 April	142,199	97,772
Charge during the year	13,052	44,427
Provision as at 31 March	155,251	142,199

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade debtors	595,338	686,546	595,338	686,546
Less: Allowances for doubtful debts	(23,308)	(20,708)	(23,308)	(20,708)
	572,030	665,838	572,030	665,838
Advance and prepayments	309,066	246,896	309,066	246,896
Other debtors	29,427	113,726	29,427	113,646
Total	910,523	1,026,460	910,523	1,026,380

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Allowances for doubtful debts		
Balance as at 1 April	20,708	15,308
Provided during the year	2,600	5,400
Balance as at 31 March	23,308	20,708

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

Group/Company

Group/Company	Past due but not impaired					Total
	Neither past due not impaired	< 3 Months	3- 12 Months	> 1 Year	Impaired	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
2022	510,755	13,774	45,292	2,209	23,308	595,338
2021	618,090	34,278	8,514	4,956	20,708	686,546

9. AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Walltiles PLC	Parent Company	-	43,646	-	43,646
Beyond Paradise Collection Ltd	Affiliated Company	-	-	3	175,680
Rocell Bathware Limited	Affiliated Company	913	913	1,566	913
Royal Ceramics Lanka PLC	Affiliated Company	6,083	-	6,083	-
LWL Development (Pvt) Ltd	Affiliated Company	7,113	341,727	513	336,327
LTL Developments (pvt) Ltd	Subsidiary company	-	-	57,003	55,277
Total		14,109	386,286	65,168	611,843



Notes to the Financial Statements

10. STATED CAPITAL - GROUP/COMPANY

10.1 Issued & fully paid

	2022		2021	
	Number	Rs.'000	Number	Rs.'000
Balance as at 01st April	265,252,050	900,968	53,050,410	900,968
Share Split	-	-	212,201,640	-
Balance as at 31st March	265,252,050	900,968	265,252,050	900,968

10.2 On 26 March 2021, the Company effected the sub-division of Ordinary Shares on the basis of a sub-division of every one (01) Ordinary Shares into five (05) Ordinary Shares, thus increasing the existing 53,050,410 issued Ordinary Shares of the Company to 265,252,050 Ordinary Shares.

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

11. RESERVES

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation reserve (11.1)	1,115,159	1,122,372	1,115,159	1,122,372
Amalgamation reserve	460,151	460,151	460,151	460,151
Exchange translation reserve	2,183	385	-	-
Total	1,577,493	1,582,908	1,575,310	1,582,523

11.1 Revaluation reserve

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
On: Property Plant & Equipment		
As at 01 April	1,122,372	730,515
Revaluation of freehold land and building net of deferred tax	(7,213)	391,857
As at 31 March	1,115,159	1,122,372

Amalgamation reserve resulted from amalgamation of two fully owned subsidiaries Lanka Tiles Trading (Private) Limited and Ceradec (Private) Limited on 19 December 2011 in terms of Section 242(1) of the Companies Act No 07 of 2007.

12. INTEREST BEARING LIABILITIES

	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Non Current		
Long term loans (Note 12.1)	666,667	916,667
Lease liability (Note 3.7)	38,753	54,539
Total	705,420	971,206
Current		
Long term loans (Note 12.1)	250,000	250,000
Lease liability (Note 3.7)	36,753	13,980
Short term loans	-	-
Bank overdrafts (25)	475,639	57,747
Total	762,392	321,727
Total	1,467,812	1,292,933

12.1 Long term loans

	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
As at 01st April	1,166,667	1,466,342
Loans obtained	-	-
Repayments	(250,000)	(299,675)
As at 31st March	916,667	1,166,667
Amount payable within 12 months	250,000	250,000
Amount payable after 12 months	666,667	916,667
Total	916,667	1,166,667



Notes to the Financial Statements

12. INTEREST BEARING LIABILITIES (Contd.)

12.2 Short term loans

	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
As at 01st April	-	1,241,398
Loans obtained	-	1,172,021
Repayments	-	(2,413,419)
As at 31st March	-	-

12.3 Details of long term loans of the Group / Company

Financial Institution	Repayment terms	Principal	Interest rate per annum	Security	Annual repayment	Balance as at 31.03.2022	Balance as at 31.03.2021
		Rs.'000			Rs.'000	Rs.'000	Rs.'000
Lanka Tiles PLC							
DFCC Bank	72 monthly instalment (12 month Grace period)	1,500,000	AWPLR+0.75%	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1,500 Mn	250,000	916,667	1,166,667
Company Total						916,667	1,166,667

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

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Group

	Carrying Amount		Fair value	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	601,457	779,564	601,457	779,564
Amounts Due From Related Parties	14,109	386,286	14,109	386,286
Cash and Cash Equivalents	4,936,501	2,329,621	4,936,501	2,329,621
Total	5,552,067	3,495,471	5,552,067	3,495,471
Financial Liabilities				
Trade and Other Payables	864,704	839,893	864,704	839,893
Contract Liability	90,233	27,024	90,233	27,024
Amounts due to related parties	232,352	121,465	232,352	121,465
Loans and Borrowings- Current	762,392	321,727	762,392	321,727
Loans and Borrowings- Non Current	705,420	971,206	705,420	971,206
Total	2,655,101	2,281,315	2,655,101	2,281,315

Company

	Carrying Amount		Fair value	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	601,457	779,484	601,457	779,484
Amounts due from related parties	65,168	611,843	65,168	611,843
Cash and cash equivalents	4,919,853	2,316,965	4,919,853	2,316,965
Total	5,586,478	3,708,292	5,586,478	3,708,292
Financial Liabilities				
Trade and Other Payables	864,704	839,893	864,704	839,893
Contract Liability	90,233	27,024	90,233	27,024
Amounts due to related parties	228,902	119,784	228,902	119,784
Loans and Borrowings- Current	762,392	321,727	762,392	321,727
Loans and Borrowings- Non Current	705,420	971,206	705,420	971,206
Total	2,651,651	2,279,634	2,651,651	2,279,634

