



LANKA WALLTILES PLC
Annual Report 2021/22



Incremental
to exponential

Standing strong for 40 years in a dynamic business environment is not an easy task.

Yet our inherent qualities of agility and strength have served us well and not for the first time, we have overcome all obstacles to come through stronger than before. Today, as the leading manufacturer of tiles in the country, our portfolio of products exemplifies the value we create; strong and enduring.

Our strategies have always been designed for the long term, following a prudent policy of gradual business development supported by investments in new technology. Our agile strategy enabled us to seize unexpected opportunities and drive growth in this capital-intensive sector, leveraging on our portfolio of contemporary designs and formats.

This has given us courage to march forward confidently, strong in the knowledge that our strength of will and clarity of purpose will take us through every hindrance to find success, whatever we undertake to do.

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About the Report

GRI : 102-1,102-46,102-49,102-50,
102-51,102-52,102-53,102-54

We present the 5th Integrated Annual Report of Lanka Walltiles PLC, which complies with regulatory requirements and the International Integrated Reporting Framework (IR) and Global Reporting Initiative Standards.

Scope and Boundary

This report encompasses both the financial and non-financial performance of Lanka Walltiles PLC and its subsidiaries for the financial year ending 31st March 2022. There were no restatements of the information nor changes to our reporting period made during the year. The most recent annual report was for the twelve-month period ended 31st March 2021.

Assurance

Assurance has been provided by Ernst & Young on the Financial Statements including the Notes to the Accounts.

Guiding Principles and frameworks

Financial Reporting

Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (IRCSL)

Corporate Governance

- Code of Best Practices on Corporate Governance Issued by the Institute of Chartered Accountants of Sri Lanka
- Listing Rules of Colombo Stock Exchange

Integrated Reporting

- International Integrated Reporting Framework

Sustainable Reporting

- Global Reporting Initiative Sustainability Reporting Standards
- Sustainable Development Goals (SDGs) of United nations.

Reporting Principles



→ Strategic Focus and Future Orientation



→ Connectivity of Information



→ Stakeholder Relationships



→ Materiality



→ Conciseness



→ Assurance



→ Reliability and Completeness Orientation



→ Consistency and Comparability



Any Feedback to:

Mr. Tyrell Roche

General Manager (Finance)

Email: tyrell@lankatiles.com

Telephone : 011 4526700

About the Report

GRI : 102-2,102-46,102-49,102-50,102-51,102-52,102-53,102-54

Forward Looking Statements

Forward looking statements included in this report are based on opinions, forecasts and judgements which are associated with varying degrees of uncertainty as they relate to future events, outcomes and impacts which are beyond our control. They are included as we believe this information supports assessment of the future prospects of the Group. Every effort has been made to use reliable sources of information and sources are indicated where relevant. The Board and other preparers of the Annual Report provide this information without recourse or any liability whatsoever due to the relatively high levels of uncertainty regarding the complex combinations of variables and assumptions used to forecast the same and the uncertainties related to forecast external information used in internal forecasts.

Statement of the Board of Directors on the Integrated Annual Report

Management of the Lanka Walltiles PLC have prepared and reviewed the Integrated Annual Report which has been reviewed by the Board Audit Committee prior to submission to the Board for approval in accordance with the delegation of authority.

The Board acknowledges its responsibility to ensure that the Annual Integrated Report provides a balanced view of its performance for the year ended 31st March 2022 and is of the opinion that it addresses the material issues that may have a bearing on the Group's capacity to create value over the short term.

The report was unanimously approved by the Board on 31st May 2022 and is signed on its behalf by the following officials of the Company.

Dhammika Perera
Chairman

J. D. N. Kekulawala
Audit Committee Chairman

J. A. P. M. Jayasekera
Managing Director

Navigating Our Report

Capitals



Financial Capital



Human Capital



Manufactured Capital



Intellectual Capital



Social &
Relationship Capital



Natural Capital

Stakeholders



Customers



Employees



Investors



Business Partners



Government &
Regulators



Communities

About Us

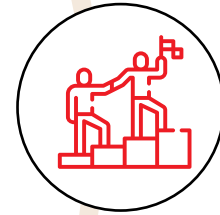
GRI : 102-16



Vision

Creating a fine art of living

Lanka Walltiles PLC is one of the Key players in the local tile manufacturing industry with a market share of over 40%. Our state-of-the-art manufacturing plants situated a in Meepe and Ranala boasts of certified systems and process that are on par with renowned tile manufacturers of the world. Our widespread distribution network has allowed us reach customers not only in Sri Lanka but also overseas. The Lanka Walltiles Group has diversified its earnings through strategic investments in aluminium, plantations and packaging. These subsidiaries are leading market contenders in their respective industries reinforcing the Group's strength and presence.



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

Business Segments

GRI : 102-5

Diversity of our Group is spread across 14 subsidiaries in 4 sectors. Being one of Sri Lanka's leading tile manufacturers, the Walltiles Group continued to be driven by Tiles and Associated products with a 60% to the Group's total revenue.



- Revenue
Rs.6,226 Mn
- PBT
Rs.713 Mn
- Assets
Rs.5,190 Mn
- Employees
519



Fine Living Redefined

- Revenue
Rs.23,752 Mn
- PBT
Rs.7,397 Mn
- Assets
Rs.29,046 Mn
- Employees
1,405



- Revenue
Rs.2,564 Mn
- PBT
Rs.67 Mn
- Assets
Rs.4,336 Mn
- Employees
4,186



- Revenue
Rs.7,315 Mn
- PBT
Rs.551 Mn
- Assets
Rs.7,522 Mn
- Employees
408

Tiles and Associated Products

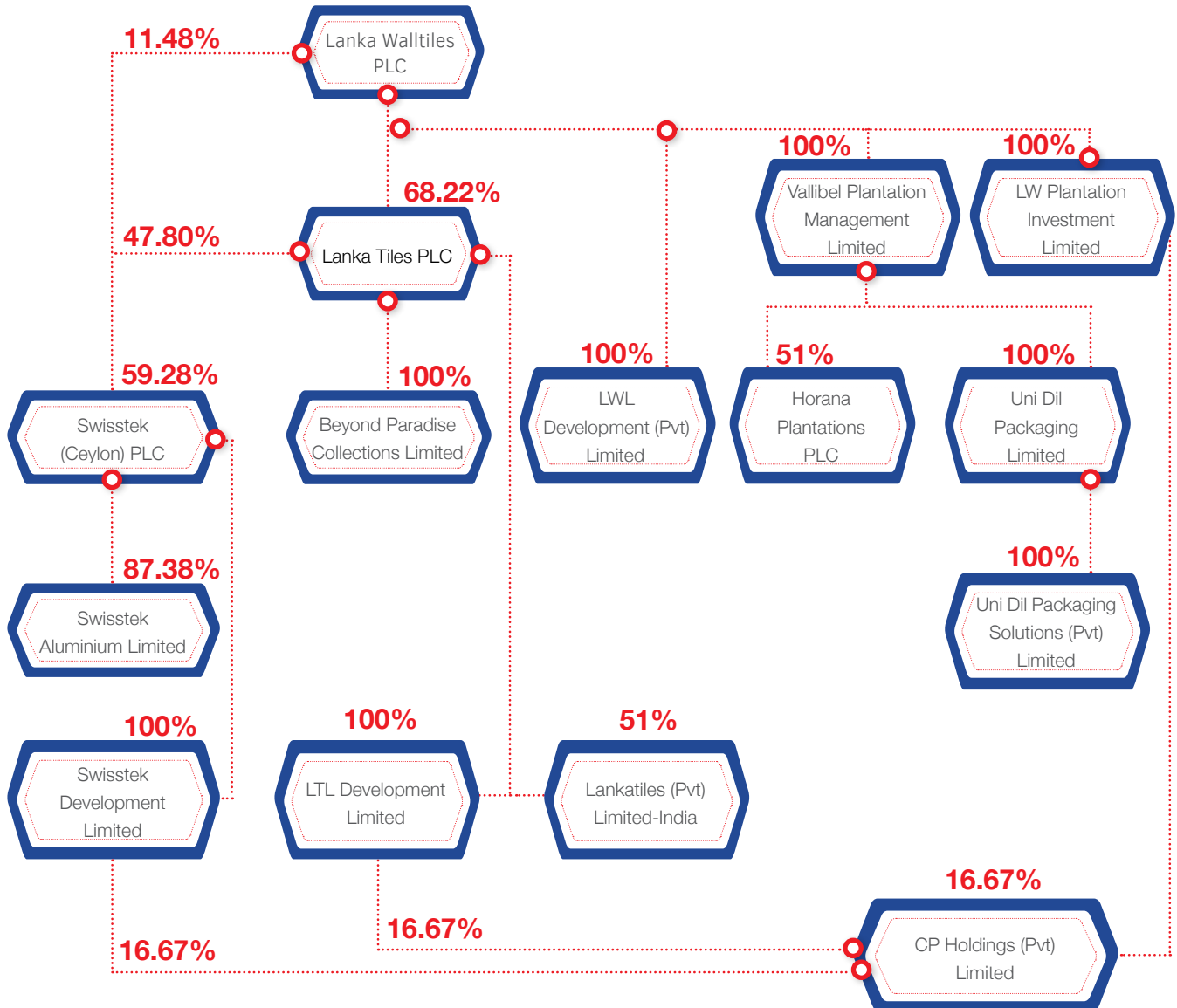
Packaging

Aluminium

Plantations

Group Structure

GRI : 102-45

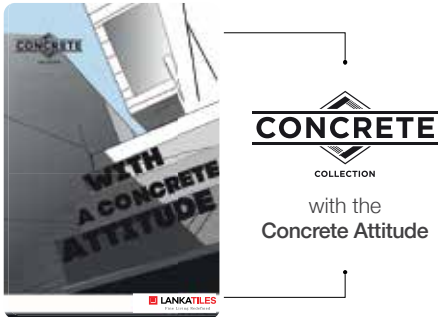


Product Portfolio

GRI : 102-2

Concrete

Solid Concrete Tile Collection



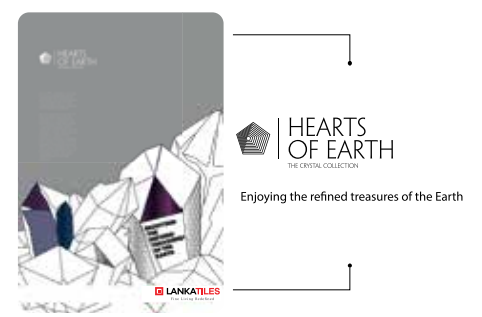
Xilosophy

the wood tile collection



Hearts of Earth

The crystal tile collection



Senses

Sense nature tile collection



Essential +

fine art tile collection



Majestica

finest finished, largest sized and porcelain tile collection



Mosaics

Mosaic modern and competitive tile collection



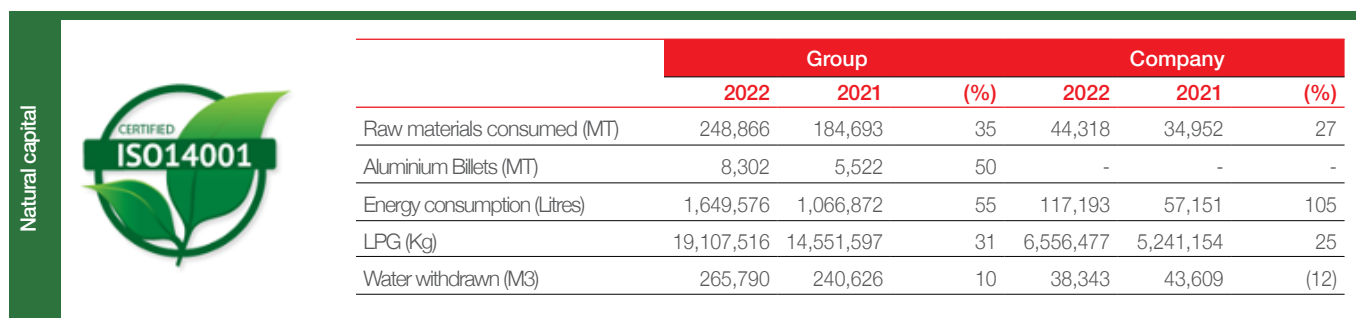
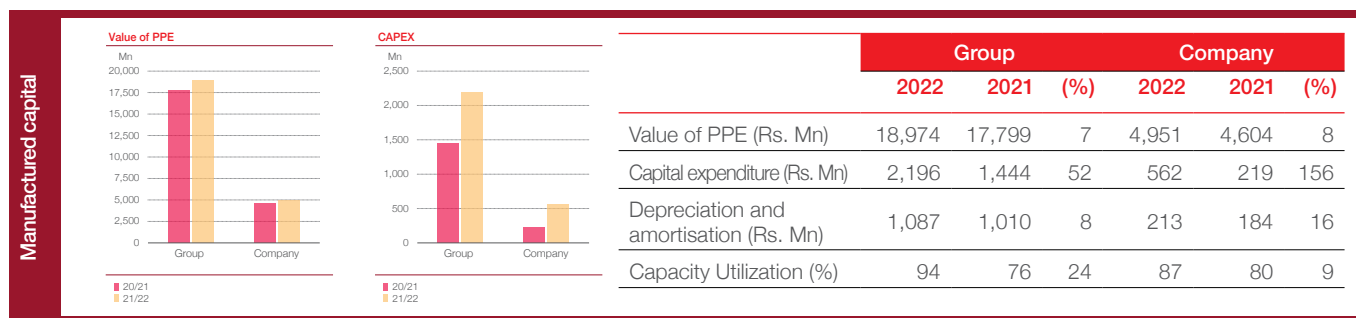
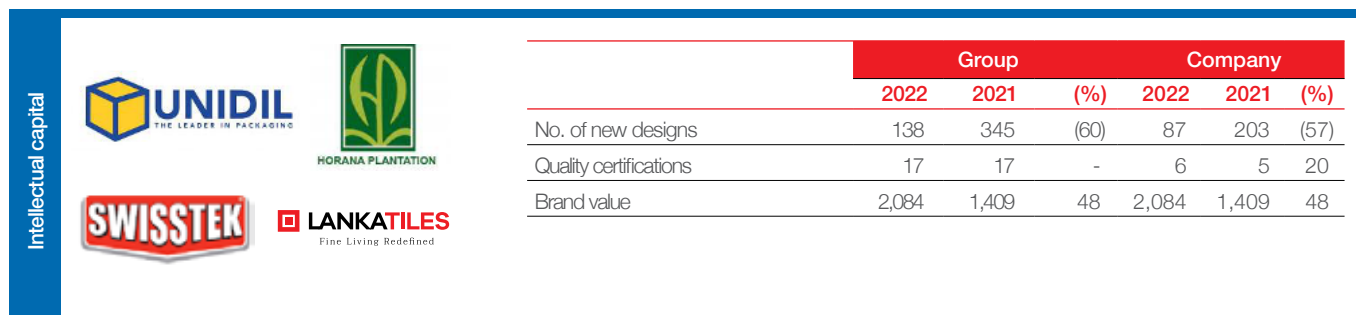
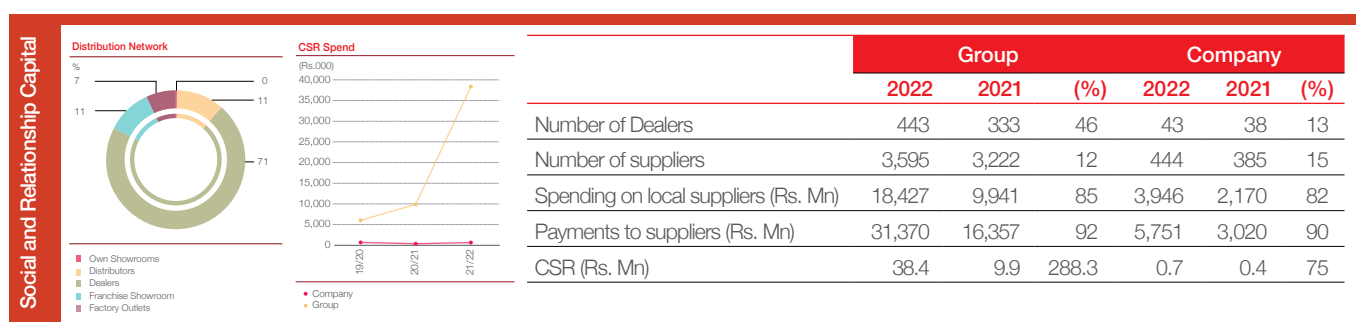
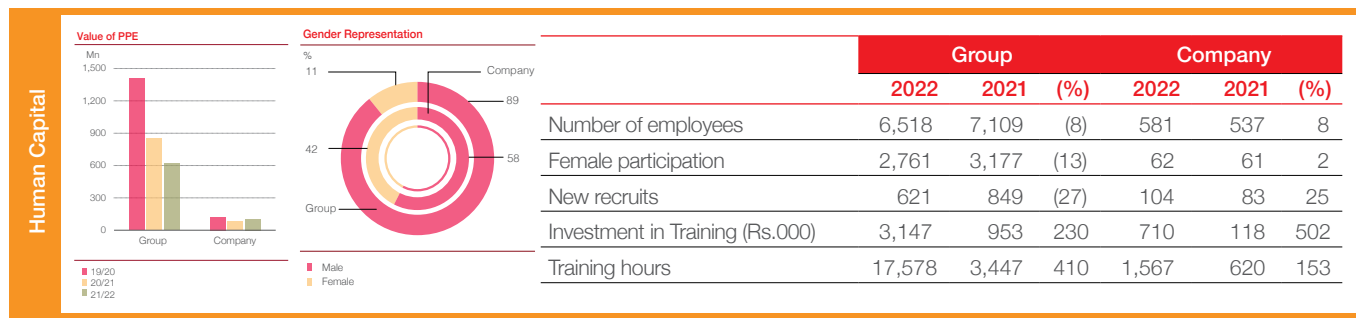
Performance Highlights