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

Assets for which Fair Value Approximates Carrying Value

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

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



Notes to the Financial Statements

13. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April	781,531	824,689	740,486	776,804
Income/ (expense) arising during the year (Note 22.2)				
- Arising on During the Year Movement	118,354	154,097	105,754	160,937
- Due to Change in Tax Rates	-	(188,090)	-	(188,090)
Deferred tax release on components of other comprehensive income (Note 22.2)				
- Arising on During the Year Movement	7,556	67,823	7,556	52,432
- Due to Change in Tax Rates	-	(76,988)	-	(61,597)
As at 31 March	907,441	781,531	853,796	740,486
13.1 Statement of Financial Position				
Deferred Tax Liability				
Capital Allowances	601,163	516,055	547,522	522,896
Revaluation surplus	184,940	232,826	184,940	184,940
Undistributed Associate Profits	186,711	102,753	186,711	102,753
Deferred Tax Assets				
Retirement Benefit Liability	(29,097)	(37,734)	(29,097)	(37,734)
Lease Liability	(1,853)	(1,416)	(1,853)	(1,416)
Provision for Obsolete and Slow Moving, Consumables and Spares	(30,161)	(27,018)	(30,161)	(27,018)
Allowances for Doubtful Debts	(4,265)	(3,935)	(4,265)	(3,935)
	907,441	781,531	853,797	740,486
13.2 Statement of Comprehensive Income				
Deferred income tax reported in income statement				
Capital Allowances	37,225	(150,454)	24,625	(143,614)
Retirement Benefit Liability	1,081	15,582	1,081	15,582
Lease Liability	(437)	(2,583)	(437)	(2,583)
Provision for Obsolete and Slow Moving, Consumables and Spares	(3,143)	357	(3,143)	357
Provision for Undistributed Associate Retained Earnings	83,958	102,753	83,958	102,753
Allowances for Doubtful Debts	(330)	352	(330)	352
Deferred taxation charge/(reversal)	118,354	(33,993)	105,754	(27,153)
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	-	(6,694)	-	(6,694)
Retirement Benefit Liability	7,556	(2,471)	7,556	(2,471)
Income/ (expense) arising during the year (Note 22.2)	7,556	(9,165)	7,556	(9,165)

Deferred Tax has been computed using the liability method providing for temporary difference between the written down value of assets and liabilities for the financial reporting purpose and the amount used for taxation purpose at the effective tax rate of 18.3% (2021- 19%)

14. RETIREMENT BENEFIT LIABILITY

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
As at 01st April	198,598	181,034
Current service cost	10,216	14,214
Past Service Cost	(10,075)	-
Net interest on the net defined benefit liability (asset)	13,902	18,104
	14,043	32,318
Net Actuarial gain / loss for the year	(39,771)	13,005
Payments made during the Year	(13,871)	(27,759)
	(53,642)	(14,754)
As at 31st March	158,999	198,598

Group / Company

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

Sensitivity Analysis of Present Value of Defined Benefit Obligation (DBO)	2022	2021
	Rs.'000	Rs.'000
<u>Discount Rate as at 31 March</u>		
Effect of DBO due to decrease in the discount rate by 1%	(8,572)	(11,506)
Effect of DBO due to increase in the discount rate by 1%	7,734	10,184
<u>Salary Escalation Rate as at 31 March</u>		
Effect of DBO due to decrease in the salary escalation rate by 1%	8,606	10,538
Effect of DBO due to increase in the salary escalation rate by 1%	(9,145)	(11,661)

Group / Company

Distribution of present value of defined benefit obligation	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2022					
Defined Benefit Obligation	10,069	68,793	24,979	55,158	158,999



Notes to the Financial Statements

14. RETIREMENT BENEFIT LIABILITY (Contd.)

Lanka Tiles PLC the Group and the Company the defined benefit liability as of 31 March 2022 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

	2022	2021
Discount rate (per annum)	15.40%	7.00%
Salary scale (per annum) - Executives	14.00%	8.60%
- Non Executives	10.00%	10.00%
Retirement Age	60 Years	55 Years
Staff Turnover ratio	7% up to 54 years, thereafter 0%	8% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	5.85	5.76

15. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade creditors - other	585,852	678,523	585,852	678,523
- related parties [15.1]	278,852	161,370	278,852	161,370
	864,704	839,893	864,704	839,893
Sundry creditors including accrued expenses	684,192	790,155	684,066	788,180
Total	1,548,896	1,630,048	1,548,770	1,628,073

15.1 Trade creditors - related parties

Company	Relationship	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Swisstek Ceylon PLC	Associate Company	278,852	161,370	278,852	161,370
		278,852	161,370	278,852	161,370

15.2 Contract Liabilities

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
As at 31st March	90,233	27,024

The contract liability primarily relates to the advance consideration received from customers for Supply of Floor Tiles. This will be recognised as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

16. AMOUNTS DUE TO RELATED PARTIES

Current		GROUP		COMPANY	
		2022	2021	2022	2021
Company	Relationship	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Ceramic PLC	Affiliated Company	1,409	13,195	1,409	13,195
Royal Ceramics Lanka PLC	Affiliated Company	-	6,549	-	6,549
Swisstek Ceylon PLC	Associate Company	7,614	8,494	7,614	8,494
Uni Dil Packaging Limited	Affiliated Company	16,578	17,896	16,578	17,896
Swisstek Aluminium Limited	Associate Company	72,952	12,949	72,952	12,949
Vallibel One PLC	Ultimate Parent Company	53,110	60,701	53,110	60,701
Lanka Walltiles PLC	Parent Company	77,239	-	77,239	-
LWL Development (Private) Limited	Affiliated Company	3,450	1,681	-	-
		232,352	121,465	228,902	119,784



Notes to the Financial Statements

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31st March	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Sale of tiles & associated items		
Export sales	641,961	370,670
Local sales	13,949,659	12,255,815
	14,591,620	12,626,485
Turnover net of tax	14,591,620	12,626,485

17.1 Contract Balances

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables (Note 08)	910,523	1,026,460	910,523	1,026,380
Contract liability (Note 17.2)	90,233	27,024	90,233	27,024
	1,000,756	1,053,484	1,000,756	1,053,404

17.2 Contract Liability

As at 31st March	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
	90,233	27,024

The contract liability primarily relates to the advance consideration received from customers for Supply of Porcelain and Ceramic Floor tiles . This will be recognised as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

18. OTHER INCOME / (EXPENSES)

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Disposal Gain/(Loss) on property, plant and equipment	(31,814)	6,845	(31,814)	6,845
Sundry income	43,943	29,534	41,922	27,819
Exchange gain	84,312	7,960	84,312	7,960
	96,441	44,339	94,420	42,624

19. FINANCE COST

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Interest expense on overdrafts	2,547	26,304
Interest expense on bank loans	74,089	187,096
Finance charges on lease liabilities	11,490	10,439
	88,126	223,839

20. FINANCE INCOME

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Interest income	174,016	16,366
	174,016	16,366

21. PROFIT BEFORE TAX**Is stated after Charging /(Crediting)**

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in cost of sales				
Depreciation and Amortisation cost	409,322	398,944	409,322	398,944
Defined benefit plan costs - gratuity	9,898	22,781	9,898	22,781
Defined contribution plan costs - EPF & ETF	34,211	30,738	34,211	30,738
Other staff cost	892,610	671,836	892,610	671,836
Inventory written off and allowances	44,427	4,696	44,427	4,696
Included in administration expenses				
Depreciation and Amortisation cost	17,719	11,227	17,719	11,227
Defined benefit plan costs - gratuity	2,283	5,253	2,283	5,253
Defined contribution plan costs - EPF & ETF	11,516	10,164	11,516	10,164
Other staff cost	167,089	122,302	167,089	122,302
Audit Fee	1,168	1,063	968	918
Technical Fee	205,077	198,352	205,077	198,352
Inventory written off and allowances	-	39,731	-	39,731
Included in distribution cost				
Depreciation and Amortisation cost	10,281	9,598	10,281	39,731
Defined benefit plan costs - gratuity	1,862	4,284	1,862	4,284
Defined contribution plan costs - EPF & ETF	9,205	8,305	9,205	8,305
Other staff cost	154,723	114,514	154,723	114,514
Allowance for doubtful Debts	2,600	5,400	2,600	5,400



Notes to the Financial Statements

22. INCOME TAX EXPENSES

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

Year ended 31st March	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Current income tax				
Current income tax charge	796,105	435,888	795,937	435,662
Under/(over) provision of current taxes in respect of prior years	-	(6,966)	-	(6,966)
Tax effect on Inter company Dividends	12,233	8,845	12,233	8,845
	808,338	437,767	808,170	437,541
(b) Deferred income tax				
Deferred taxation charge/(reversal)	118,354	(33,993)	105,754	(27,153)
Income tax expense reported in the Income statement	926,692	403,774	913,924	410,388

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

Year ended 31st March	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accounting profit before income tax	5,037,008	2,854,668	5,034,784	2,855,063
Non deductible expenses	546,300	569,327	546,300	569,327
Deductible expenses	(1,059,993)	(1,063,116)	(1,059,993)	(1,063,116)
Total Statutory Income	4,523,315	2,360,879	4,521,091	2,361,274
Net Taxable profit	4,523,315	2,360,879	4,521,091	2,361,274
Taxable Profit	4,523,315	2,360,879	4,521,091	2,361,274
Net Taxable profit	4,523,315	2,360,879	4,521,091	2,361,274
Current income tax expense				
Taxation -14%	22,314	9,665	22,314	9,665
Taxation -18%	767,793	365,674	767,625	365,448
Taxation -24%	5,998	60,549	5,998	60,549
	796,105	435,888	795,937	435,662

Year ended 31st March	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred income tax reported in income statement				
Capital Allowances	37,225	(150,454)	24,626	(143,614)
Retirement Benefit Liability	1,081	15,582	1,081	15,582
Lease Liability	(437)	(2,583)	(437)	(2,583)
Provision for Obsolete and Slow Moving, Consumables and Spares	(3,143)	357	(3,143)	357
Provision for Undistributed Associate profits	83,958	102,753	83,958	102,753
Allowances for Doubtful Debts	(330)	352	(330)	352
Deferred taxation charge/(reversal)	118,354	(33,993)	105,754	(27,153)
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	-	(6,694)	-	(6,694)
Retirement Benefit Liability	7,556	(2,471)	7,556	(2,471)
	7,556	(9,165)	7,556	(9,165)
Effective Income Tax Rate	18.01%	14.14%	18.15%	14.37%

23. EARNINGS PER SHARE

23.1 Earnings per share - basic

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of Lanka Tiles PLC by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the basic earnings per share computations.

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amounts used as the numerator:				
Profit attributable to equity holders for basic earnings per share	4,110,139	2,450,773	4,120,860	2,444,675
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	265,252	265,252	265,252	265,252
Basic earning per share	15.50	9.24	15.54	9.22

Profit attributable to equity holders for basic earnings per share - from continuing operations

On 26 March 2021, the Company effected the sub-division of Ordinary Shares on the basis of a sub-division of every one (01) Ordinary Shares into five (05) Ordinary Shares, thus increasing the existing 53,050,410 issued Ordinary Shares of the Company to 265,252,050 Ordinary Shares.