Financial Highlights

	Unit	Group			Company		
		2022	2021	Variance (%)	2022	2021	Variance (%)
Financial Performance							
Revenue	Rs.000	39,857,514	29,423,381	35	8,058,545	5,988,521	35
Gross Profits	Rs.000	13,407,882	9,236,033	45	3,285,647	2,066,437	59
Earnings Before Interest and Tax (EBIT)	Rs.000	9,011,505	5,331,516	69	3,687,513	1,886,469	96
Profit before tax	Rs.000	8,726,896	4,582,442	90	3,670,478	1,755,531	109
Profits after tax	Rs.000	6,882,081	4,013,420	71	3,082,980	1,617,518	91
Profits attributable to shareholders	Rs.000	5,140,630	2,960,211	74	3,082,980	1,617,518	91
Gross profit margin	%	34	31	7	41	35	18
Net profit margin	%	17	14	27	38	27	42
Return on assets (ROA)	%	16	12	33	31	19	62
Return on equity (ROE)	%	29	21	42	41	25	66
Interest cover	No of times	19	7	179	5	14	(67)
Financial Position							
Total assets	Rs.000	43,533,575	33,710,005	29	9,984,218	8,470,829	18
Capital expenditure	Rs.000	2,400,101	1,273,890	88	562,258	219,239	156
Interest bearing liabilities	Rs.000	10,520,383	6,541,664	61	292,594	236,109	24
Other liabilities	Rs.000	9,562,477	7,773,522	23	2,225,453	1,744,009	28
Shareholders' equity	Rs.000	17,817,130	14,571,215	22	7,466,171	6,490,713	15
Gearing: Debt/Equity	%	45	34	33	4	4	8
Net assets per share	Rs./share	65.26	53.37	22	27.35	23.78	15
Current ratio	No of times	1.5	1.6	(4)	1.9	2.2	(13)
Quick assets ratio	No of times	1.0	0.9	13	1.1	1.0	10
Shareholder Information							
No of shares in issue	No	273,000,000	273,000,000	-	273,000,000	273,000,000	-
Dividend per share	Rs./share	7.90	2.72	190	7.90	2.72	190
Earnings per share	Rs./share	18.83	10.84	74	11.29	5.92	91
Market capitalisation	Rs.000	19,028,100	10,292,100	85	19,028,100	10,292,100	85
Dividend payout ratio	%	42	25	68	70	46	52

Performance Highlights

Non-financial Highlights



Socio-Economic Impact



No Poverty

- Rs. 4,546 Mn paid as salaries
- 621 job opportunities
- Rs. 4,240 Mn paid to SMEs



Good Health & Well-being

- Safety committees in all factories
- Complying with all COVID related safety precautions



Quality Education

- Rs. 3 Mn investment in training and development
- CSR initiatives to improve school infrastructure
- Distribution of school supplies



Clean water and Sanitization

- Effluent water treatment plants
- 18% of wastewater recycled



Affordable and clean energy

- Installation of solar panels on factory rooftops
- Gradual shift towards renewable energy options



Decent work and economic growth

- Rs. 13,430 Mn direct economic value created



Industry, innovation and infrastructure

- Rs. 2,196 Mn CAPEX
- Rs. 46 Mn in research and development



Sustainable cities and communities

- Rs. 38 Mn CSR spend



Responsible consumption and production

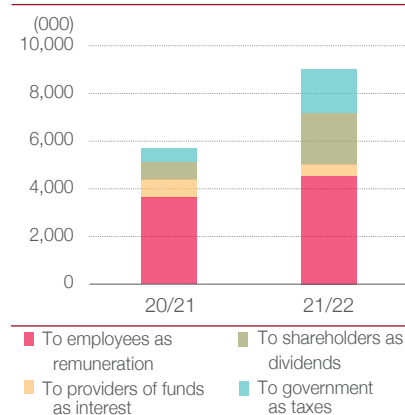
- Group wide TPM initiatives
- Continuous efforts to enhance productivity
- Energy saving initiatives



Partnerships for goals

- Positive relations with trade unions
- Industry collaborations

Value Distributed



GROUP

Value Generated

	2021/22 Rs.000	2020/21 Rs.000
Turnover	39,857,514	29,423,381
Other income	831,600	252,720
Cost of material and services purchased	(27,258,990)	(20,605,995)
Value Added	13,430,124	9,070,106

Value Distributed

	2021/22 Rs.000	2020/21 Rs.000
To employees as remuneration	4,545,637	3,625,222
To providers of funds as interest	473,901	769,888
To shareholders as dividends	2,156,700	742,560
To government as taxes	1,844,815	569,022

Chairman's Message



“ Lanka Walltiles Group has always valued its people, fully understanding that their efforts are a key determinant of our performance. It has led us to think beyond frameworks and certifications for employment, truly understanding what it takes to deliver employee well-being. ”

Dear Shareholders,

Our brand, LANKATILES, is the undisputed market leader and our brand value increased by 48% in the 2022, moving up 10 positions in the country's Most Valuable Brand Index to become one of the top 50 brands in the country. As we celebrate this achievement, we also need to understand what gets us here. A history of innovation, in step with evolving trends is perhaps our most visible reason. Looking beyond this, it is apparent that many other factors came together to support this. Creating a great place to work, continued investments in technology and manufacturing facilities, a commitment to quality and continuous improvement, customer centricity and financial resilience are key factors that underpinned our success.

These are the same factors that enabled us to deliver profit growth of 91% to Rs.3.08 Bn, recording the highest profit in our history for the second consecutive year. These same factors underpin Group performance as well with a 71% increase in post tax profits to Rs.6.88 Bn, making it the highest profit for the Group as well as Tiles sector contributed 84% to Group profits. These results reflect the holistic view of performance taken by an engaged and effective Board who are committed to careful allocation of finite resources, balancing stakeholder concerns.

Creating a great place to work

Lanka Walltiles Group has always valued its people, fully understanding that their efforts are a key determinant of our performance. It has led us to think beyond frameworks and certifications for employment, truly understanding what it takes to deliver employee well-being. Our programmes include not just technical training and development but also spirituality and mental health. When the pandemic sent all into nationwide lockdown and we were uncertain of when we could recommence operations, we committed to payment of salaries in full to all our employees, understanding the hardship they would experience if we didn't. As our performance improved, their bonuses and increments have been paid, ensuring that our path to prosperity is a shared one. Holistic care packages were

put in place for those diagnosed as positive along with support for the families. We are committed to our vision of a great place to work, one where diversity is celebrated and employees are inspired to come to work.

Vulnerabilities and Opportunities

2021 was a year of recovery as global output increased to 5.8% in 2021 albeit from a lower base after the contraction of 3.1% in 2020. Demand increased despite the impact of a prolonged pandemic, creating opportunities for growth. Vaccinations were rolled out and countries reopened borders for business and leisure travel. Oil prices increased by 67.3% while other commodity prices also increased by 26.8%, driving inflation. Economic recovery was divergent with the resilience of economies going into the pandemic and access to vaccines being critical factors that determined the path and pace of recovery.

Sri Lanka posted positive GDP growth of 3.7% in 2021 after negative growth of 3.6% in 2020, reflecting a fragile recovery as high levels of debt led to successive sovereign rating downgrades and depletion of the country's foreign reserves. Wide ranging import restrictions imposed with the onset of the pandemic continue in efforts to narrow the trade deficit. Foreign exchange liquidity was a key concern during the year as paucity of dollars made it extremely difficult to procure imported inputs required. Exchange rate volatility was also a key concern although the rate remained stable for 11 months through interventions by the Central Bank with a sharp devaluation of the rupee in March 2022 by 48% which was a shock to the system although anticipated.

High reliance on imports of fuel coupled with increasing oil and gas prices and losses of state-owned enterprises in the energy sector resulted in upward revision of fuel and gas prices during the year as well as power outages by March 2022. Inflation increased sharply in the second half of the financial year, moving up to 29.8% by April 2022, propelled by both food and non-food inflation. Consequently, disposable incomes declined creating significant economic hardship to people leading to social unrest, political

Rs. 39,858 Mn
of Group Revenue

Rs. 6,882 Mn
of Group Net Profit

6,518
of Group Employees

instability and the start of a difficult period for the country.

Interest rates which remained low in the first half due to the accommodative monetary policy stance adopted by the government, the second half saw the interest rates edge upwards. In April 2022, policy interest rates were increased by 700 bps as part of the corrective measures to support economic recovery.

Construction activity gained momentum during the year, particularly in housing as interest rates remained low, driving demand for tiles and accessories. However, significant cost increases on building materials may become a deterrent as disposable incomes decline. Demand was also strengthened by the absence of imported tiles and aluminium products in the market, which gave rise to unprecedented demand of our products.

Aligning our strategy

As in the previous year, the Tiles sector's mandate was to meet domestic demand for tiles and increase the value addition while maximising capacity utilisation and driving production efficiencies. This was achieved largely by a consolidation of the product

Chairman's Message

“ We will also continue to supply the domestic market through our consolidated network of showrooms, factory outlets and franchise partners. Innovation will be a defining factor and we are supported by a strong brand and market presence in driving growth. ”

portfolio with fewer changes in production runs and the introduction of mosaic tiles to the market. Unidil packaging coped with soaring raw material prices and foreign currency liquidity by increasing the value addition to customers, maximising production efficiencies and passing on price increases in raw materials. Plantations benefited from buoyant tea, rubber and palm oil prices although the ban on agrochemicals and fertiliser resulted in lower yields. The Aluminium sector's value addition and recycling strategies supported both top line growth and margin growth.

Tiles is the dominant sector which accounts for 61% of assets and 84% of earnings. The sector is made up of Lanka Walltiles and Lanka Tiles who are the main players in the sector while Swisstek produces the grout which is an associated item. Performance of the Aluminium sector which accounts for a further 17% of Assets is also dependent on the construction sector. Investment in the Plantations and Packaging sectors which account for the 10% of assets and 12% of earnings serve to diversify the Group, albeit to a limited extent.

Performance

Lanka Walltiles Group increased revenue by 35% to Rs.39.85 Bn largely due to revenue growth of the Aluminium and Packaging sectors which recorded revenue growth

of 88% and 53% respectively. It was also supported by the performance of the Tiles sector which accounted for 60% of revenue and recorded 23% growth. Notably, exports increased by 36% during the year to Rs.1,412 Mn compared to Rs.1,035 Mn in the previous year.

Increased value added products, high capacity utilisation, cost efficiencies and lower finance costs contributed to improved margins. Accordingly, the post-tax profits increased by 71% to Rs.6,882 Mn for the year ended 31st March 2022 which is also the highest profit achieved by the Group for the second consecutive year. It is notable that all sectors recorded revenue and profit growth despite the significant challenges of the year.

Total assets increased by 29% to Rs.43.53 Bn as cash and cash equivalents, receivables, inventories and property, plant and equipment increased significantly during the year. Equity increased by 21% to Rs.23,45 Bn accounting for 54% of the funding of the Group. A further 24% is funded by debt which increased by 61% to Rs.10.52 Bn. The Debt-to-equity ratio increased from 34% to 45% during the year as debt increased, reflecting a strong funding structure.

Value to Shareholders

The Group earnings per share increased by 74% moving up from Rs.10.84 in 2020/21 to Rs.18.83 in 2021/22. The earnings per share for the Company also moved up by 91% to Rs.11.29 per share. The subdivision of shares approved by the shareholders became effective on 1st April with each share being split into 5 shares. Consequently, the share price on 31st March 2021 which was 188.50 per share became Rs.37.70 on 1st April 2021. Since then, the share price has soared to Rs.69.70, during the year propelled by the stellar performance of the Group. Notably, the earnings per share of the Group is higher than the closing share price of the Group reflecting the exceptional value delivered to shareholders..

Lanka Walltiles paid two interim cash dividends in October 2021 and March 2022 amounting to Rs.4.80 per share, This was followed by a third cash dividend of Rs.2.90 per share, taking the total dividends paid to Rs.7.70 per share putting a total of Rs.2,102 Mn in the hands of the shareholders.

Governance Matters

The Board increased its vigilance as economic stress became more apparent, focusing on risk management to identify risks and implement strategies to manage the same. A high level of attention was given to oversight of performance, ensuring that the Board reviewed strengths from a holistic perspective rather than a purely monetary focus, ensuring the well-being of people, responsible procurement and financial resilience of the Group.

Integrating Sustainability

Economic, environmental and social aspects of performance are well integrated into the ethos of the Group, driven by the tone at the top. Reporting on sustainability matters for the 5th year, our systems for monitoring progress on non-financial indicators has improved considerably, supporting holistic decision making. Initiatives such as Total Productive Maintenance supported the integration of sustainability principles minimising waste, optimising efficiencies, ensures health and safety of the people and nurturing socially

and environmentally responsible cultures. Our commitment is affirmed by a range of certifications across the Group that also provide access to markets as customers seek to comply with the increasingly stringent regulation on environmental and social compliance. Importantly, sustainability viewed as a means of unlocking value throughout the Group rather than a drag on profits, reflecting the change in mindset that has taken place over the years, reinforcing our mantra that long term sustainability is synonymous with sustainable profitability.

Outlook

As we look forward to 2022, forecasts for global economic growth in 2022 have been revised downwards to recognise the potential impacts of the Russia-Ukraine war and the resultant sanctions. These include the significant pressure on the price of fuel and food as these two countries are large producers of oil and wheat, increasing pressures on food security and energy supply. The path to recovery has also been divergent with advanced countries recovering at a faster pace and becoming more resilient than the Emerging market economies.

In Sri Lanka, the unusually elevated levels of volatility, particularly in April 2022, increased the level of uncertainty in the outlook for 2022. However, we are cautiously optimistic that Sri Lanka will be on a path to recovery by the end of the year and that the current levels of volatility will stabilise by then.

Lanka Walltiles is aligning itself to the country's growth agenda and will redouble its efforts to increase exports. We will also continue to supply the domestic market through our consolidated network of showrooms, factory

outlets and franchise partners. Innovation will be a defining factor and we are supported by a strong brand and market presence in driving growth. The focus on stable funding and liquidity positions will continue as we navigate the uncertainty ahead to deliver growth and profitability.

Appreciation

Recording a second year of the highest profits is an exceptional achievement and I commend the leadership of Mr. Mahendra Jayasekera in motivating his team throughout a difficult year. I thank our employees for their commitment to high standards and efficiency that has supported the improved performance across the Board amidst personal and institutional challenges. I also acknowledge the role played by our business partners in delivering performance and thank them sincerely for their support.

I extend my appreciation of the valuable inputs of the Board members who have provided strategic direction to the Group with wisdom and responsibility. In conclusion, I thank our shareholders for continuing to be part of the Lanka Walltiles Group.



Dhammika Perera
Chairman

31st May 2022

Managing Director's Message

GRI : 102-14



“ Our brand is built on our corporate values of Quality, Style, Elegance and Value which has enabled us to be the preferred choice of Sri Lankans. An islandwide footprint ensures visibility with carefully planned showrooms, whether they are our own or those of franchisees. ”

I am pleased to report that Lanka Walltiles Group delivered a holistic performance, creating value for all our stakeholders and nurturing most of our capitals. The Group delivered its highest post tax profit of Rs.6.88 Bn for the second consecutive year, recording 71% growth over the previous year. Lanka Tiles, the brand under which the products of Lanka Walltiles and Lanka Tiles are marketed, moved up 10 places to become one of the Top 50 brands in the country. Importantly, Lanka Walltiles was certified as a Great Place to Work reflecting its strong employee value proposition as we sought to benchmark with international best practice. We were also able to increase our exports by 36% during the year, increasing valuable foreign exchange flows. These achievements reflect the holistic decision making that has been part of the ethos of the Group and a critical factor that underpins our success.

Building our brand

Our brand is built on our corporate values of Quality, Style, Elegance and Value which has enabled us to be the preferred choice of Sri Lankans. An island wide footprint ensures visibility with carefully planned showrooms, whether they are our own or those of franchisees. The layout, aesthetics and ambience of the showrooms give a consistent look and feel, evoking possibilities of lifestyles for our customers. Our staff and franchisee staff are trained in assisting customers, enhancing their experience in our showrooms while concept centres take the experience to the next level. These initiatives to ensure that our customers get a consistent experience have contributed significantly to the strength of our brand.

We also sought to engage potential customers virtually, conceptualising spaces to suit a variety of lifestyles and also offered design services serving to enhance and complement the experience at the showroom. A mobile app supported the experience including practical features such as the ability to find a tile in the area. We continue to innovate, introducing the latest design trends to discerning Sri Lankans who want style and elegance reflected in their spaces. This year we launched more mosaic designs following the launch of large format tiles last year. Quality is assured by the stringent

testing done at the plant and the certifications in place.

Value to customers is a strategic priority and we offer tiles at varying price points to meet the needs of all Sri Lankans. The large format tiles created significant price efficiencies per square foot for customers, combining style and affordability. Importantly, we adapted our channels to enhance the affordability, making older designs and lower grade tiles available at factory outlets for the more price conscious customer. We were also careful about printing the maximum retail price on the boxes in response to complaints that tiles were being sold above market prices in line with the Consumer Affairs Authority request. We were the only player to do so and we also ran campaign on social and print media to increase awareness among customers so they could ensure that they were charged the correct price.

All these initiatives supported building a brand that is relevant to a wide range of customers throughout the island, increasing the value of the brand by 48% to Rs.2,084 Mn to become the number one tile brand in the country. Its phenomenal performance over the past two years to climb 10 places to its current position amongst the Top 50 brands in the country, is testimony to the execution of the Group's brand strategy.

Pride & Credibility

Pride was the area of strength identified by the Great Place to Work survey at both Lanka Walltiles and Lanka Tiles. At Lanka Walltiles, employees felt positively about their work having special meaning and that it's not just a job while the strongest Workplace Health Indicator was "I want to work here for a long time". The sentiments were echoed at Lanka Tiles, the Group's largest subsidiary with employees feeling most positive about working for a long time and the strongest Workplace Health Indicator being "I am proud to tell others I work here."

Credibility was the area of strength at Swisstek Aluminium and Swisstek Ceylon PLC. Employees at Swisstek Ceylon felt positively about Management's actions matching its words while employees at Swisstek Aluminium felt that they could ask management any reasonable question

Rs. 8,059 Mn
of Company Revenue

Rs. 3,083 Mn
of Company Net Profit

581
of Company Employees

and get a straight answer which serve to strengthen credibility. Swisstek Ceylon employees looked forward to coming to work while the Swisstek Aluminium employees agreed that they wanted to work there for a long time which were the Workplace Health Indicators for these two subsidiaries.

These statements are testimony to the comprehensive human capital development strategies implemented and also a great source of pride for me and my leadership team that we were able to create a workplace where employees are proud to work while also endorsing credibility of the management. The results speak for themselves as we have delivered an all-round performance in a daunting year with challenges at both institutional and personal levels.

Focus on Quality, Expansion and Efficiency

With world class manufacturing facilities and certifications in place, we focused on further refining quality to drive minimisation of rejects, waste and increase the percentage of "A" grade tiles. Accordingly, we focused on improving our key performance indicators for quality assurance which were closely monitored during the year. We increased the mosaic tile capacity during the year which is a premium and popular product.

Managing Director's Message

We also commenced a project to increase Tile production at Lanka Walltiles factory to expand capacity from its current capacity of 11,500 square meters per day to 14,000 square meters per day. Cost of investment is estimated at Rs.3.5 Bn and we expect to complete this in the year ahead. However, we are struggling to open the necessary Letters of Credit due to the foreign exchange crisis.

Context to performance

We commenced the year with import restrictions in place to manage foreign exchange liquidity and anticipated exchange rate volatility as there were debt repayments falling due. The country's sovereign ratings were downgraded as a result and it became more difficult to find dollars for essential imports by the latter half of the year with increasing regulation over imports. The ban on imports of fertiliser and agrochemicals was a blow to the Plantation sector which recorded lower yields than anticipated as the weather was favourable despite measures taken to mitigate its impact. While the decision was reversed later in the year, the prices of urea had increased exponentially by then making chemical fertiliser extremely expensive. Consequently, the country needed to import rice and other food items to manage food shortages which are now threatening the country's food security.

The country's usable foreign exchange reserves declined to a mere US\$ 50 Mn and the currency devalued by 70% in just March and April 2022. Inflation increased in the latter half of the year to reach 33.8% as measured by the NCPI by April 2022, with food inflation soaring to 45.1% and Non-food inflation to 23.9%. Policy interest rates were increased by 700 bps as a corrective measure in April 2022 and the country defaulted on its debt repayments for the first time in its history, indicating the extent of reform needed to restore normalcy. The economic hardship faced by the people as a result of inflation and shortages of essentials is a critical factor that needs to be addressed urgently. Meanwhile, it is vital that we keep the wheels of the economy turning to earn the sorely needed foreign exchange and safeguard jobs and livelihoods until we have a clear way forward.

Demand was strong throughout the year as housing approvals and construction sector activity was buoyant. It was also supported by the import restrictions in place which

prevented an influx of inferior tiles. However, the foreign exchange liquidity crisis dampened production as we were unable to source the imported raw materials necessary for manufacture of tiles. Consequently, we were unable to meet the demand for tiles and the market has been in short supply.

We also faced cost increases as raw material prices increased in both local and overseas markets. Additionally LP Gas prices were also at an all-time high further impacting costs of production. This has been exacerbated by the rapid increases in the prices of fuel in April 2022 which will impact costs in the year that has commenced.

Performance

Lanka Walltiles PLC, the Company delivered top line growth of 36% to record Rs.8 Bn as revenue for the year 2021/22 supported by strong demand and collections to suit diverse lifestyles and price points. Profit after tax increased by 91% to Rs.3.08 Bn as gross margins increased and finance costs reduced. The increase in gross margins was mainly due to the introduction of higher value-added products and production efficiencies driven through Total Productive Maintenance initiatives. Taxation increased sharply by 326% to Rs.587 Mn as there was a sharp decrease in capital allowances claimed during the year.

The Lanka Walltiles Group delivered strong top line growth of 36% to record revenues of Rs.39.87 Bn with all sectors contributing double digit growth. Profit after tax increased

by 71% to Rs.6.88 Bn supported by gross margin growth across all sectors as they moved to higher value added products and focused on production efficiencies. Additionally, finance costs decreased significantly as the Group enjoyed a full year of low interest rates, although they climbed up in the second half. Tiles accounted for 84% of the Group's profit after tax with Packaging and Aluminium contributing 9% and 7% to the total.

Tiles - The Tiles sector revenue increased by 23% to Rs.23.75 Bn due to strong demand. Gross margins improved from 37% to 44% as increased capacity utilisation, production efficiencies and higher value added products cushioned the impact of increased raw material prices. It is a commendable achievement as the prices were maintained throughout the year without price increases, reflecting our commitment to add value to our customers. Other income increased from Rs.98 Mn to Rs.408 Mn due to exchange gains on the export earnings and dollar receivables and deposits. Accordingly, Profit after tax increased by 70% to Rs.5.80 Bn supported by reduced finance costs and exchange gains which cushioned the impact of the increased tax charge.

Aluminium - This sector delivered strong top line growth of 88% due to increased capacity and a sales mix that focused on value added products. Demand remained strong and the sector ventured into prefabricated door and window frames which provide cost effective alternatives for the construction sector.

“ As a Group, we will pursue export growth in alignment with the needs of the country. We will remain agile and flex our strategies as required although our medium term plans are drawn up including expansion plans to support export growth. ”

E-commerce also picked up for items such as ladders. Profit before tax increased by 23% to Rs.551 Mn as Distribution and Administration costs increased significantly, reducing margins although overall profit increased. Profit After tax increased by 33% to Rs.454 Mn as the tax charge declined, accounting for 7% of Group profit after tax, compared to 9% in the previous year.

Plantations – Buoyant tea and rubber prices supported top line growth of 21% despite the ban on agrochemicals and fertiliser during the year which affected yields. The sector was able to record a profit of Rs.28 Mn in 2021/22 compared to the loss of Rs.74 Mn due to the control over costs and improved gross margins.

Packaging – The Packaging sector recorded 55% top line growth to Rs. 6.6 Bn buoyed by strong demand, increased capacity and value addition as well as price increases necessitated by increased costs of raw materials. Gross margins decreased as the sector absorbed part of the increase of raw materials which masks the positive efficiencies in production. Stringent cost control curtailed increases in operating costs, supporting growth of operating margins. A significant decrease in costs enabled the company to record 83% growth on Profit After Tax to Rs.596 Mn.

Resilience & Growth

Growth during the year is reflected in the balance sheet as Total Assets increased by 29% to Rs.43.53 Bn. Property Plant and Equipment is the largest category of assets accounting for 44% and amounting to Rs.18.97 Bn reflecting the manufacturing orientation of the Group. Rs.2.4 Bn was invested in capital expenditure during the year evincing the commitment of the Group to upgrade technology. The working capital cycle expanded during the year as we increased stocks of raw materials and

Consumables and spares in anticipation of delays in procuring the same due to both the foreign exchange liquidity crisis and the supply chain disruptions experienced during the year. Accordingly, Inventories increased by 29% to Rs.8.39 Bn and Receivables increased by 59% to Rs.6.77 Bn. Non-current assets increased by 6% to Rs.20.9 Bn and Current Assets increased by 62% to Rs.22.6 Bn.

On the funding side, Equity increased by 21% to Rs.23 Bn as retained earnings increased to Rs.13.49 Bn. Debt increased by 61% to Rs.10.52 Bn which saw the debt : equity ratio move up to 45% by the close of the year, compared 34% in the previous year. The funding of the Group remains stable and resilient with ability to take in further debt if required.

Looking Ahead

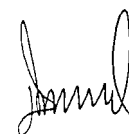
The country's outlook remains subdued and this year will be a setback. However, the negotiations with the IMF are reported to be moving positively and we are cautiously optimistic that the corrective actions implemented and proposed reforms will put the country back on a growth trajectory. We do expect things to get tougher before they get better and have geared up for uncertainty and volatility in the months ahead.

As a Group, we will pursue export growth in alignment with the needs of the country. We will remain agile and flex our strategies as required although our medium term plans are drawn up including expansion plans to support export growth. It is necessary to take simultaneously a long-term view as well as a short term view at this time, positioning ourselves for sustainable growth. We expect inflationary pressure to have some impact on demand and wage pressures during the year and also the exchange volatility to abate and stabilise on realisation of support from IMF. Supply chain challenges and forecasted oil

price increases will exert pressure on margins as well. Sound governance will be key to risk management, performance oversight, and setting the strategic direction for the Group as the country recalibrates its economic goals.

Appreciations

I wish to commend the leadership of the Group companies who have motivated and inspired their teams to achieve the results set out in this annual report. I also thank every one of the employees in the Group who made the magic happen by fulfilling their roles and performing their parts with responsibility. I wish to thank the Board and the Chairman for their objective views and comments that have enriched the decision making processes. I thank our business partners and suppliers for playing their part in a reliable manner. In closing, I thank our shareholders who have demonstrated their confidence in the Group, motivating us to set a new bar for performance each year.



J A P M Jayasekera
Managing Director

31st May 2022

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

Mr. 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

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.

Board of Directors



MS. A M L PAGE
Director

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

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



MR. R N SOMARATNE
Director

Mr Nandajith Somarathe currently serves as a Director of Lanka Walltiles PLC and, Hayleys Fabrics PLC Mr Somaratne is currently employed in the capacity of Director - Manufacturing for Royal Ceramics Group, and responsible for the manufacturing operation of the group.

He has served in Ansell Lanka (Pvt) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr Somaratne counts more than 30 years of experience in the manufacturing field and was leading all major expansion projects in the group. He is an expert in manufacturing and technology with vast experience in the field with sound academic background.

Mr Somaratne holds an MBA from the University of Colombo, a Post Graduate Diploma in Industrial Engineering from NIBM and a B.Sc. in Physical Science from the University of Peradeniya. He also possesses a Post Graduate Diploma in Business Finance and Strategy from the Business School of CA Sri Lanka.

He has undergone several corporate leadership training programs including the Corporate Leadership Program conducted by HIDA, in Japan.



MR. J D NIHAL KEKULAWALA
Director

Mr. Kekulawala has held senior positions in the Hatton National Bank PLC including Chief Financial Officer, Senior Deputy General Manager Strategy and Compliance. He worked as the lead consultant responsible for commencing commercial banking operations in the Solomon Islands and also functioned as the inaugural CEO of the Bank.

Mr. Nihal Kekulawala is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Bankers in England. He holds a MBA from the University of Manchester.



MR. S M LIYANAGE

Director

Mr. Liyanage is a respected professional with over 10 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 a 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 Ceramic Lanka PLC, Lanka Walltiles PLC, Lanka Tiles 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. Jayaweera was appointed to the Board of Lanka Walltiles 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 Tiles PLC, Royal Ceramics PLC and Delmage Ltd.

Corporate Management



MAHENDRA JAYASEKERA

Managing Director



NANDAJITH SOMARATNE

Director - Manufacturing



SHIRLEY MAHENDRA

Director - Group Marketing



TYRELL ROCHE

General Manager (Finance)



NIHAL KUMARASINGHE

Assistant General Manager (Technical)



STANLEY YALEGAMA

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



KAPILA RANATUNGA

Group Commercial Manager

Incremental

to exponential



THE STRATEGIC REPORT |



Our Strategy

Business strategy was adjusted to face the adverse economic conditions that are prevailing in the country. We continued to dominate the domestic tile market despite challenges caused by the lack of foreign reserves in the country which led to shortage of fuel and difficulty in sourcing raw materials on time.

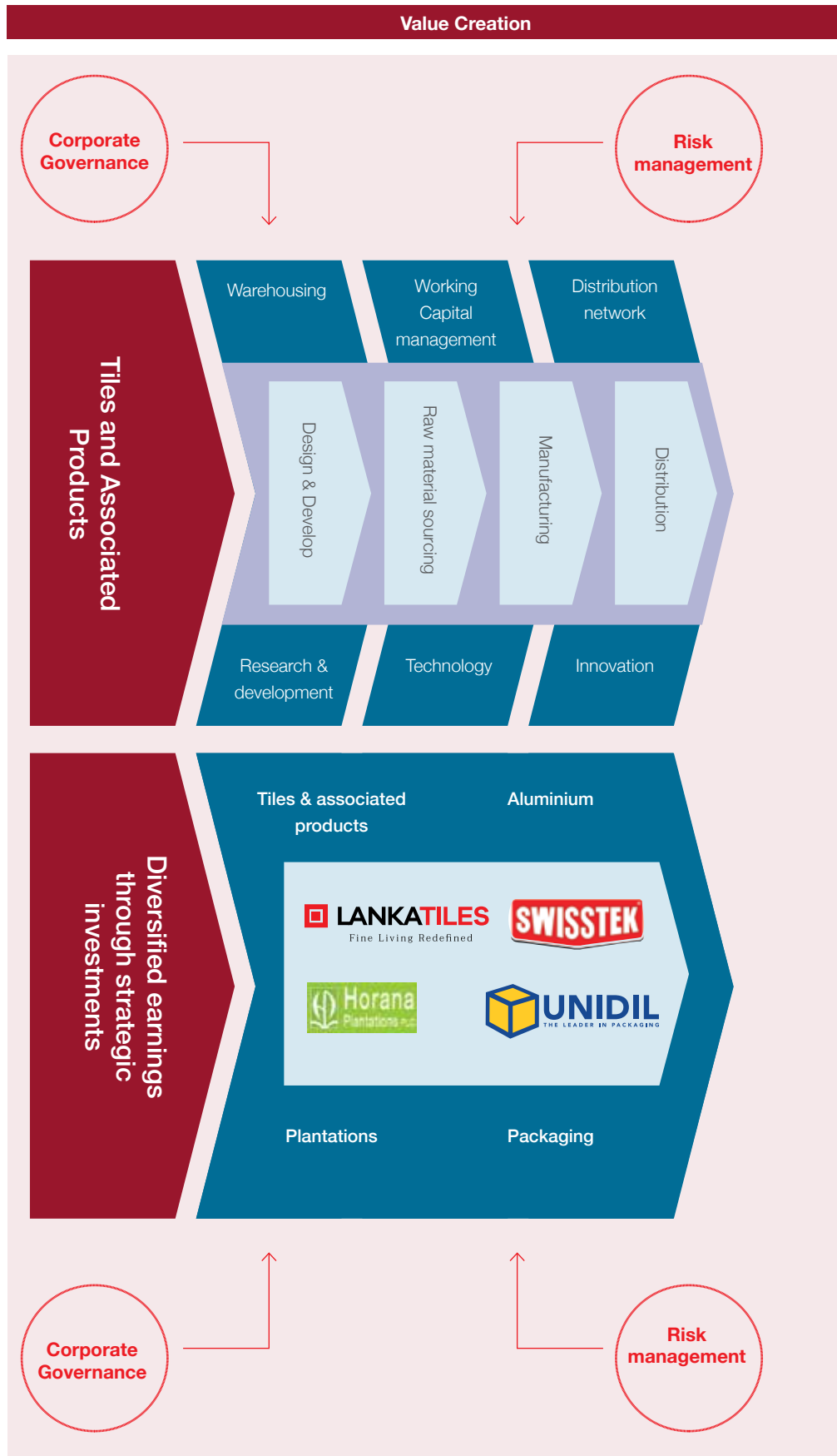


Value Creation

GRI : 102-11

Inputs

- 
Financial Capital
 - Total Assets Rs. 43,534 Mn
 - Total Equity Rs. 23,451Mn
- 
Manufactured Capital
 - 2 Tile manufacturing plants
 - 1 tile grout factory
 - 1 packaging plant
 - 7 tea factory
 - 2 rubber factories
 - 1 aluminium excursion plants
- 
Social and Relationship Capital
 - 2,851 local suppliers
 - 744 overseas suppliers
 - 4,171 Tiler club members
 - Community
- 
Human Capital
 - 6,518 employees
- 
Intellectual Capital
 - Robust systems and processes
 - Brand Value of Rs. 2,084 Mn
- 
Natural Capital
 - 9 tea estates
 - 5 rubber estates
 - 248,866Mt of material consumption
 - 244,907,932 Litres of water



Outputs



Tiles and Associated Products

- 8,045,024 SQM of tiles
- 1363 MT of grouts
- 52,200 MT of motor



Plantations

- 2830 MT of tea
- 626 MT of rubber



Aluminium

- 6,886 MT of aluminium products
- Packaging



Packaging

- 27,351 MT of corrugated cartons
- 3,184 MT of paper sacks

Outcome



Economic

- Economic value added by the Group Rs. 13,430Mn Mn.
- Direct tax payments of Rs. 1,438 Mn.



Environmental

- Reforestation
- 46,925 MT of waste discharged
- 127,035,320 litres of water discharged
- 583,774 kwh of renewable energy



Social

- Direct and indirect employment opportunities
- Community development initiatives

Value Delivered



Shareholders

Earnings per Share of
Rs. 18.83

Dividend per Share of
Rs. 6.2



Employees

Employee remuneration of
Rs.4,405 Mn

Rs. 3.1 Mn investment in
training and development

Job security

Healthy and safe
workplace

An inclusive workplace



Customers

Delivery of high quality,
innovative products

Customer support



Suppliers

Rs. 18,427 Mn payments
to local suppliers

Rs. 12,943 Mn payments
to overseas suppliers



Communities

Recruitment of 621 new
employees

CSR spend of Rs. 38 Mn



Government

Direct Tax payments of
Rs.1,438 Mn

Stakeholder Engagement

GRI : 102-40,102-42,102-43

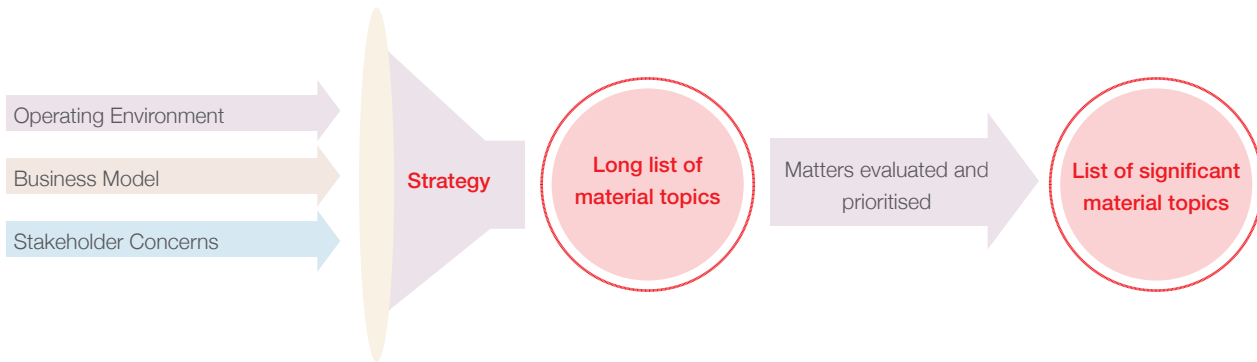
Meeting stakeholder expectations while maintaining mutually beneficial relationships is key for our business sustainability. The below table illustrates the engagement mechanisms used by Lanka Walltiles Group to effectively manage key stakeholder expectations.