Notes to the Financial Statements

24. DIVIDENDS PAID

	GROUP /COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Declared and paid during the year		
Equity dividends on ordinary shares :		
Final 2020/21 (Rs. 2.20 per share)	583,554	204,244
1st Interim 2021/22 (Rs. 3.00 per share)	795,756	652,520
2nd Interim 2021/22 (Rs. 1.80 per share)	477,453	-
	1,856,763	856,764
Dividend Payout Ratio(%)	45%	35%

25. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

Favourable cash & cash equivalents balance	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash & bank balances	4,936,501	2,329,621	4,919,853	2,316,965
Unfavourable cash & cash equivalent balances				
Bank overdrafts (Note 12)	(475,639)	(57,747)	(475,639)	(57,747)
Total cash and cash equivalents for the purpose of Statement of Cash Flows	4,460,862	2,271,874	4,444,214	2,259,218

26. ASSETS PLEDGED

Following Assets have been pledged as security for liabilities, in addition to the items disclosed in Note 12.3 to these financial statements.

Lanka Tiles PLC

Bank overdrafts and Short term loans are secured primarily on inventories.

Import Loans / Short term Loans - Commercial Bank PLC	Immovable Properties	Rs. 100,000,000
Import Loans / Short term Loans - Hatton National Bank PLC	Immovable Properties	Rs. 27,000,000

27. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

27.1 Company

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2022	2021	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 April	(17,055)	167,699	347,744	317,764	330,689	485,463
Purchase of raw materials	(4,265)	(9,728)	(1,511,863)	(870,801)	(1,516,128)	(880,529)
Sale of raw materials & spares	8,453	14,151	21,284	9,995	29,737	24,146
Settlements/(Recoveries) by the Company	197,227	155,543	883,982	889,539	1,081,209	1,045,082
Rent received/(paid)	(5,760)	(7,538)	(9,590)	(9,391)	(15,350)	(16,929)
Expenses apportioned	(89,166)	(48,448)	-	-	(89,166)	(48,448)
Commission on sales	-	-	(31,692)	(36,584)	(31,692)	(36,584)
Expenses incurred and transferred	(21,459)	(21,528)	10,702	1,552	(10,757)	(19,976)
Credit Cards Collected On Behalf Of Subsidiary	(8,688)	(74,408)	-	-	(8,688)	(74,408)
Cash/Goods in transit	-	-	-	67,092	-	67,092
Technical Fees	(189,637)	(192,798)	(22,803)	(21,422)	(212,440)	(214,220)
Balance as at 31 March	(130,350)	(17,055)	(312,236)	347,744	(442,586)	330,689
Included Under						
Trade and other payable	-	-	(278,852)	(161,370)	(278,852)	(161,370)
Amount due from related parties	-	43,646	65,168	568,197	65,168	611,843
Amount due to related parties	(130,350)	(60,701)	(98,552)	(59,083)	(228,902)	(119,784)
Balance as at 31 March	(130,350)	(17,055)	(312,236)	347,744	(442,586)	330,689



Notes to the Financial Statements

27. RELATED PARTY DISCLOSURES (Contd.)

The above subsidiaries and affiliates include following companies;

Company

- Royal Ceramics Lanka PLC
- Unidil Packaging (Private) Limited
- Swisstek Aluminum Limited
- Swisstek (Ceylon) PLC
- Rocell Bathware Limited
- LWL Development (Private) Limited
- Beyond Paradise Collection Limited
- Lankatiles (Private) Limited
- LTL Development (Private) Limited
- Lanka Ceramics PLC
- Hayleys Travels & Tours (Private) limited
- Hayleys Agriculture Holding Limited
- Hayleys Electronic Lighting (Private) Limited
- Hayleys Industrial Solutions (Private) Limited
- Delmage Freight Services (Private) Limited

Terms and conditions with related parties

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

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

Technical fees paid to Royal Ceramic Lanka PLC and Vallibel One PLC are for services rendered in providing technical advises to improve manufacturing process of Lanka Tiles PLC.

27.2 Group - Related Party Transactions

27.2.1 Lanka Tiles PLC

Name of the company	Relationship	Nature of the transaction	2022	2021
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Lanka Walltiles PLC	Parent	Raw materials	8,453	14,151
Rocell Bathware Ltd	Affiliated Company	Raw materials	1,938	534
		Spares	-	-
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	4,589	8,875
		Spares	3,957	586
		Packaging	10,800	-
(b) Purchase of goods/Services from:				
Lanka Walltiles PLC	Parent	Raw materials	2,678	616
		Consumables	1,588	9,113
		Services	-	-
Lanka Ceramic PLC	Affiliated Company	Raw materials	110,152	76,406
Swisstek Aluminum Ltd	Affiliated Company	Trading Items	209,012	76,446
Swisstek (Ceylon) PLC	Affiliated Company	Trading Items	962,995	586,400
		Sales Commission	31,692	36,584
		Reimbursement of Operational Expenses	5,994	5,495
Uni-Dil Packing (Pvt) Ltd	Affiliated Company	Packing Material	228,625	122,235
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	941	130
		Spares	17	107
		Consumables	121	7,695
		Technical fees	22,803	19,834
Vallibel One PLC	Affiliated Company	Technical fees	189,637	178,509
Heyleys Travels & Tours (Private) limited	Affiliated Company	Services	4,107	124
Heyleys Agriculture Holding Limited	Affiliated Company	Services	-	40
Heyleys Electronic Lighting (Private) Limited	Affiliated Company	Services	202	405
(c) Receipts of funds from:				
Lanka Walltiles PLC	Parent	Expenses Reimbursement : Settlement	109,934	95,768
		Raw Material Sale- Settlement	433	4,119
(d) Transfer of funds to:				
Lanka Walltiles PLC	Parent	Expenses Reimbursement : Settlement	129,468	144,504
		Raw Material Sale- Settlement	1,684	9,343
Swisstek (Ceylon) PLC	Affiliated Company	Settlement of Trading Items	845,513	493,954
LWL Development Ltd	Affiliated Company	Fund Transfer	20,438	3,483
LTL Development (Private) Limited	Subsidiary Company	Fund Transfer		55,110
(e) Expenses incurred and transferred to/(from)				
Lanka Walltiles PLC	Parent	- Administration expenses	34,423	84,988
		- Distribution expenses	109,562	129,596
Swisstek (Ceylon) PLC	Affiliated Company	- Administration expenses	14,389	8,229
Swisstek Alumimium Ltd	Affiliated Company	- Administration expenses	15,263	1,705
Beyond Paradise Collection Limited	Subsidiary Company	- Administration expenses	152	196
LTL Development (Private) Limited	Subsidiary Company	- Administration expenses	1,727	-
LWL Development (Private) Limited	Affiliated Company	- Administration expenses	1,696	1,129