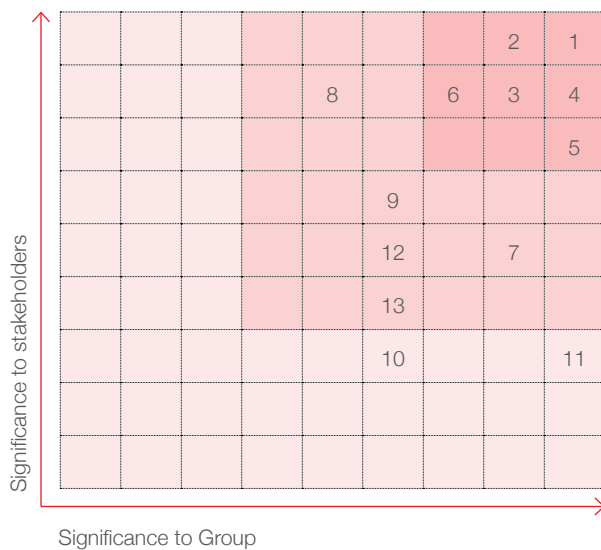
Stakeholder Group	Customers	Business Partners	Employees	Investors	Regulator	Community
Stakeholder Group	<ul style="list-style-type: none"> • Direct consumers • Tilers • Architects • Fabricators • B2B customers 	<ul style="list-style-type: none"> • Distributors • Dealers • Franchises • Suppliers 		<ul style="list-style-type: none"> • Equity shareholders • Debtors 		
Stakeholder Concerns	<ul style="list-style-type: none"> • Product quality • Value for money • Availability • Market presence • Customer service 	<ul style="list-style-type: none"> • Rewards & benefits • Commission • Logistics • Support for growth 	<ul style="list-style-type: none"> • Remuneration • Other benefits • Health & safety • Job security • Growth prospects • Fair and ethical workplace 	<ul style="list-style-type: none"> • Financial performance • Returns • Timely repayment • Share price • Stability 	<ul style="list-style-type: none"> • Regulatory compliance • Tax payments 	<ul style="list-style-type: none"> • Job opportunities • Community development initiatives • Environmental sustainability
Engagement Mechanisms	<ul style="list-style-type: none"> • Showrooms • Direct Visits • Tiler Club • Social Media • Call centre • Corporate website • Trade fairs • Tea/rubber auctions 	<ul style="list-style-type: none"> • Direct meetings • Dedicated service teams • Telephone/email communication 	<ul style="list-style-type: none"> • Performance appraisals • Direct meetings • Welfare events 	<ul style="list-style-type: none"> • AGM • Quarterly and annual reports • Press releases 	<ul style="list-style-type: none"> • Periodic filings • Visits 	<ul style="list-style-type: none"> • Community projects • Industry events
Value created by us	<ul style="list-style-type: none"> • 8,730,250 SQM of tiles sales • 6,726 MT of aluminium • 30,656MT MT of packaging • 2,860MT of tea • 611MT of rubber 	<ul style="list-style-type: none"> • Rs. 1,114 Mn commission • Rs. 31,370 Mn payments to suppliers • Training and development 	<ul style="list-style-type: none"> • Rs. 4,546 Mn of total remunerations • A safe workplace • 257 promotions • Training & development 	<ul style="list-style-type: none"> • Dividend of Rs. 2,156.7Mn • Interest payments of Rs. 473.9Mn • 85% growth in share price 	<ul style="list-style-type: none"> • Direct Tax payments of Rs. 1,438 Mn 	<ul style="list-style-type: none"> • 621 direct employment opportunities • CSR spend of Rs. 38Mn

Materiality

We have identified material topics that can influence our value creation process and that are significant to our stakeholders as well. We carry out the process of determining material topics by analysing matters of concern for different type of stakeholders and by identifying potential changes in our operating environment that can impact our operations.



Our materiality map



	Material Topic	Our Response	Page
1	Earnings growth	Financial Capital	49
2	Availability of energy	Risk Management	32
3	Foreign exchange liquidity	Risk Management	32
4	Challenging macroeconomic conditions	Risk Management	32
5	Stability	Financial Capital	49
6	Health and safety	Human Capital	52
7	Efficiency	Financial Capital	49
8	Quality	Intellectual Capital	65
9	Digitisation	Intellectual Capital	65
10	Compliance	Corporate Governance and Natural Capital	74,68
11	Capital infusion	Manufactured Capital	61
12	Sustainability	Natural Capital	68
13	Disaster recovery	Risk Management	32

Risk Management Review

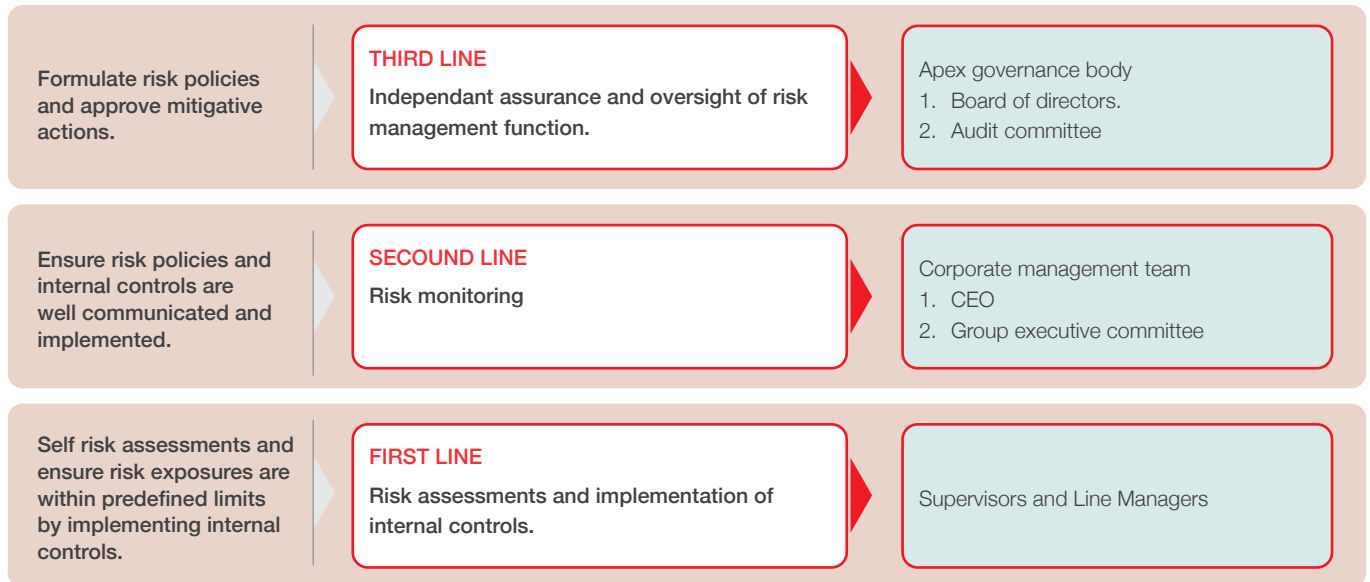
GRI : 102-18

We believe that every employee is responsible for managing risk in some capacity and we seek to ensure that they are risk aware and conscious about their actions and their potential impacts. This is reinforced through formal risk management structures that enable the process of identifying, measuring, assessing and managing threats to the Group’s ability to create value for its stakeholders.

Risk Governance

The Board of directors bears responsibility for setting in place a suitable framework for identifying, measuring, assessing and managing risks and for oversight of the effective functioning of risk management processes. They are assisted in this duty by the Audit Committee who carries out a detailed review of risk and also reports areas of concern to the Board. Risk is a regular agenda item on both the Board agenda as well as the Audit Committees. In addition, the Boards of all subsidiaries also have risk on their respective agendas. They are supported by the Internal Audit Department in this regard who collate and challenge the risks assessed by the management of the sectors.

The Lanka Walltiles Group continues to adopt the three lines of defense model.



Key developments during the year

POLITICAL	<p>Unemployment declined from 5.2% to 4.6%. However, the decline in the labour force participation from 50.1% to 49.5% is a concern as the population that does not participate in productive employment exceeds the population that does.</p> <p>Social unrest has built up due to food, fuel, gas and energy shortages that have caused significant hardship to the people which led to protests and political instability. The public have been informed by the government officials including the Prime Minister that the months ahead will be difficult, and that food security is a serious concern due to the failed agricultural policies of 2021.</p>
ECONOMIC	<p>The country is experiencing significant economic stress as usable foreign currency reserves have reduced to untenable levels due to a widening trade deficit, decreasing remittances, insufficient receipts from tourism and debt repayments. As a result, the following issues had a significant impact on our operations:</p> <ul style="list-style-type: none"> • Foreign exchange liquidity – Difficulties in procuring imported raw materials • Exchange rate volatility – Increased costs of inputs • Inflation – Increased operating costs and wage pressure • Interest rates – The sharp increase of 700 bps on 8th April 2022 will be felt in the year ahead
SOCIAL	<p>Unemployment declined from 5.2% to 4.6%. However, the decline in the labour force participation from 50.1% to 49.5% is a concern as the population that does not participate in productive employment exceeds the population that does.</p> <p>Social unrest has built up due to food, fuel, gas and energy shortages that have caused significant hardship to the people which led to protests and political instability. The public have been informed by the government officials including the Prime Minister that the months ahead will be difficult, and that food security is a serious concern due to the failed agricultural policies of 2021.</p>

TECHNOLOGY

Lanka Walltiles has regularly invested in upgrading and enhancing its technology. However, plans to upgrade have been on hold due to the current foreign exchange liquidity crisis and will commence at the earliest possible time.

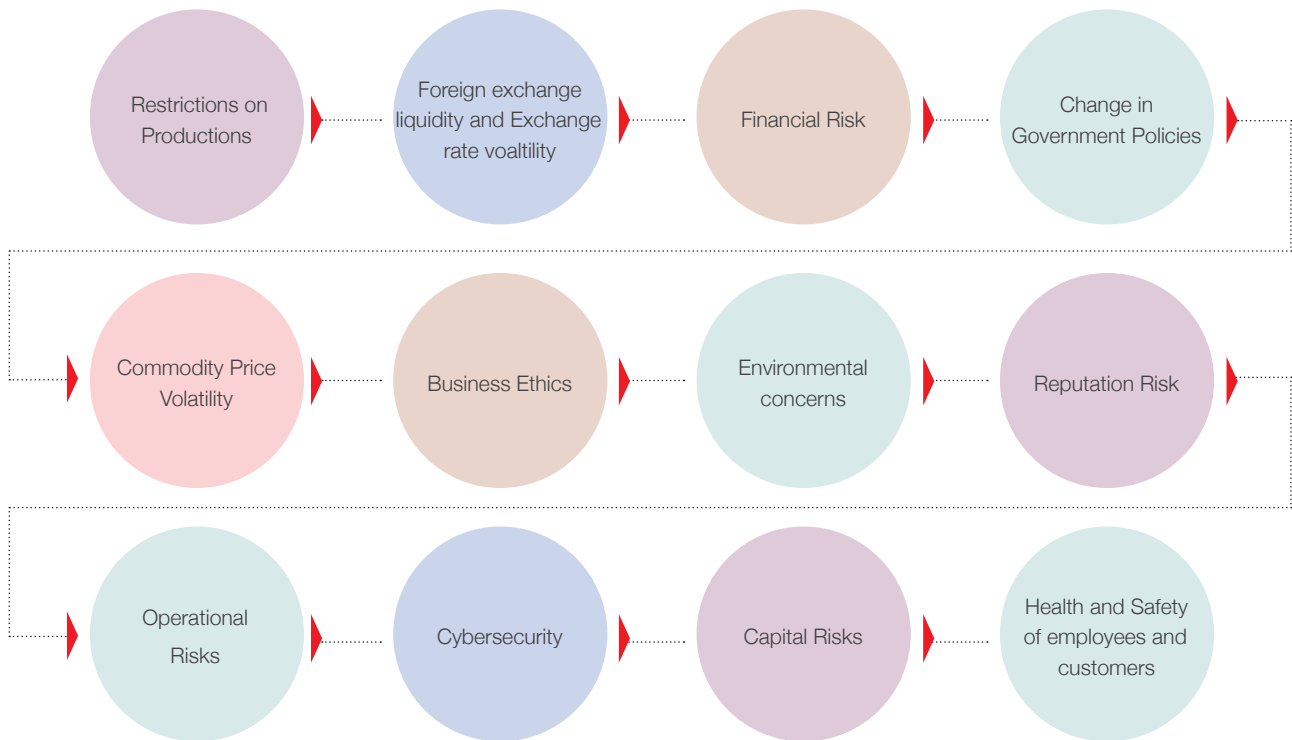
ENVIRONMENT

Environment risks are very relevant to the Tile Industry and the Plantations sector as bad weather affects access to raw materials and harvests. While significant precautionary measures are taken to reduce our carbon footprint, there is more that needs to be done.

LEGAL

The Group is compliant with the legal and regulatory framework within which it operates including honouring terms and conditions of its certifications and other legal agreements in force, minimising this risk significantly.

Our principal risks in 2021/22



Principal risks indicators	Potential impact	Key mitigation				
Restrictions on Productions						
<ul style="list-style-type: none"> Shortages of Raw Materials due to import restrictions Declining construction of commercial and domestic buildings due to high interest rates, rising costs and unavailability of materials 	<ul style="list-style-type: none"> Production capacity limitations Inventory shortages Not being able to meet demands Increased cost of production. 	<ul style="list-style-type: none"> Investments in automation and high-tech machinery Finding alternative Raw Materials Innovate new product designs 				
	<table border="1"> <tr> <td>Production Capacity / Tiles</td> <td>Capacity Utilised / Tiles</td> </tr> <tr> <td>8.7 Mn Sqm</td> <td>94%</td> </tr> </table>	Production Capacity / Tiles	Capacity Utilised / Tiles	8.7 Mn Sqm	94%	
Production Capacity / Tiles	Capacity Utilised / Tiles					
8.7 Mn Sqm	94%					

Risk Management Review

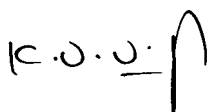
Principal risks indicators	Potential impact	Key mitigation				
Foreign Exchange Liquidity & Exchange Rate Volatility						
<ul style="list-style-type: none"> Unavailability of foreign exchange Sharp devaluation of rupee 	<ul style="list-style-type: none"> Difficulties in importing necessary raw materials, consumables and machinery Increased price of imported inputs Rupee devalued by 48% in March and a further 22% in April 2022. 	<ul style="list-style-type: none"> Growth of exports to manage dollar liquidity Inventories of raw materials and consumables have been increased Regular maintenance of Plant and Machinery 				
Financial Risk						
<ul style="list-style-type: none"> Changes in interest rates Liquidity risks Credit risk 	<ul style="list-style-type: none"> Working capital financing increased exposure to interest rate risk Liquidity risk is managed through a prudent management of funding Credit risk increased due to increase in receivables Sensitivity analysis are performed to evaluate the potential impact on profitability. 	<ul style="list-style-type: none"> Trade receivables were maintained within credit limits and secured by Bank guarantees. Unutilised credit and headroom to raise further debt Reporting and monitoring the debt maturity profile. 				
	<table border="1"> <tr> <td>5% change in market variable;</td> <td>Impact on profit before tax (Rs 000)</td> </tr> <tr> <td>Market interest rate</td> <td>489,271</td> </tr> </table>	5% change in market variable;	Impact on profit before tax (Rs 000)	Market interest rate	489,271	
5% change in market variable;	Impact on profit before tax (Rs 000)					
Market interest rate	489,271					
Government Policy						
<ul style="list-style-type: none"> Government policy changes will have a significant impact on the business in the year ahead. Changes have already been implemented for VAT and taxation which will impact businesses and individuals 	<ul style="list-style-type: none"> Plantation sector was affected by the ban on agrochemical imports All sectors are affected by the import restrictions in place Policy changes are inevitable in the months ahead to get the economy back on track and will have a wide ranging impact on all businesses 	<ul style="list-style-type: none"> As a Group, we will do our part to support the country's economic recovery 				
Commodity Price increases						
<ul style="list-style-type: none"> Commodity prices are expected to increase significantly in the year ahead. 	<ul style="list-style-type: none"> Increase in tea, rubber and palm oil prices will be favourable Global increases in oil, gas a food prices will drive inflation and also increase the cost of production 	<ul style="list-style-type: none"> Focus on energy management Focus on quality of produce to attract the highest prices 				
Business Ethics						
<ul style="list-style-type: none"> Risk of management fraud, employee fraud and other illegal acts. Donations Corruption and bribery 	<ul style="list-style-type: none"> Business reputation Profitability. Stakeholder relationships 	<ul style="list-style-type: none"> Monthly internal audit of business transactions. Quarterly audit meetings and monthly Board meetings with supervisors to review the financial status of company. Integrity of financial statements evaluated by external auditors. A related party transactions review committee to independently review related party transactions. Policies such as related party transaction polices. 				
	<table border="1"> <tr> <td>No of illegal acts or frauds reported during the year 2022</td> </tr> </table>	No of illegal acts or frauds reported during the year 2022				
No of illegal acts or frauds reported during the year 2022						
Environmental Concerns						
<ul style="list-style-type: none"> Extreme weather Resource depletion 	<ul style="list-style-type: none"> The plantation sector is directly impacted by weather Ball clay and feldspar used in manufacture of tiles are finite resources and mining these result in environmental degradation 	<ul style="list-style-type: none"> Environment management policy framework across all sectors 				
Reputation Risk						
<ul style="list-style-type: none"> Conformed to certifications Stringent product testing at own laboratories. Continuous investments in research and development 	<ul style="list-style-type: none"> Brand reputation Revenue growth Market share Product returns Customer satisfaction 	<ul style="list-style-type: none"> Conformed to certifications Stringent product testing at own laboratories. Continuous investments in research and development 				

Principal risks indicators	Potential impact	Key mitigation						
Financial Risk								
<ul style="list-style-type: none"> • Changes in interest rates • Exchange rate movements • Liquidity risks • Credit risk 	<ul style="list-style-type: none"> • Sensitivity analysis are performed to evaluate the potential impact on profitability. <table border="1"> <thead> <tr> <th>5% change in market variable</th> <th>Impact on profit before tax (Rs 000)</th> </tr> </thead> <tbody> <tr> <td>Exchange rate impact on translation</td> <td>43,670</td> </tr> <tr> <td>Market interest rate</td> <td>489,271</td> </tr> </tbody> </table>	5% change in market variable	Impact on profit before tax (Rs 000)	Exchange rate impact on translation	43,670	Market interest rate	489,271	<ul style="list-style-type: none"> • Trade receivables were maintained within credit limits and secured by Bank guarantees. • Exports under DA terms are insured. • Flexible funding arrangements by maintaining a mix of both committed and uncommitted credit lines. • Maintain a mix of both fixed rate and floating rate debt. • Reporting and monitoring the debt maturity profile.
5% change in market variable	Impact on profit before tax (Rs 000)							
Exchange rate impact on translation	43,670							
Market interest rate	489,271							
Capital Risk								
<ul style="list-style-type: none"> • Gearing ratio was 45% compared to 34% last year. 	<ul style="list-style-type: none"> • Profitability • Returns to equity investors <table border="1"> <tr> <td>ROE 29%</td> </tr> </table>	ROE 29%	<ul style="list-style-type: none"> • Maintain a strong credit profile • Focus on managing cash 					
ROE 29%								
Operational Risk								
<ul style="list-style-type: none"> • Machine downtime • Health and safety related incidents • COVID restrictions on operations. 	<ul style="list-style-type: none"> • Capacity utilisation • Employee productivity • Profitability 	<ul style="list-style-type: none"> • Annual plant upgrades • Five -year strategic plan to increase capacity. • Health and safety policies • Provision of adequate protective gear • Insurance schemes cover 100% of Permanent workforce. • All plant and machinery are purchased from reliable suppliers. These are also periodically tested to ensure safety for use. 						
Cybersecurity								
		<ul style="list-style-type: none"> • Appointed a Chief information security officer (CISO). • Cybersecurity risk and management policy • Implemented a Disaster recovery plan. • Independent review of cybersecurity risk is done by third parties. 						
Health and Safety of Employees and Customers								
<ul style="list-style-type: none"> • Vaccination rates • Pandemic risks receding as it reaches endemicity 	<ul style="list-style-type: none"> • Labour shortages • Supply chain disruptions • Inability meet demand • Increased cost of production 	<ul style="list-style-type: none"> • Stringent policies and procedures for COVID prevention and monitoring. • Vaccination of all employees 						

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.



Dhammika Perera
Chairman

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.



J A P M Jayasekera
Managing Director

Operating Environment

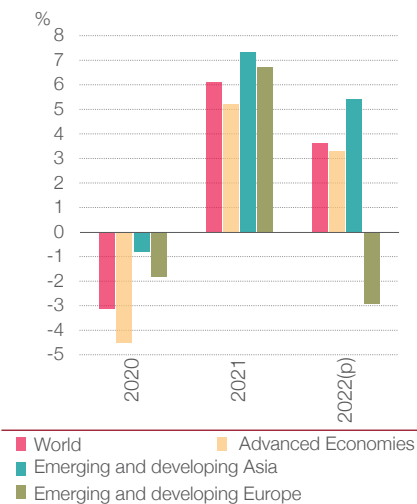
GRI : 203-2

Global Economy

The global economy continued its recovery in 2021, but at a more moderate pace due to the re-emerging pandemic. The first quarter reported a stronger recovery as strong policy support and swift adjustment of economic activities to the new normal ways of working. Recovery in the second quarter was hindered by the outbreak of the highly infectious Delta variant. Despite this, the global economy reported a subdued recovery of 6.1% amidst rising inflation, food insecurity and climate change.

World economic prospects were further affected in 2022 with Russia invading Ukraine. The economic impact of the war is felt mainly through commodity market, trade and financial linkages as Russia is a major supplier of oil, gas and metal and Ukraine of wheat. Inflation is expected remain high, driven mainly by war induced price increases. Divergence in economic prospects caused by disparities in vaccine access and policy support continues to be a major concern. The IMF projects the global economy to grow by 3.6% in 2022.

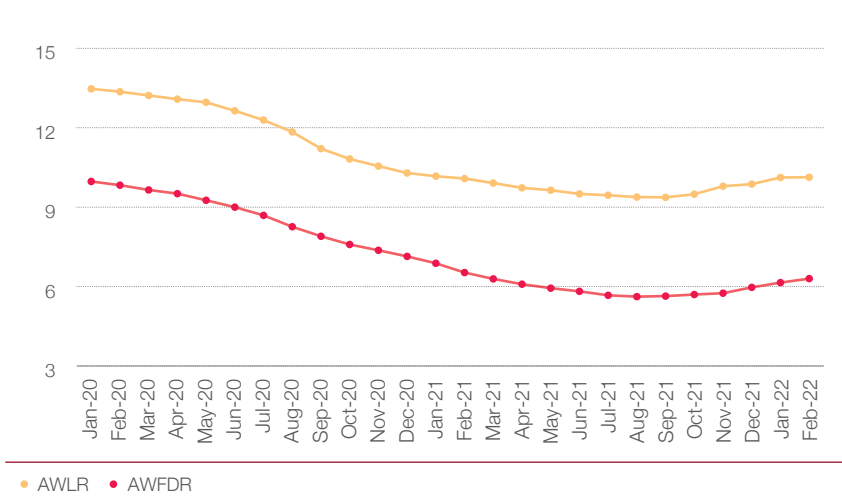
Global Economy



Sri Lankan Economy

The domestic economy reported a growth of 3.7% in 2021, following a contraction of 3.6% reported in the previous year. Sri Lanka lost access to the international sovereign bond market following a substantial tax cut which resulted in a downgrading of country's debt rating. Swift broad-based policy actions cushioned the impact of the pandemic on the financial sector to a certain extent. However, external debt liabilities and a widening

Interest Rates



current account deficit resulted in depletion of foreign reserves. Inflation reached double digits in December 2021, reflecting imported inflation, supply shocks, recovery in domestic demand and lack of policy direction. During 2021, overall economy grew by 3.7% with agriculture, industry and services sector reporting growth rates of 2%, 5.3% and 3% respectively.

After the announcement by the Ministry of Finance in April 2022, that it has suspended normal debt servicing of several categories of its external debt, Fitch Ratings downgraded Sri Lanka's Long-term foreign currency issuer default rating to 'C' from the previous 'CC' rating.

Sri Lankan Economy



External Sector and Exchange rate

The external sector was severely impacted as the pandemic hindered forex inflows amidst substantial forex debt servicing obligations. The deterioration worsened due to the loss of access to the international capital markets as the trade deficit widened.

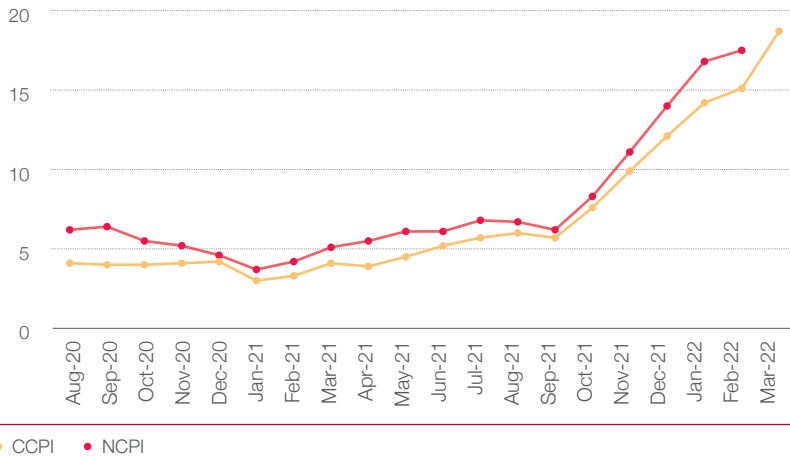
Sri Lanka followed the pegged exchange rate in April 2021 but abandoned this approach in March 2022 as defending the Rupee amidst deteriorating reserves became too costly. During 2021, the Rupee depreciated by 26% in 2021 and by 33% first quarter of 2022 and remains under intense pressure.

Interest Rates

During 2021, the market interest rates were at historically low levels due to the accommodative monetary policy followed by the Central Bank. In August 2021, the central Bank reversed its stance by raising policy rates, signalling the end of its easing monetary policy stance, to contain high inflation amidst the forex crisis. Average Weighted Lending rate (AWLR) was at 10.35% in March 2022 compared to 9.91% at March 2021. Average Weighted Fixed Deposit Rate (AWFDR) was at 6.3% in March 2022 compared to 5.94% in December 2021.

In April 2022, the Central bank raised the interest rates by an unprecedented 700 basis points to tame inflation in the wake of build-up in aggregate demand and supply disruptions.

Inflation



Aluminium Industry

The local aluminium industry is largely dependent on the construction sector. Consequently, local aluminium manufacturers benefited from the revival of the construction sector witnessed in 2021. Large scale construction activities resumed as mobility restriction eased. Further, the local aluminium extrusion industry also continues to reap benefits from the absence of imported aluminium products as the import ban continues to be in place.

In the Global front, 2021 experienced demand recovery for aluminium in most major markets across the world with the demand increasing by 7.6%. China continued its dominance by contributing to more than 54% of world's total aluminium production

Inflation

Inflation accelerated during the second half of 2021, mainly driven by food prices as food inflation reached 16.9% during the year. Prices of several commodities including fuel and gas were revised upwards and price controls of several imported commodities were removed. Accordingly, headline inflation measured by CCPI reached 9.9% y-o-y by the end of 2021. By March 2022, inflation rose to 18.7%, highest since November 2008.

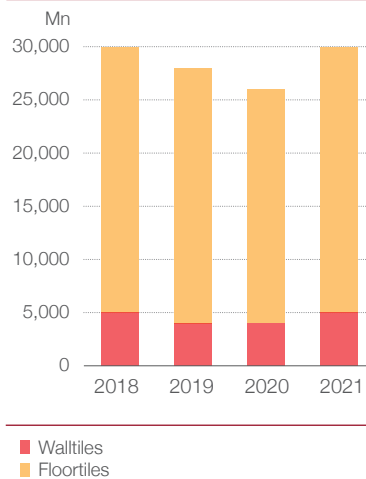
Construction Sector

The sector reported a recovery following the contraction in 2020. This was supported by the easing of mobility restrictions and quick adjustment to the new normal ways of working. However, the pace of the recovery was impeded by the shortage of raw materials in the market. The sector reported a growth of 3%, supported by the low interest rate that prevailed during the year.

Domestic Tile market

Sri Lankan tile market is dominated by four large manufacturers. Namely, Royal Ceramic Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC and Mactiles Lanka (Pvt) Ltd. Local tile manufacturers continue to benefit from import ban imposed on tiles by the Government. However, the sector faced challenges due to the difficulties in sourcing raw materials from foreign suppliers. Profitability margins were under intense strain due to the current inflationary pressures.

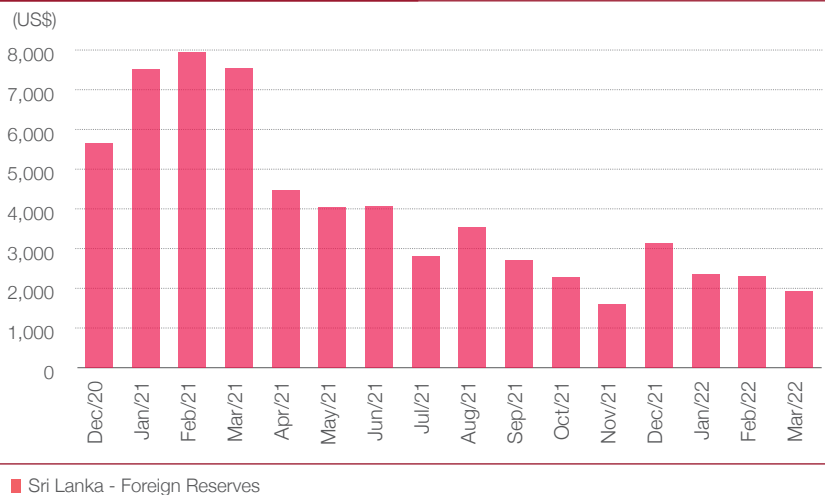
Domestic Tile Demand



Plantation Sector

Plantations sector continues to struggle due to inconsistency and lack of policy support from the Government, despite being a major contributor to the domestic economy. The uncertain macro-economic landscape, rising cost of production due to wage hike mandated by the Government has threatened the sustainability of the industry

Sri Lanka - Foreign Reserves



Operating Environment

Tea

Domestic tea production recorded a growth of 7.4% during 2021, supported by a strong growth during the first half of the year.

Production of high, medium, and low grown tea expanded by 5%, 9.1% and 7.8% during the year.

Tea prices remained resilient with average price reaching Rs. 619.15 compared to Rs. 633.85 of the previous year. Demand for Ceylon tea remained high during the year as a result of short supply of other tea producing countries. Prices continued to be high in the first quarter of 2022 as well, reaching Rs. 763.83 by end-March.

The volume of tea exported during the year amounted to 286 million Kg, an increase of 8% compared to the previous year. This generated an export revenue of Rs.1.3Bn with Middle East being Sri Lanka's biggest market.

Rubber

High cost of production and adverse weather conditions had an adverse impact of the local rubber industry as the production declined by 1.75% to reach 76.9 million Kg in 2021. Exports volume too declined marginally, reflecting the lower production. The industry was also affected by the pests disease as the chemicals required to treat it were not available in the market.

Rubber prices at the Colombo Rubber Auction witnessed a surge in line with the increase in global prices on the back of supply disruptions. Accordingly, the average price of RSS1 increased by 31% to Rs.460.78 while

prices of latex crepe witnessed a significant increase of 74.4 per cent to Rs. 626.32 per KG.

Oil palm

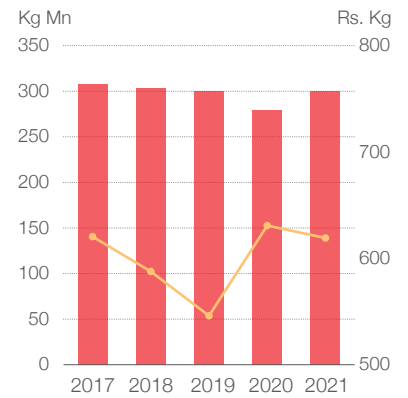
Despite government approval in 2014, according to the directive issued in April 2021, the planters were banned from cultivation and companies were required to uproot 10% of oil palm cultivation. This inconsistent policy has hindered the growth of a lucrative oil palm industry. The sector has the potential to transform the country's plantation industry while saving significant outflows of foreign exchange. Oil palm prices remained high during the year in line with the global commodity prices.

Packaging

The packaging industry in Sri Lanka is largely dependent on the FMCG, garments, cement, tea, rubber and tile sector. The industry is highly competitive, consisting of over 40 manufacturers who control over 70% of the market.

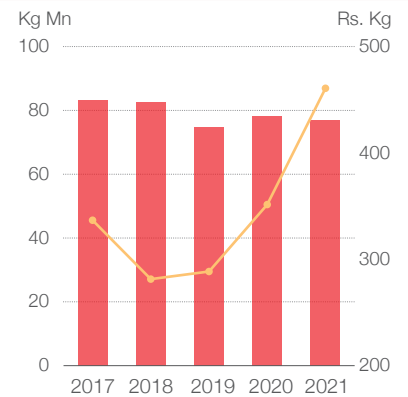
Global paper prices witnessed a surge in 2021, as the prices of pulp and other chemicals increased significantly. Although the global prices have started declining towards the latter part of 2021, the profit margin of the local packaging industry is under severe pressure due to the drastic devaluation of the Rupee, as over 70% of the raw materials are sourced from overseas.

Tea



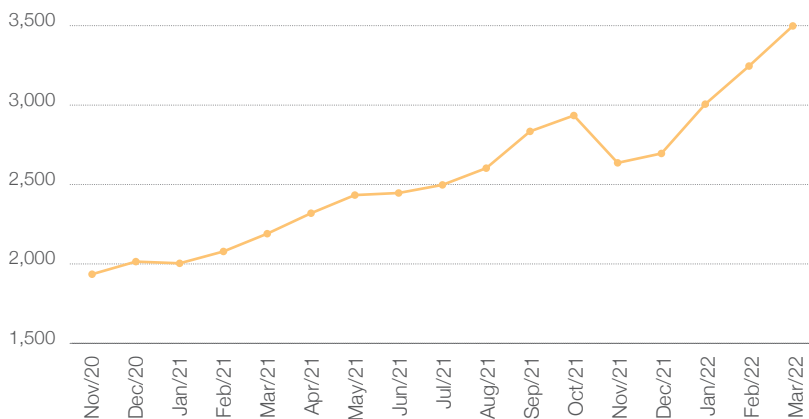
■ Tea Production
● Colombo Tea Auction Prices