Notes to the Financial Statements

27. RELATED PARTY DISCLOSURES (Contd.)

27.3 Transactions with key management personnel of the company

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

Key management personnel compensation

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Short Term Employment Benefits	77,978	54,028
Post Employment Benefits	31,571	27,698
	109,549	81,726

28. COMMITMENTS AND CONTINGENCIES

28.1 Capital commitments

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

Lease commitments

Lanka Tiles PLC is committed to pay Rs. 14,808,000/- as rent per month for the use of land & buildings situated in Nawala.

Corporate Guarantees

Lanka Tiles PLC has given a corporate guarantee to DFCC Bank PLC on behalf of Lanka Walltiles PLC to secure loan of Rs. 100 million with a tenor of 48 Months.

28.2 Contingencies

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

29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any companies that have earned a taxable income in excess of Rs. 2,000 million for the year of assessment 2020/2021. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7th April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at Rs. 603,921,994.00

Accordingly, the Group does not consider it practical to provide a quantitative estimate of the potential impact in the current context.

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 31 March 2022.

30. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

(i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

(ii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Foreign currency/ exchange risk

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

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

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

The Sri Lankan Rupee witnessed a sharp depreciation against the USD & Euro on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

Foreign currency sensitivity	Change in profit before tax		Change in profit before tax	
	Appreciation	Group/ Company	Depreciation	Group/ Company
		Rs.'000		Rs.'000
2022	5.0%	(6,104)	5.0%	6,104
	10.0%	(12,208)	10.0%	12,208
	15.0%	(18,313)	15.0%	18,313
	20.0%	(24,417)	20.0%	24,417
	25.0%	(30,521)	25.0%	30,521
	30.0%	(36,625)	30.0%	36,625
2021	5.0%	(8,707)	5.0%	8,707
	10.0%	(17,414)	10.0%	17,414
	15.0%	(26,121)	15.0%	26,121
	20.0%	(34,828)	20.0%	34,828
	25.0%	(43,535)	25.0%	43,535
	30.0%	(52,242)	30.0%	52,242



Notes to the Financial Statements

Cash flow and fair value interest rate risk

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

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

Interest rate sensitivity

	Change in profit before tax		Change in profit before tax	
	Increase %	Group/ Company	Decrease %	Group/ Company
		Rs.'000		Rs.'000
2022	0.5%	(7,234)	0.5%	7,234
	1.0%	(14,468)	1.0%	14,468
	1.5%	(21,703)	1.5%	21,703
	2.0%	(28,937)	2.0%	28,937
	2.5%	(36,171)	2.5%	36,171
	5.0%	(72,342)	5.0%	72,342
2021	0.5%	(6,465)	0.5%	6,465
	1.0%	(12,929)	1.0%	12,929
	1.5%	(19,394)	1.5%	19,394
	2.0%	(25,859)	2.0%	25,859
	2.5%	(32,323)	2.5%	32,323
	5.0%	(64,647)	5.0%	64,647

Credit risk

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

The group places its cash and cash equivalents with a number of creditworthy financial institutions. The group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the group is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. (Please refer Note 8.2 for ageing analysis of trade receivables)

Liquidity risk

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

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

30. FINANCIAL RISK MANAGEMENT (Contd.)

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

The Board together with the Management is focused on minimising the Liquidity risk and ensuring long term business continuity by critically analysing cash flow management in order to preserving and increasing liquidity.

Group

At 31 March 2022	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Rs. ('000)					
Interest Bearing Loans and Borrowings	544,274	217,163	298,806	565,104	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,639,129	-	-	-	-
Amounts due to related parties	232,352	-	-	-	-

At 31 March 2021	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Rs. ('000)					
Interest Bearing Loans and Borrowings	124,351	208,218	286,287	840,749	-
Lease Liability on Right of Use Assets	3,128	11,927	20,662	49,084	-
Trade and other payables	1,657,072	-	-	-	-
Amounts due to related parties	121,465	-	-	-	-

Company

At 31 March 2022	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Rs. ('000)					
Interest Bearing Loans and Borrowings	544,274	217,163	298,806	565,104	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,639,003	-	-	-	-
Amounts due to related parties	228,902	-	-	-	-



Notes to the Financial Statements

At 31 March 2022	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
Rs. ('000)					
Interest Bearing Loans and Borrowings	124,351	208,218	286,287	840,749	-
Lease Liability on Right of Use Assets	3,128	11,927	20,662	49,084	-
Trade and other payables	1,657,097	-	-	-	-
Amounts due to related parties	119,784	-	-	-	-