Rubber



■ Rubber Production
● Colombo Auction (RSS1) Prices

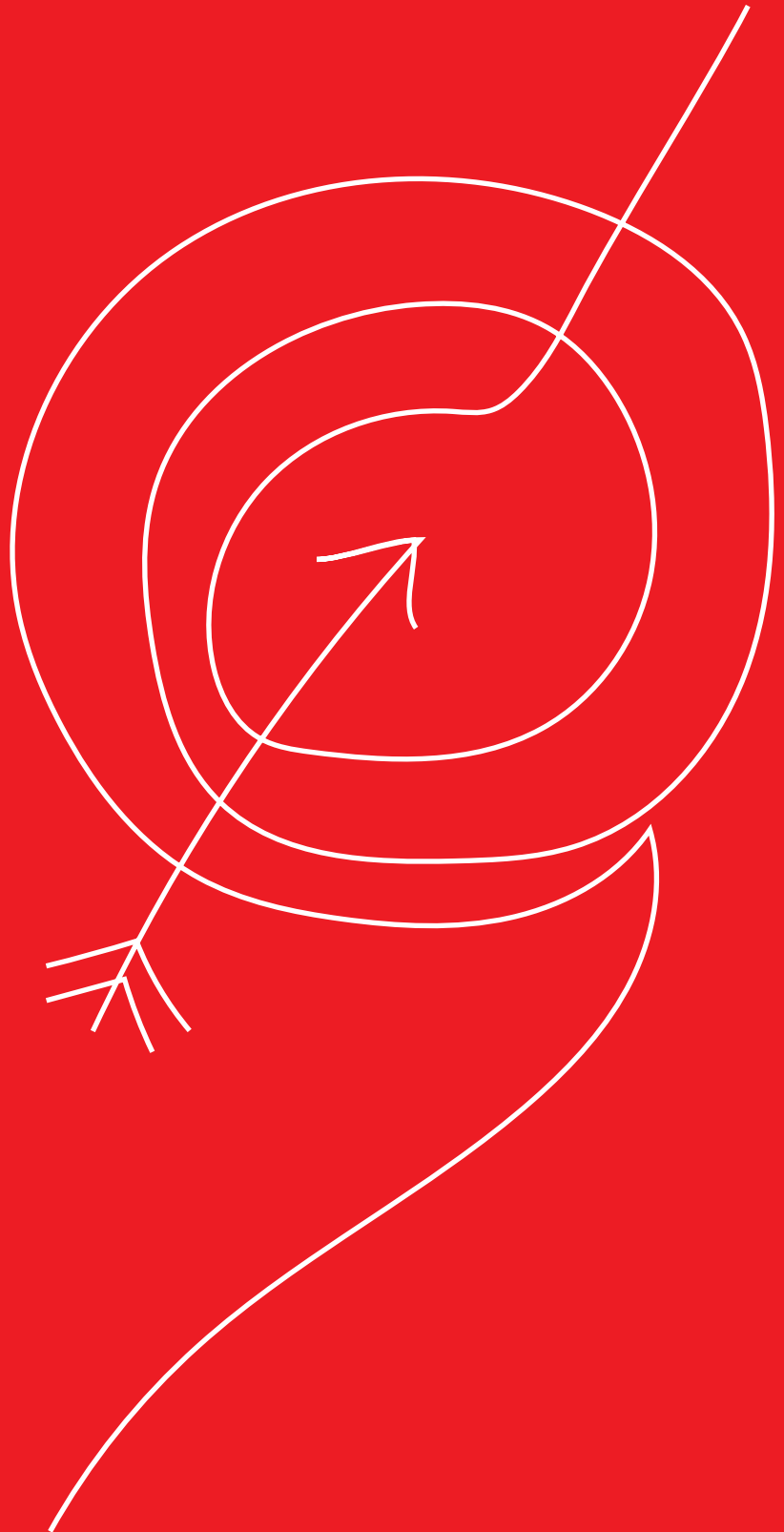
Aluminium Prices



● CCPI

Purpose

of Perfection

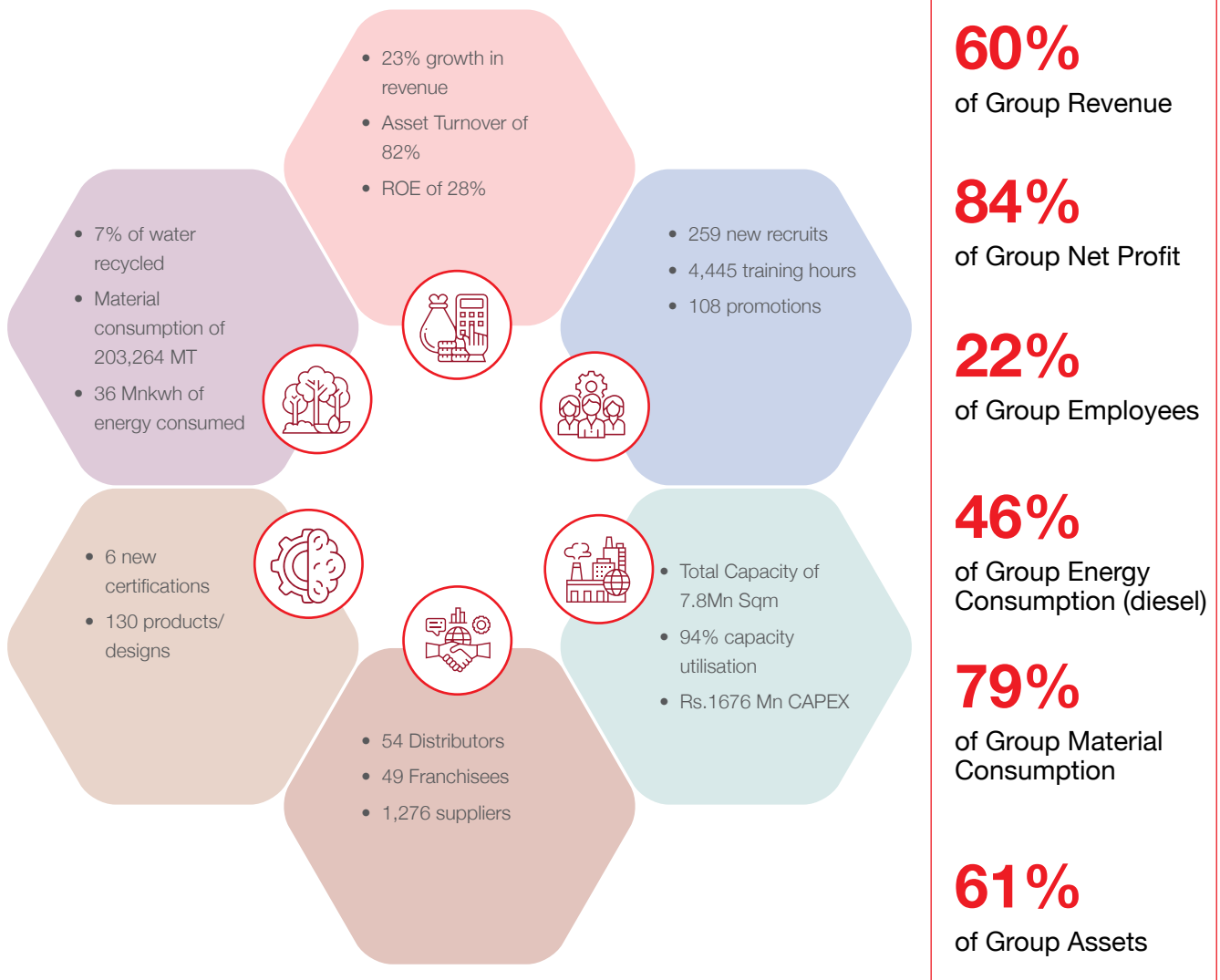


OPERATIONAL REVIEWS

Business Line Reviews

Tiles and Associated Products

Tiles branded as Lanka Tiles are manufactured by Lanka Walltiles PLC and Lanka Tiles PLC enabling Sri Lankans to merge aesthetics and functionality into their homes and offices. Lanka Tiles is the market leaders in the local tile industry with a market share of 42% supported by continuous product innovation. The Group continues to invest in new technology, capacity and value addition at our world class manufacturing plants which are key to maintaining market leadership.



Strategic Priorities	Impact from the operating landscape
<ul style="list-style-type: none"> Increasing production through capacity expansions and driving productivity Rationalising product portfolio to sustain profitability amidst inflationary pressures Ensuring uninterrupted supply of raw materials 	<ul style="list-style-type: none"> Increasing costs and scarcity of energy Difficulty in sourcing raw materials due to global shipping and logistics issues Lack of foreign reserves threatening the supply of raw materials

The tiles sector recorded a phenomenal year with topline growth of 23% amidst the challenging economic conditions. The Group continued to reap benefits from the absence of imported tiles in the market as the import ban remains in place. This short supply of tiles created a black market and resulted in numerous complaints regarding price discrepancies. Lanka Walltiles averted this by taking initiative to mark the maximum retail price on our packaging. Further, we rationalised our design portfolio by discontinuing tiles with lower profit margins and introducing larger sizes with better demand and higher profitability.

Demand for mosaic tiles introduced in the previous year continued to increase both locally and internationally. We invested Rs. 296 Mn on a four fold expansion of the mosaic tile capacity to meet the demand which also supported margin growth.

Profit margins came under pressure as the cost of raw materials and energy prices increased substantially. Despite this we maintained consistent price levels but sustained profit margins by cutting down margins offered to distributors and re-sellers. Further, we revamped our production processes to increase raw material efficiency and derived economies of scale with larger production volumes.

Lack of adequate foreign reserves in the country led to the current energy crisis and difficulties in obtaining imported raw material which impacted the entire supply chain. Rs. 40.4 Mn was invested in procuring a 1500kva generator ensuring uninterrupted power supply during power cuts. Further, we are maintaining higher stock levels to ensure uninterrupted operations even with possible delays in supply of fuel and LP gas. We also took the initiative to widen the supplier base by securing suppliers in different geographical locations.

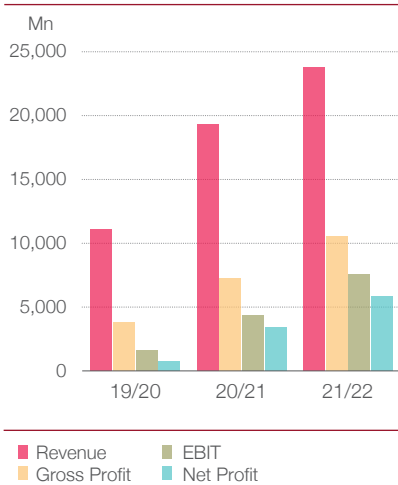
Performance Review

- Tiles and associated products sector reported a revenue of Rs. 23,753 Mn, a growth of 23% compared to the previous year. Export sales contributed Rs. 1,412 Mn compared to Rs. 1,035 Mn reported

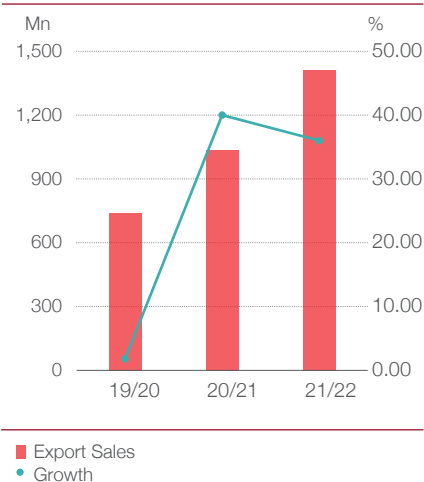
in the previous year. Revenue from Trim & mosaic tiles accounted for 58% of total export sales.

- The Gross profit margin improved to 44% from previous year's 37% due to successful rationalisation of product and design portfolio and economies of scale. As a result, gross profit for the year grew by 46% to reach Rs. 10,568Mn.
- The Sector reported an EBIT growth of 73% on the back of strong topline and improved margins. Finance cost declined by 56% on the back of reduced borrowings.
- Net profit for the year amounted to Rs. 5,803Mn, a growth of 70%
- Asset base grew by 21% to reach Rs.29,046Mn with capital expenditure amounting to Rs. 1,676Mn.

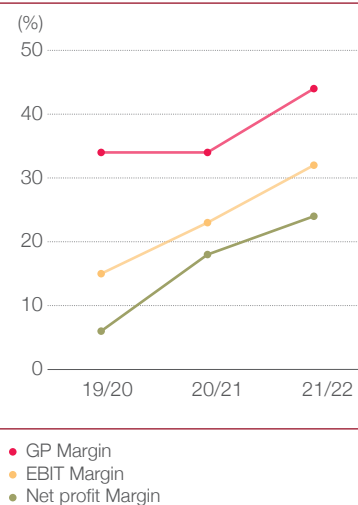
Financial Performance



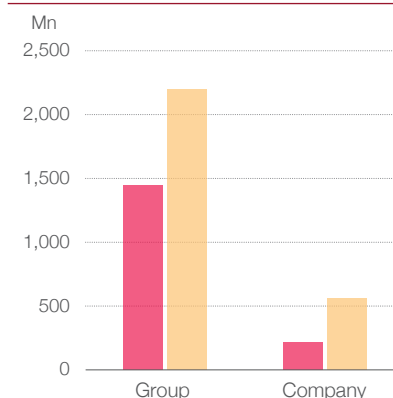
Export Sales and growth rate



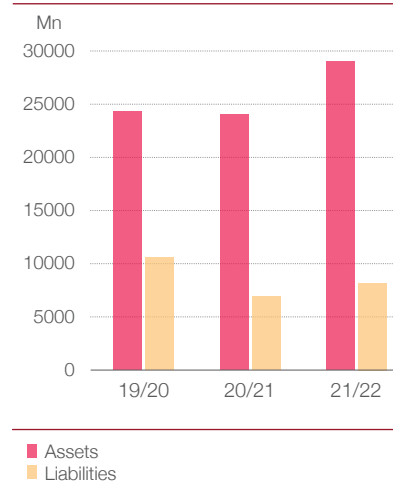
Profit Margin



CAPEX



Financial Position



Business Line Reviews

Risks	Opportunities
<ul style="list-style-type: none"> • Low foreign reserves of the country threatening raw material supplies • Increasing costs of raw material due to Rupee depreciation • Energy crisis • Unstable political climate • Government policy uncertainty • Weak economic landscape 	<ul style="list-style-type: none"> • Short supply of tiles in the domestic market due to import ban • Strong financial position of the Group • Capitalising on the favourable response received for Mosaic line • Rupee depreciation having a positive impact on tile exports • Economies of scale due to larger production volumes

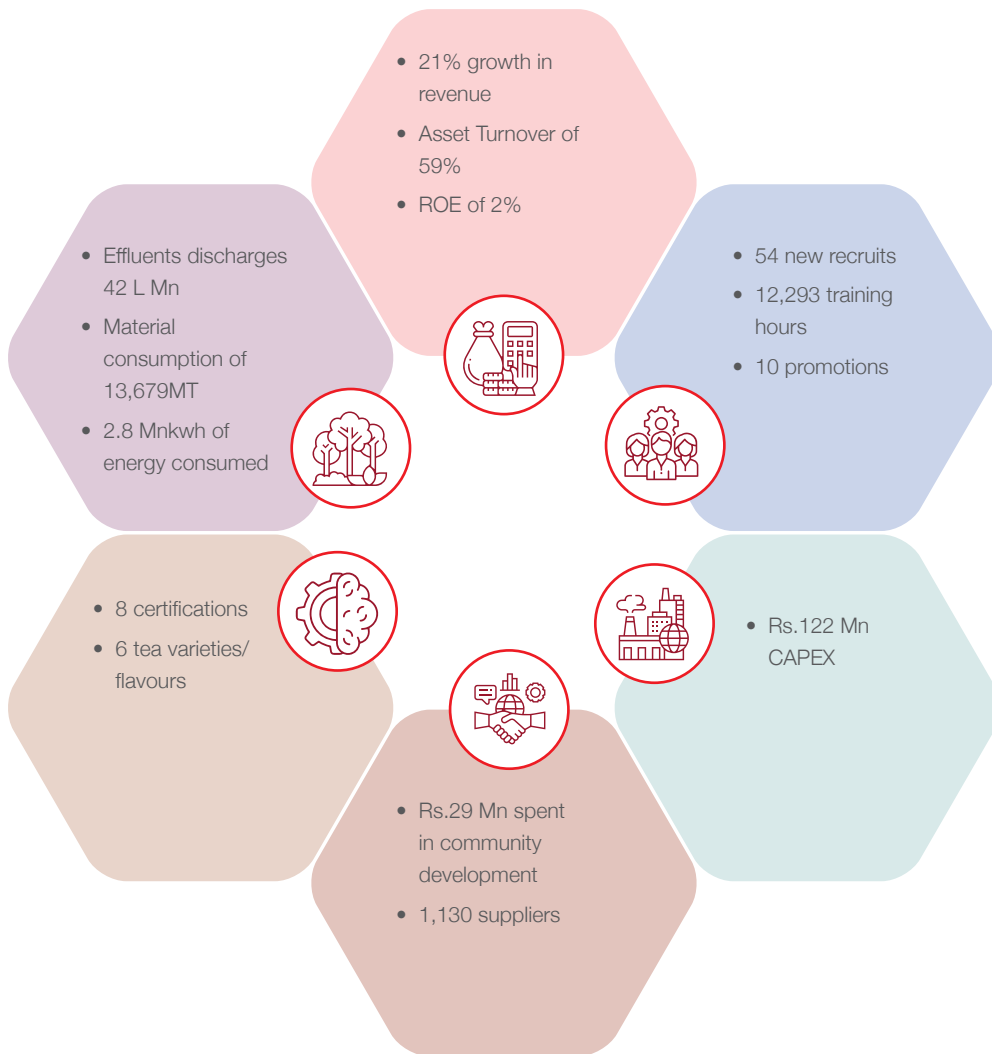
Outlook

We are cautiously optimistic about the year that has commenced despite the volatile economic and political climate. We will continue to take advantage of the short supply in the market by increasing production capacities and enhancing productivity. Plans for enhancing floor tile production capacity with a significant investment are already in the pipeline. Expanding export sales is another area of focus for the coming year and we have partnered with retailers in the United States who hold more than 70% of the US tile market.

We are conscious of the uncertainties regarding raw material security and the likely strain on our supply chain. We have taken initiatives to expand the supply base to different geographical locations and to increase the holding capacities of raw materials to manage these risks.

Plantations

Horana Plantations PLC is one of Sri Lanka's largest plantation companies with 15 estates spanning over 6500 hectares. These estates spread among low mid and high elevations produce tea, rubber, oil palm and other export crops. Horana Plantations has built a strong reputation for high quality produce and is accredited with a range of international quality standards.



6%
of Group Revenue

64%
of Group Employees

11%
of Group Energy Consumption (diesel)

5%
of Group Material Consumption

10%
of Group Assets

Strategic Priorities	Impact from the operating landscape
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<ul style="list-style-type: none"> Automation of processes to reduce dependency on human labour and to increase efficiency Diversification of revenue streams Reduce usage of agro chemicals and opt for organic substitutes Focus on rainwater harvesting due ensure water supply despite the unpredictable weather patterns 	<ul style="list-style-type: none"> Unfavourable government policies such as ban on import of chemical fertiliser and wage hike. Unpredictable weather patterns High cost and scarcity of labour Inflationary pressures of operating costs
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Business Line Reviews

The industry faced many challenges during the year such as, the fertiliser ban, a prolonged pandemic, adverse weather patterns. Horana Plantations withstood these challenges and reported healthy growth rates in all revenue streams. A strategic decision was made to pursue crop and revenue diversification by converting low yielding lands which were previously allocated to oil palm to more lucrative crops. Under this initiative during the year 130 hectares of coconut was planted and 60 bee boxes were added to the oil palm cultivated areas. Further, we implemented intercropping on a smaller scale with the aim of bringing higher yields.

We took initiative to substitute Agro chemicals with organic alternatives by enhancing soil quality with compost produced within the estates and by partnering with Wayamba and Peradeniya Universities to produce pesticides in house. Further, increased focus was given to rainwater harvesting due to the adverse and unpredictable weather patterns.

Performance in tea was driven by buoyant tea prices and we continued to command premium process at the tea auctions and recorded above average yields. We expanded our value-added tea range by adding 6 new flavoured teas with specialty packaging.

Rubber production was hampered by adverse weather conditions and threat of diseases due to unavailability of chemicals. Despite the high global demand our 80% rubber produce was sold domestically for value additions to align with diversification and value addition strategy. In line with this strategy, we moved into production of sole crepe which attracts

a higher demand from the vale addition segments. Further, we were successful in securing several export customers for our crepe rubber.

Despite the unfavourable policy directions oil palm continued to be lucrative with favourable pricing. Due to the restrictions on new cultivation focus was given to increasing productivity on existing plantations to derive the maximum benefit.

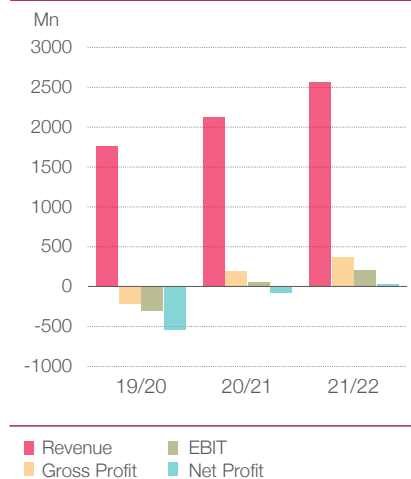
Our commitment towards renewable energy was strengthened through implementation solar power generation in 5 of our factories which is expected to source 45% of electricity consumption. Employee health and safety continues to be a key priority as the pandemic re-emerged. We reached over 98% in vaccinations by the second half of the year. This served to minimise the risks to our employees, facilitating business continuity and improved productivity. We partnered with NGOs to enhance the health and safety of the residents of the estates.

Performance Review

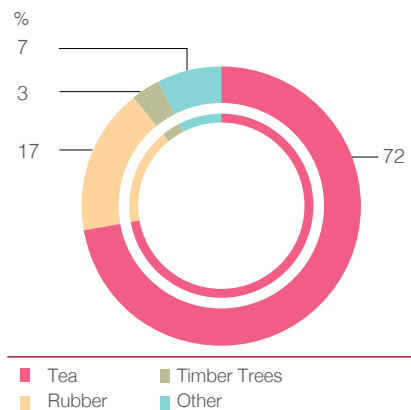
- Revenue from the Plantation sector grew by 21% to reach Rs.2, 564Mn. This was supported by a 21% revenue growth in tea while rubber and Timber trees contributed with a revenue of Rs.430Mn and Rs.86Mn respectively.
- Despite the escalating operating costs, gross profit margin increased to 14% from previous year's 9% on the back of attractive prices and this was reflected in the EBIT margin which improved to 8% from last year's 3%.

- The Plantation sector managed to bring up the net profit to Rs.28 Mn, compared to the net loss of Rs.74 Mn reported in the previous year.
- The asset base grew by 5% to reach Rs.4,336 Mn with capital expenditure amounting to Rs.122 Mn.

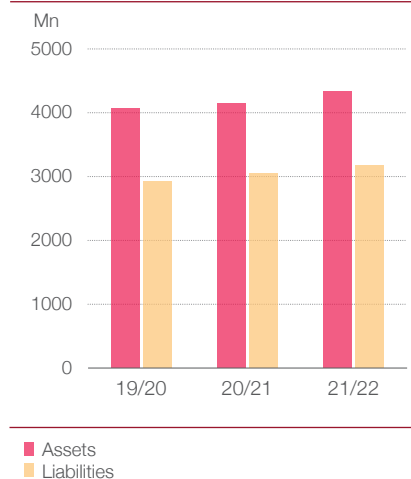
Financial Performance



Contribution to revenue



Financial Position



Risks

- Inconsistent government policies
- Implications of climate change
- Possible wage hike
- Scarcity of energy

Opportunities

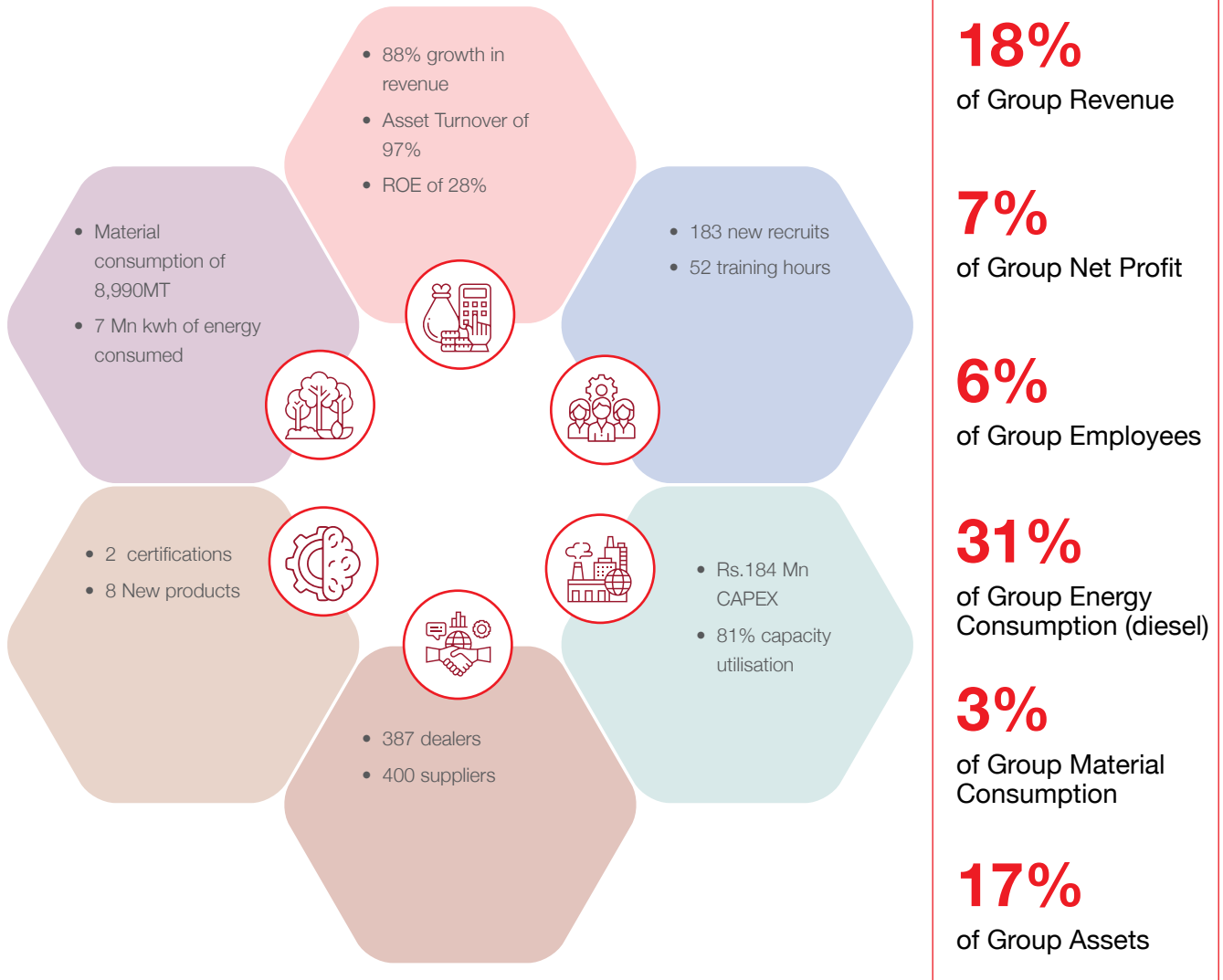
- Attractive pricing for foreign buyers due to Rupee depreciation
- Expanding revenue streams through crop diversification

Outlook

Shortage of labour, rising operating costs, unpredictable weather patterns and unstable economic and political climate are trials we are likely to face in the coming year. Despite these challenges we are determined to show resilience and actively pursue our strategic objectives. We will continue crop diversification and expand our revenue streams while driving productivity and yields of our existing crops.

Aluminium

Swisstek Aluminium is Sri Lanka's market leader manufacturer of Aluminium with a comprehensive portfolio of fabricated products for engineering, maintenance, housing and construction needs. Our innovative and diverse product portfolio is designed to suit a diverse customer base and our value added product range is sought after by many large scale construction projects due to its superior quality.



Strategic Priorities	Impact from the operating landscape
<ul style="list-style-type: none"> Focus on pricing strategy due to competitiveness in the market Market penetration through new product development and value-added products 	<ul style="list-style-type: none"> Significant increase and shortage of gas and other energy sources Increase in raw material cost due to Rupee devaluation

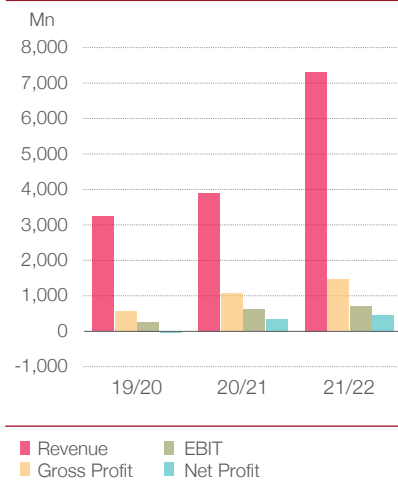
Business Line Reviews

Despite the adverse economic conditions, the sector recorded a commendable performance, driven by the scarcity of aluminium products in the market due to import restrictions and the recovery of the construction sector. This growth was supported by expansion in our product portfolio and distribution channels. Online sales through e-commerce sites gained Attraction, particularly for products such as ladders, which made a significant contribution towards the topline. Despite the increased costs of inputs, the prices were maintained at the same level as at the beginning of the year until March 2022 as disposable incomes came under pressure. We sustained our profit margins by rationalising the discount structure.

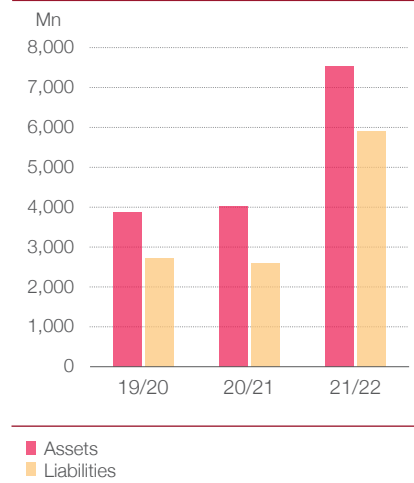
Performance Review

- The Aluminium sector reported revenue of Rs. 7,315Mn, a growth of 88% compared to the previous year. This was driven by the short supply in the market and the resumption of construction activities that was previously put on hold due to the pandemic.
- The Gross profit margin declined to 20% from previous year's 28% due to increased cost of raw materials and gas. Gross profit for the year amounted to Rs. 1,457 Mn, compared to Rs.1,075Mn in the previous year.
- Operating profits (EBIT) increased by 12% to Rs.696 Mn while the Operating margin contracted to 10% from 16% last year.
- Net profit for the year amounted to Rs. 454 Mn, a 33% increase compared to Rs.341 Mn reported in the previous year.
- Total assets increased by 86% reach Rs.7, 522 with capital expenditure amounting to Rs.184, compared to Rs.216 in the previous year.

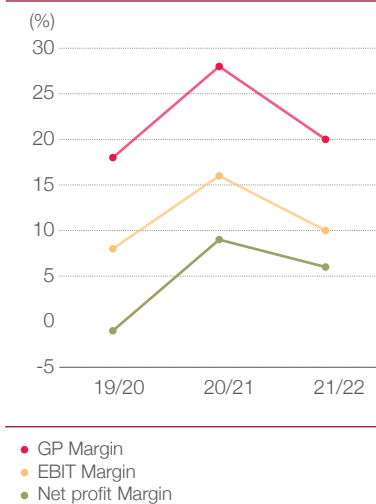
Financial Performance



Financial Position



Profit Margin



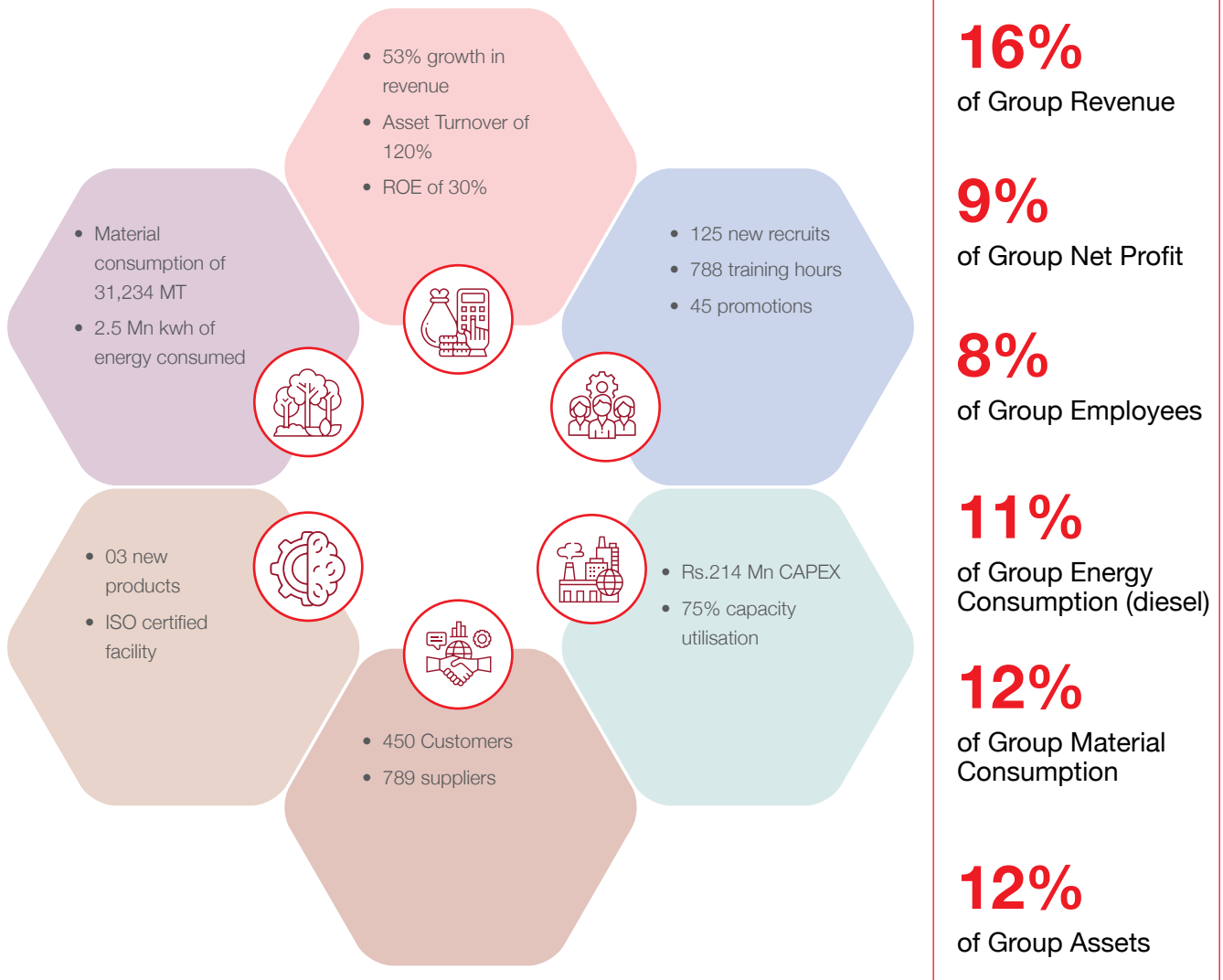
Risks	Opportunities
<ul style="list-style-type: none"> unavailability and increasing costs of raw materials. Government policy uncertainties and volatility in key economic indicators Energy crisis Political instability in the country 	<ul style="list-style-type: none"> Increased demand in the domestic market Potential growth in export markets Short supply of aluminium products in the market due to the import ban.

Outlook

Despite the instability in the current political and economic climate, we remain optimistic about the coming year as housing is a basic need and our products are relevant across all customer segments. We will focus on enhancing production and value added products to bridge the demand supply gap arising due to import restrictions. Increasing value addition will be a key focus area to grow our product portfolio and to protect margins while delivering increased value to our customers. We will continue to enhance our product portfolio to reach a wider customer base through product innovation will be another focus area.

Packaging

Unidil is one of Sri Lanka's leading corrugated carton manufactures with a 5% market share in corrugated cartons. Highly reputed for superior quality products and a wide range of products and solutions, Unidil continues to innovate supporting evolving customer requirements.



Strategic Priorities	Impact from the operating landscape
<ul style="list-style-type: none"> Driving productivity through process innovation Capacity expansion through CAPEX Increasing raw material productivity 	<ul style="list-style-type: none"> Difficulty in sourcing raw materials due to disruptions to global shipping and logistical issues Increase in raw material prices due to the impact of the rupee devaluation

Business Line Reviews

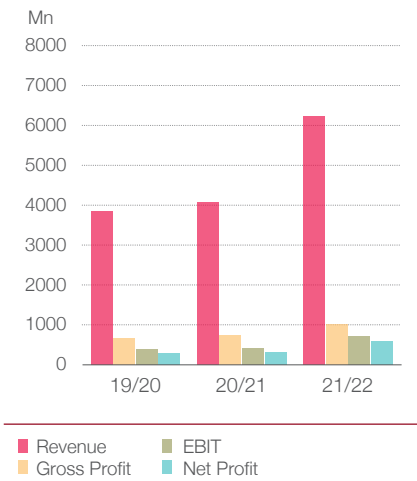
It was a challenging year for the packaging industry as cost of production increased significantly due to increased cost of paper pulp, freight charges and Rupee devaluation. Despite these conditions and other supply chain challenges we were able to exceed our production targets for the year. We sustained margins by focusing on improving productivity and enhancing efficiency levels by implementing responsible consumption patterns. Further, we continued to streamline process through automation and digitalisation. Accordingly, we initiated quality circles complementing our Total Productive Maintenance programs and other quality focused initiatives within the company to drive operational excellence.

We further strengthened our manufacturing capabilities during the year through investments in printing machinery and infrastructure. Rs. 197 Mn was invested as CAPEX which enhanced our production capacity by 12%, with capacity utilisation levels maintained at an optimal level of 70-75% throughout the year.

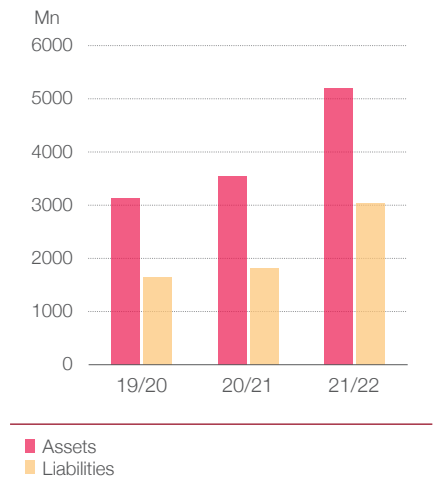
Performance Review

- The Packaging sector reported revenue of Rs. 6,226 Mn, recording a growth of 53%. Gross profit margin came down to 15% from previous year's 17% due to cost increases and Rupee devaluation. Gross profit amounted to Rs. 1,011 Mn, reporting a growth of 39%.
- EBIT for the year amounted to Rs. 722 Mn, a growth rate of 77% compared to the previous year while the net profit increased by 83% to Rs. 596 Mn.
- Total assets base increased by 46% reach Rs.5,190Mn with capital expenditure amounting to Rs.214, compared to Rs.176 in the previous year.

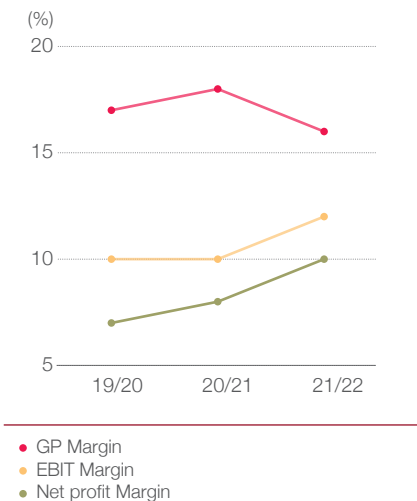
Financial Performance



Financial Position



Profit Margin



Risks	Opportunities
<ul style="list-style-type: none"> Energy crisis Supply chain delays Shortage of raw materials Government policy uncertainties and volatility in key economic indicators Increasing costs of inputs 	<ul style="list-style-type: none"> Driving economies of scale Opportunities for growth by exploiting new markets

Outlook
Supply chain issues and lack of foreign reserves will threaten the business continuity in the coming year. However, we expect that critical issues to be resolved soon, consequently, remain cautiously optimistic.

Capital Reports

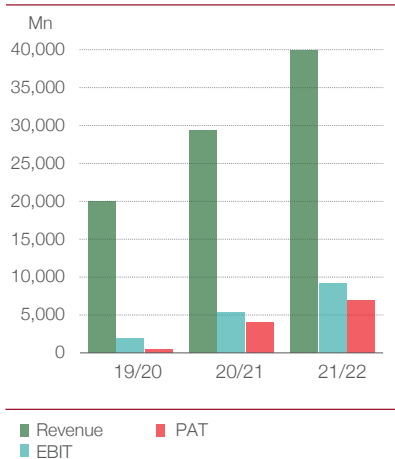
Financial Capital

Financial Performance

The Walltiles Group reported a stellar performance with revenue growing by 35% to Rs.39,857Mn and the profit after tax reaching Rs.6,882Mn, a 71% growth compared to last year.

Growth was driven by the Tiles and Associated products sector as the sector continues to reap benefits from the import restrictions.