Capital management risk

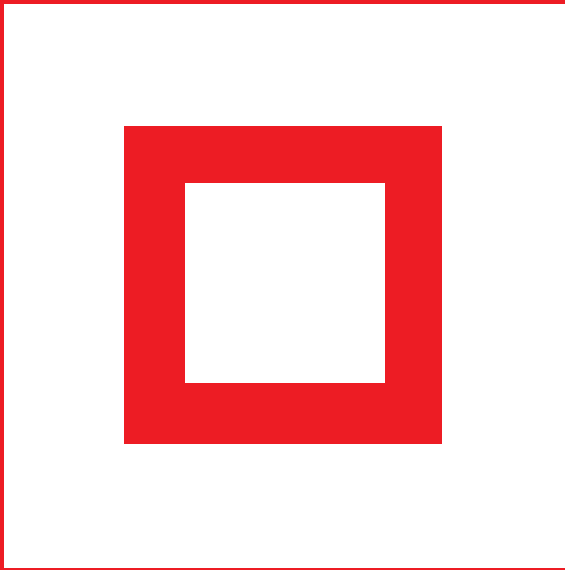
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

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

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

The gearing ratio as at 31 March is as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Borrowings	1,467,812	1,292,933	1,467,812	1,292,933
Total equity	12,227,418	9,933,274	12,044,022	9,745,779
Gearing ratio; Debt to Equity	12%	13%	12%	13%



Dedicated To Distinction

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Five Year Summary statement of Comprehensive Income

GROUP

Year ended 31st March	2018	2019	2020	2021	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	6,126,307	7,008,992	6,694,824	12,626,485	14,591,620
Operating profit	1,098,833	751,879	1,026,965	2,775,596	4,545,765
Finance income/(costs)	88,576	(14,161)	(334,292)	(207,473)	85,890
Share of results of associate-Net of Tax	165,383	7,888	82,602	286,545	405,353
Profit before income tax	1,352,792	745,606	775,275	2,854,668	5,037,008
Income tax expense	(348,795)	(217,594)	(193,330)	(403,774)	(926,692)
Profit for the year	1,003,997	528,012	581,945	2,450,894	4,110,316
Profit attributable to the equity holders of the Company	1,004,494	527,968	581,787	2,450,774	4,110,139
Dividends	(530,504)	(167,109)	-	(856,764)	(1,856,763)
Retained profit for the year	473,990	360,859	581,787	1,594,010	2,253,376
Earnings per share - basic (Rs)	3.79	1.99	2.19	9.24	15.50

COMPANY

Year ended 31st March	2018	2019	2020	2021	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	6,126,307	7,008,992	6,694,824	12,626,485	14,591,620
Operating profit	1,098,784	579,813	1,025,903	2,775,990	4,546,130
Finance income/(costs)	88,576	(14,161)	(334,292)	(207,473)	85,890
Share of results of associate-Net of Tax	165,383	7,888	82,602	286,545	402,764
Profit before income tax	1,352,743	573,540	774,213	2,855,062	5,034,784
Income tax expense	(348,721)	(169,925)	(193,316)	(410,388)	(913,924)
Profit for the year	1,004,022	403,615	580,897	2,444,675	4,120,860
Profit attributable to the equity holders of the Company	1,004,022	403,615	580,897	2,444,675	4,120,860
Dividends	(530,504)	(167,109)	-	(856,764)	(1,856,763)
Retained profit for the year	473,518	236,506	580,897	1,587,911	2,264,097
Adjusted earnings per share - basic (Rs)	3.79	1.52	2.19	9.22	15.54

Five Year Summary statement of Financial Position

As at 31st March	2018	2019	2020	2021	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3,855,576	5,743,130	5,974,804	6,373,888	6,471,179
Right of Use Assets	-	-	106,187	63,878	65,378
Intangible Assets	-	-	12,594	11,295	8,970
Investment in subsidiary	6,242	6,242	6,242	6,242	270,242
Investments in associates	933,633	923,924	1,005,793	1,283,017	1,501,249
Loan given to related companies	10,898	-	-	-	-
	4,806,349	6,673,296	7,105,620	7,738,320	8,317,018
Current assets					
Inventories	1,945,726	3,019,769	4,780,594	2,322,116	2,473,794
Trade and other receivables	1,514,996	1,801,542	1,702,492	1,638,223	975,691
Income tax assets	-	51,570	-	-	-
Cash and cash equivalents	433,975	132,717	64,953	2,316,965	4,919,853
	3,894,697	5,005,598	6,548,039	6,277,304	8,369,338
Total assets	8,701,046	11,678,894	13,653,659	14,015,624	16,686,356
EQUITY					
Capital and reserves					
Stated capital	900,968	900,968	900,968	900,968	900,968
Retained earnings	4,778,698	5,025,691	5,606,252	7,262,288	9,567,744
Revaluation reserve	730,515	730,515	730,515	1,122,372	1,115,159
Amalgamation reserve	460,151	460,151	460,151	460,151	460,151
	6,870,332	7,117,325	7,697,886	9,745,779	12,044,022
LIABILITIES					
Non-current liabilities					
Lease Liabilities	-	-	54,539	54,539	38,753
Borrowings	7,374	1,351,169	1,216,342	916,667	666,667
Deferred income tax liabilities	634,246	715,407	776,804	740,486	853,797
Defined benefit obligations	166,370	172,514	181,034	198,598	158,999
	807,990	2,239,090	2,228,719	1,910,290	1,718,216
Current liabilities					
Lease Liabilities	-	-	47,479	13,980	36,753
Trade and other payables	781,972	1,571,590	1,382,482	1,774,881	1,867,905
Current income tax liabilities	46,724	-	2,222	262,947	293,821
Borrowings	194,028	750,889	2,294,871	307,747	725,639
	1,022,724	2,322,479	3,727,054	2,359,555	2,924,118
Total liabilities	1,830,714	4,561,569	5,955,773	4,269,845	4,642,334
Total equity and liabilities	8,701,046	11,678,894	13,653,659	14,015,624	16,686,356



Shareholder Information

GROUP

Year ended 31st March	2018					2019					2020					2021					2022					
	Rs.'000					Rs.'000					Rs.'000					Rs.'000					Rs.'000					
Authorised share capital	(Rs.Mn)	500.0					500.0					500.0					500.0					500.0				
Stated capital	(Rs.Mn)	900.0					900.0					900.0					900.0					900.0				
Shares in issue (as at end of year)	(Mn)	53.05					53.05					53.05					265.25					265.25				
Shareholders																										
- Institutions	(Number)	140					137					172					244					355				
- Individuals	(Number)	1,595					1,625					2,084					3,083					4,277				
Total		1,735					1,762					2,256					3,327					4,632				
Shares held by																										
- Institutions	(%)	93.15					93.26					90.10					87.40					90.93				
- Individuals	(%)	6.86					6.74					9.89					12.60					9.07				
Total		100.01					100.00					99.99					100.00					100.00				

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2022

Size of shareholdings		Shareholders	Shares	Holdings
		Number	Number	%
		Rs.'000	Rs.'000	Rs.'000
1	- 1,000	2,783	839,821	0.32
1,001	- 10,000	1,353	5,122,949	1.93
10,001	- 100,000	423	12,619,813	4.76
100,001	- 1,000,000	60	14,514,782	5.47
Over	- 1,000,000	13	232,154,685	87.52
		4,632	265,252,050	100.00

Categories of shareholders

	No of Holders	No of Shares	%
Local Individuals	4,225	23,718,107	8.942
Local Institutions	344	238,369,253	89.865
Foreign Individuals	52	339,238	0.128
Foreign Institutions	11	2,825,452	1.065
	4,632	265,252,050	100.000

20 Major shareholders as at 31st March 2022

Name	No of Shares 31.03.2022		No of Shares 31.03.2021	
		%		%
1 Lanka Walltiles PLC	180,945,975	68.217	180,945,975	68.217
2 Employees Provident Fund	24,841,565	9.365	24,841,565	9.365
3 Royal Ceramics Lanka PLC	6,942,405	2.617	6,942,405	2.617
4 Seylan Bank PLC/Capital Trust Holdings Limited	3,029,535	1.142	-	-
5 Capital Trust Holdings Ltd	2,576,069	0.971	663,795	0.250
6 Amana Bank PLC/Mr. Mohamed Nayaz Deen	2,309,097	0.871	345,000	0.130
7 Mr A.A. Page	2,169,695	0.818	2,169,695	0.818
8 Mellon Bank N.A-Acadian Frontier Markets Equity Fund	2,154,177	0.812	-	-
9 Sampath Bank PLC/Mr. Gerard Shamil Niranjan Peiris & Mrs. Indrani Roshani Peiris	1,829,084	0.690	-	-
10 Mrs V. Saraswathi & Mr S. Vasudevan	1,825,631	0.688	1,015,000	0.383
11 Deutsche Bank Ag-National Equity Fund	1,362,775	0.514	1,005,775	0.379
12 Mr K.A.S.R. Nissanka	1,122,452	0.423	-	-
13 Employees Trust Fund Board	1,046,225	0.394	-	-
14 DFCC Bank Plc A/C No.02	721,393	0.272	-	-
15 Aruna Enterprises (Pvt) Limited	642,500	0.242	642,500	0.242
16 Mr M.M. Udeshi & Mrs A.A. Merchant	625,000	0.236	625,000	0.236
17 Acuity Partners (Pvt) Limited/Mr. Subramaniam Vasudevan	600,000	0.226	-	-
18 LOLC Finance PLC/Capital Trust Holdings Limited	587,027	0.221	-	-
19 Seylan Bank PLC/Mohamed Nayaz Deen	518,542	0.195	-	-
20 Hatton National Bank PLC/Capital Trust Properties (Pvt) Ltd	506,343	0.191	-	-
Sub Total	236,355,490	89.106	219,196,710	82.637
Other 4,612 Shareholders	28,896,560	10.894	46,055,340	17.363
Grand Total	265,252,050	100.00	265,252,050	100.00

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2022

Name of Director	No of Shares	%
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekara	-	-
Dr. S Selliah	-	-
Mr T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	0.005
Mr R D P Godawatta Arachchige (Alternative Director to Mr. Dhammika Perera)	-	-
Mr J A N R Adhihetty	-	-
Mr S M Liyanage	-	-
Mr S R Jayaweera	-	-
Mr J R Gunaratne	-	-

The fractional shares of 2,910 arising from the sub division of share were issued jointly in the names of Mr. J A P M Jayasekara and Mr. A A Page



Shareholder Information

SHARE PRICE FOR THE YEAR

Market price per share	As at 31/03/2022	As at 31/03/2021
Highest during the year	Rs. 127.50 (20-01-2022)	Rs. 342.00 (27-01-2021)
Lowest during the year	Rs. 38.00 (01-04-2021)	Rs. 50.00 (12-05-2020)
As at end of the year	Rs. 59.70 (31-03-2022)	Rs. 37.15* (26/03/2021)

*Closing share price of 31/03/2021 was arrived at by dividing the closing price as at 26th March 2021 by 5 to reflect the closing price of a sub divided share

Number of Transactions during the year	66,186
Number of Shares traded during the year	110,470,104
Value of shares traded during the year	Rs 7,755,017,927.10
Last traded price	Rs. 59.70

PUBLIC HOLDING

- The Percentage of shares held by the Public as at 31st March 2022 – 28.342%
- No of public shareholders representing the above percentage - 4,627
- The float adjusted market capitalisation as at 31st March 2022 is Rs. 4,488,160,330.50

The Float adjusted market capitalisation of the Company falls under Option 4 of Rule 7.14.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

Statement of Value Added

GRI 201-1

For the year ended 31st March	2018		2019		2020		2021		2022	
	Rs.'000	%	Rs.'000	%		%		%	Rs.'000	%
Sales	6,126,307		7,008,992		6,694,824		12,626,485		14,591,620	
Other income	19,447		25,328		26,833		42,624		94,420	
Less:										
Cost of materials & services bought in	(3,096,393)		(4,447,365)		(3,761,960)		(7,540,481)		(7,270,691)	
Value added	3,049,361		2,586,955		2,959,697		5,128,628		7,415,349	
Distribution of Value Added										
Employees as remuneration & welfare	630,588	20.68	588,870	22.76	719,188	24.30	1,017,259	19.83	1,315,973	17.75
Government as taxes	1,320,290	43.30	1,214,934	46.96	985,604	33.30	774,179	15.10	1,890,390	25.49
Lenders of capital as interest	23,492	0.77	40,740	1.57	316,693	10.70	223,839	4.36	88,126	1.19
Shareholders as dividends	530,504	17.40	167,109	6.46	-	-	856,764	16.71	1,856,764	25.04
Retained in the business as										
- Depreciation/deferred tax	236,352	7.75	346,685	13.40	440,154	14.87	393,526	7.67	572,123	7.72
- Profits	308,135	10.10	228,617	8.84	498,058	16.83	1,863,060	36.33	1,691,973	22.82
Total	3,049,361	100.0	2,586,955	100.0	2,959,697	100.0	5,128,628	100	7,415,349	100



GRI Index

GRI 102-55

General Disclosures		Relevant Section of the Annual Report	Page
GRI100	General Disclosures : core options		
	Organisational Profile		
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NAME OF THE COMPANY

Lanka Tiles PLC

LEGAL FORM

Public Limited Liability Company listed on the Colombo Stock Exchange. (Incorporated as a Private Limited Liability Company on 30th March 1984 under the Companies Act No. 17 of 1982 and converted to a Public Limited Liability Company on 07th August 1984.) The Company was re-registered under the New Companies Act No. 07 of 2007 on 19th March 2008. (Registration No. PQ 129)

DIRECTORS

Mr. Dhammika Perera (Chairman)
Mr. A M Weerasinghe (Deputy Chairman)
Mr. J A P M Jayasekera (Managing Director)
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. J A N R Adhietty
Mr. S M Liyanage
Mr. S R Jayaweera
Mr. J R Gunarathna
Mr. G A R D Prasanna
(Alternate Director to Mr. Dhammika Perera)

SECRETARIES

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

REGISTERED OFFICE

215, Nawala Road, Narahenpita, Colombo 05
Telephone : + 94 -11 - 2808050 / 2808001-3
Facsimile : + 94 -11 - 2806232
E-mail : info@lankatiles.com
Website : www.lankatiles.com

FACTORY

St. James Estate, Jaltara, Ranala
Telephone : + 94 - 11 - 2141055, 2141057, 2141819
Facsimile : + 94 - 11 - 2141045
E-mail : factory@lankatiles.com

BANKERS

Commercial Bank of Ceylon PLC
DFCC Bank
Bank of Ceylon
Hongkong & Shanghai Banking Corp. Limited
Hatton National Bank PLC
Sampath Bank PLC
Seylan Bank PLC

AUDITORS

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



Notes

A series of horizontal dotted lines for writing notes, spanning the width of the page.



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Eighth (38th) Annual General Meeting of Lanka Tiles PLC will be held by way of electronic means on the 29th day of June 2022 at 9.30 a.m centered at the Board Room of Royal Ceramic Lanka PLC, No.20, R A de Mel Mawatha, Colombo 03 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2022 and the Report of the Auditors thereon.
2. To re-elect Mr. K D G Gunaratne, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company
3. To re-elect Mr. Dhammika Perera, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. S M Liyanage, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
5. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine Donations for the ensuing year.

By Order of the Board
LANKA TILES PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
31st May 2022

Notes:

- 1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 215, Nawala Road, Narahenpita, Colombo 05, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

Form of Proxy

*I/We of

..... being a

*Shareholder /Shareholders of Lanka Tiles PLC, do hereby appoint of

..... or failing him/her

Mr. Dhammika Perera	of Colombo or failing him *
Mr. Amarakone Mudiyanse Weerasinghe	of Colombo or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	of Colombo or failing him*
Dr. Sivakumar Selliah	of Colombo or failing him*
Mr. Tharana Gangul Thoradeniya	of Colombo or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him*
Ms. Anjalie Maryanne Letitia Page	of Colombo or failing her*
Mr. John Amrith Nishan Ratnatunga Adhihetty	of Colombo or failing him*
Mr. Sameera Madushanka Liyanage	of Colombo or failing him*
Mr. Sanjeewa Renuka Jayaweera	of Colombo or failing him*
Mr. Jithendra Romesh Gunaratne	of Colombo or failing him*

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th June 2022 at 9.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1	To re-elect Mr. K D G Gunaratne, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr. Dhammika Perera who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Mr. S M Liyanage who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5	To authorise the Directors to determine donations for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Twenty Two.

.....
Signature

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



INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to tile.pwcs@gmail.com 48 hours before the time fixed for the meeting.

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215, Nawala Road, Narahenpita, Colombo 05, Sri Lanka.