Group Performance



Revenue

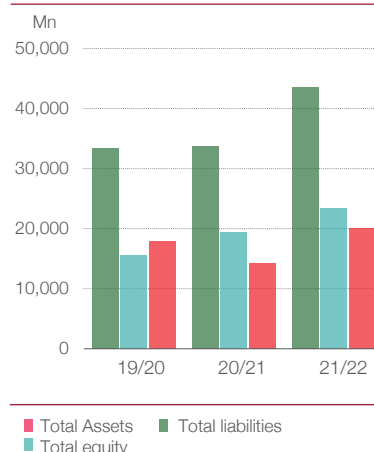
Group's top line increased by 35% to reach Rs. 39,857Mn driven by strong demand in the Tiles & Associated Products sector, favourable tea and rubber prices and cost induced price increases in packaging. The Aluminium sector increased volumes and value added products to become the market leader in aluminium in the country.

Lanka Walltiles Group reported a remarkable performance with a topline growth 35% to Rs.39.86 Bn and post tax profit growth of 71% to Rs.6.88 Bn, This growth is reflected across the Group with all 4 business segments recording significant growth in revenue and profits stemming from increased production efficiencies.

Financial Position

Group assets reported a growth of 29% to reach Rs.43,533Mn while liabilities increased by 40% to reach Rs.20,083Mn

Financial Position



Rs. Mn	21/22	20/21	%
Non-current assets	20,928	19,787	6
Current Assets	22,605	13,922	62
Total Assets	43,533	33,710	29
Total Interest-bearing liabilities	10,520	6,542	61
Total Equity	23,451	19,395	21

Stability

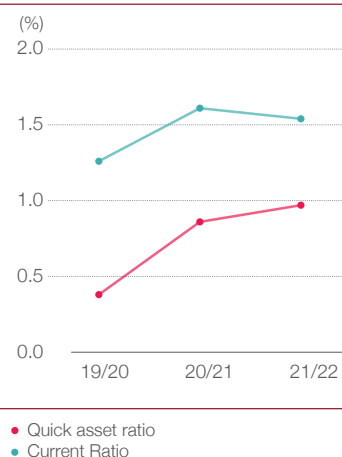
Capital Structure

Equity accounted for 54% of Group's funding compared to 58% last year.

Working Capital

Working capital increased by 51% to reach Rs.7,908Mn

Asset Efficiency



The Company (Lanka Walltiles PLC) also reported a significant revenue growth of 35% to reach Rs. 8,058 Mn supported by strong demand factors whilst maintaining prices for 11 months of the year, reflecting increased volumes as well as the philosophy and values of the company.

The Tiles and Associated Products sector being the single largest contributor, accounted for 60% of Group revenue with revenue increasing by 23% compared to last year. The import restrictions benefited the sector as demand was primarily catered to by

Financial Capital

local manufacturing. The other sectors also recorded strong performances with revenue from plantations, packaging and aluminium reporting growth rates of 21%, 53% and 88% respectively.

Revenue from export sales amounted to Rs. 1,412 Mn, an increase of 36% compared to the previous year. Export sales contributed to 4% of Group's topline.

Profitability and Margins

Group gross profit increased by 45% to Rs. 13,498 Mn as margins improved to 34% from previous year's 31%, despite the inflationary pressures of majority of inputs. Margin growth was supported by increased capacity utilisation which enabled improved absorption of overheads as well as cost savings from a number of initiatives across all production related processes. These were driven by Group wide initiatives such as Total Productive Maintenance (TPM), Lean and Six Sigma. Accordingly, Tiles sector margins improved to 44% from 37% in the previous year. Plantation and Packaging sector margins also improved supported by increased productivity and cost savings. However, the gross profit margin of the Aluminium sector declined to 20% from previously reported 28% due to rising prices of aluminium and gas.

Earnings before interest and tax of the Group increased to Rs.9,012 Mn, recording strong growth of 69%. Total operating expenses increased by 22%, driven by 24% and 26% increases in distribution costs and administrative expenses respectively.

Finance costs declined during the year despite higher levels of borrowing costs due to lower interest rates, exchange gains and a marginal increase in capitalisation of borrowing costs on immature plantations. Interest expenses and finance charges on lease liabilities declined by 21% to 629 Mn which was buffered by an exchange gain of Rs.110 Mn. Accordingly,

profit before tax increased by 90% to Rs. 8,727 Mn compared to Rs. 4,582Mn in 2020/21 reflecting the strong demand factors as well as production efficiencies, boosted by the 61% decline in group borrowings and income from associate companies of Rs.3.72 Mn.

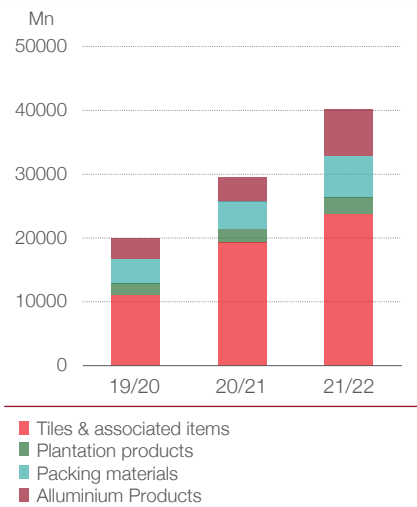
Current income tax change increased by 97% to Rs.1,746 Mn as the effective tax rate increased from 12% to 21% due to increase of trading item sale. The profit after tax increased by 71% to Rs. 6,882Mn over Rs. 4,013Mn in 2020/21 reflecting the strong performance delivered during the year aided by strong tail winds. Basic earnings per share improved to Rs. 18.83 compared to Rs. 10.84 last year after adjusting the share split. The ROE of the group was 29% compared to 21% in the previous year.

The company Lanka Walltiles PLC reported a profit after tax of Rs. 3,083Mn, a 91% increase in comparison to the previous year driven by volume growth and reduced finance costs.

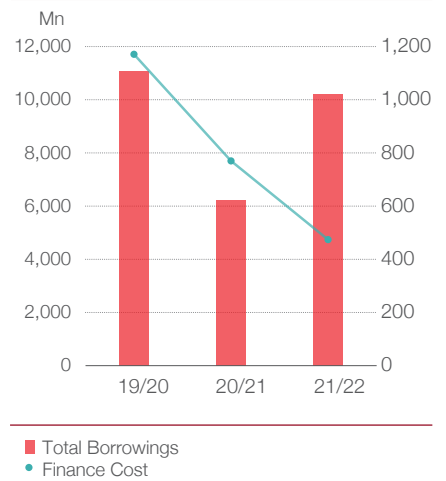
Assets

Total assets of the Group increased by 29% to reach Rs. 43,533Mn, largely due to increased cash balances, receivables and inventories. Cash and cash equivalents increased by 142% to Rs. 7,346 Mn supported by strong cashflows in the Tiles sector while inventories increased by 29% to Rs.8,388 Mn and Receivables increased by 59% to Rs.6,767 Mn.

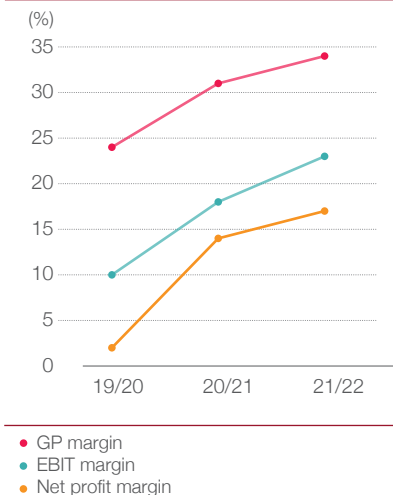
Segmental Revenue Performance



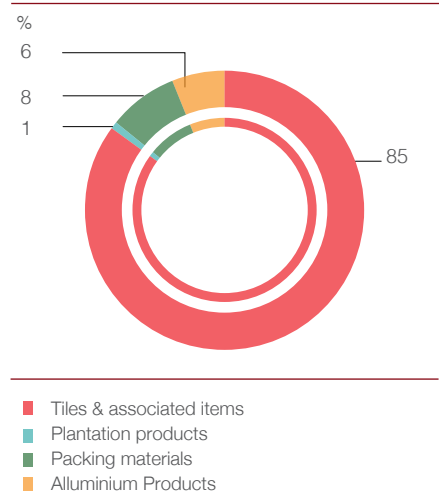
Borrowings and Finance Cost



Profit Margins



Segmental Contribution to Profit before tax



Non-current assets which account for 48% of total assets grew by 6% to reach Rs. 20,928Mn with a 7% increase in property plant and equipment. Capital expenditure which amounted to Rs. 1,149Mn in 2020/21, increased by 91% to reach Rs.2,196Mn with investments in Tiles and associated products segment accounting for 76% of it.

Non-current assets increased by 62% driven by substantial increase in cash and cash equivalents which amounted to Rs. 7,346Mn. Inventory and trade and other receivables also increased by 29% and 59% respectively.

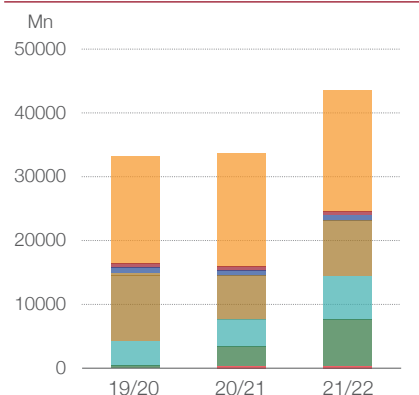
Funding

Total liabilities of the Group increased by 40% driven by 69% increase in current liabilities. Short-term borrowing increased by 106% to reach Rs.8,157 Mn due to fresh short borrowings in the Aluminium segment. Total interest-bearing borrowings accounted for 52% of total liabilities of the Group with long term borrowings amounting to Rs. 2,363Mn, trade and other payables increased by 37% to reach Rs.5,527Mn.

The equity of the group amounted to Rs. 23,451Mn, 21% higher than last year as the improvement in group profitability added to the Group equity balance. The equity of the Company increased by 15% to Rs.7,466Mn.

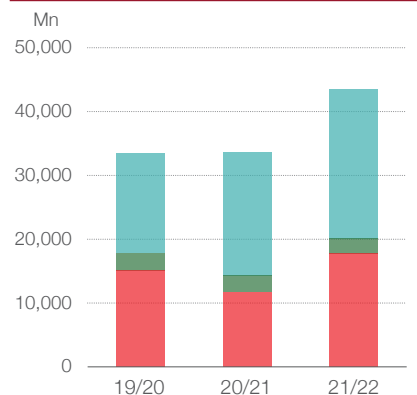
The gearing ratio of the group increased to 45% from 34% last on the back fresh short term borrowings.

Asset Composition



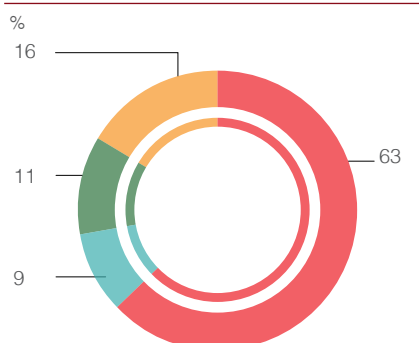
- Cash and cash equivalents
- Trade and other receivables
- Inventories
- Right of use assets
- Investment Properties
- Consumable biological assets
- Property, plant and equipment

Funding Profile



- Other liabilities
- Interest bearing liabilities
- Total equity

Assets by Sector



- Tiles & associated items
- Plantation products
- Packing materials
- Aluminium Products

Working Capital Management

The group current ratio declined to 1.54 times compared to 1.61 times reported last year due to the increase in current liabilities driven by new short-term borrowings.

- Cash inflow from operating activities amounted to Rs. 5,646 Mn (Rs. 10,044Mn in 2020/21)
- Cash outflows from investing activities amounted to Rs. 2,341 Mn.
- Cash outflows from financing activities amounted to Rs. 24 Mn.

Human Capital

GRI : 102-8,102-41,201-3,
401-1,401-2,401-
3,403-1,403-2, 403-
4,404-2,404-3,405-2

How we nurture our human capital

Competitive remuneration, recognition, and rewards

Skill development through training and development

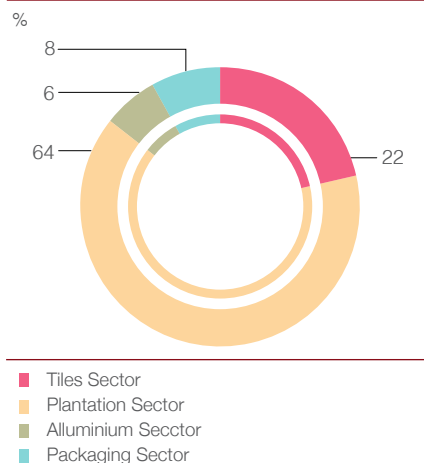
Effective engagement with all employees

Ensuring health and safety

Fair workplace with an inclusive work culture

Our team of 6518 employees are our biggest value creators and play an important role in achieving our strategic goals. Their skills, experience, dedication and resilience are key to driving sustainable growth. Despite being confronted by numerous challenges our team enabled us to surge forward and record a phenomenal year.

Employees by Sector



Highlights

621

New Recruits

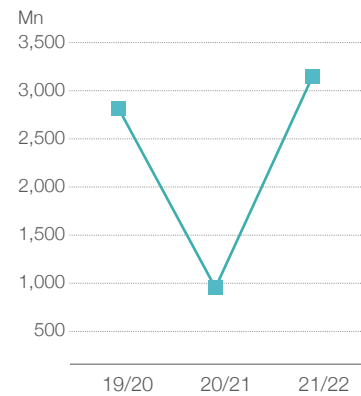
4.546Mn

Total Remuneration

17,578

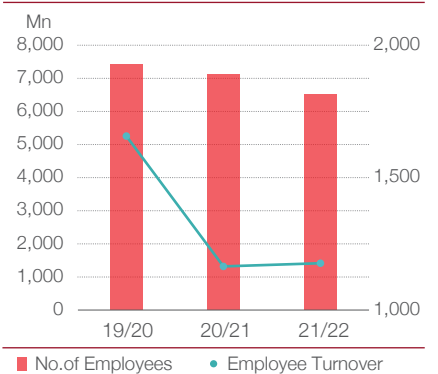
Training Hours

Investment in Employee learning



● Investment

Employee Headcount and Turnover



■ No. of Employees ● Employee Turnover

Our Goals

- Ensure availability of required skills to pursue business objectives
- To maximise shared valued among all key stakeholders
- To enable the organisation to enhance our intellectual capital and leverage our knowledge to ensure sustainable growth
- To reward employees fairly, equitably, and consistently through a transparent reward management system
- To create a legal framework to protect both the organisation and the employee while creating a conducive environment through better employee and industrial relations.

Way Forward

- Continuation of digitisation of HR operations
- Partnering with third party consultants to enhance training and development programs
- Adjusting the minimum qualifications for future recruitments to align with our strategic goals
- Encouraging employees to peruse higher education opportunities by reimbursing their course fees

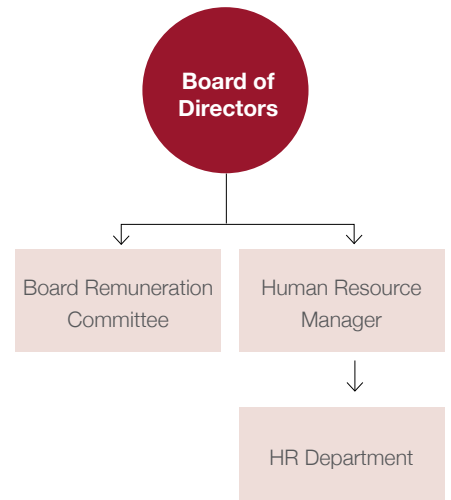
Management Approach

We strive to create a conducive work environment for all employees. Our HR strategy and policies are designed to facilitate a performance driven culture in an empowered and equitable environment. The HR Department works closely with all divisional heads to ensure that HR strategy is aligned with the overall business strategy. Our policy framework reflects our performance driven culture and adopts international and industry best practices. We comply with all relevant laws, striving to go beyond mere regulatory compliance to creating a great place to work.

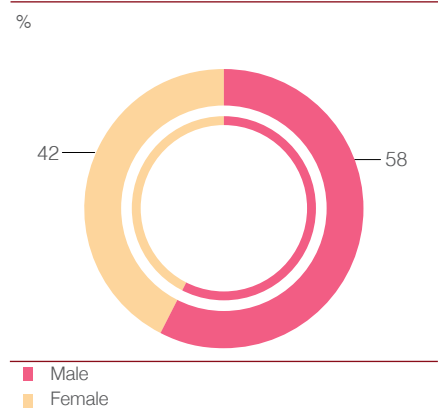
The Group does not employ people under the age of 18 and there were no deviations reported or observed in this regard.

The Group also operates grievance mechanisms with multiple channels available for employees to raise their concerns and report instances of discrimination. There were reports of discrimination reported during the year.

Head of HR reports directly to the Board and a report from HR department is presented to the monthly where matters related to HR and their progress is discussed.



Group total employees by gender



Team Profile

The Group has 6518 employees who work across all sectors, out of which 92% are employed on a permanent basis. The Group maintains healthy relationships with trade unions as 16% of our workforce across the Group are covered by 924 collective bargaining agreements.

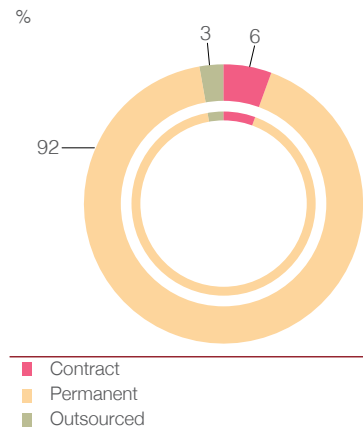
Sector	No. of Trade Unions	% of Sector Workforce Covered by Collective Bargaining Agreement
Tiles	1	38%
Plantations	1	7%
Aluminium	1	37%
Packaging	0	0

We embarked on a project to digitalise HR related functions to increase efficiency and productivity. Employees of the HR department were given special training to familiarise themselves with the new technologies and 75% of the training targets were met during the year.

Human Capital

Employee by Sector	Male	Female	Total
Tiles and Accessories	1,210	195	1,405
Plantation	1,741	2,445	4,186
Aluminium	374	34	408
Packaging	432	87	519
Total	3,757	2,761	6,518

By Contract Type



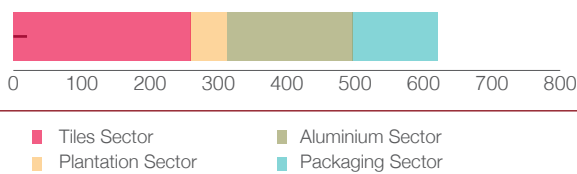
Movement in the Team

During the year we expanded our team by recruiting a total of 621 employees across all sectors. These recruitments were made in alignment with our strategic direction. Our recruitment process is designed to ensure transparency and objectivity with a series of assessments and interviews to select the best possible candidates.

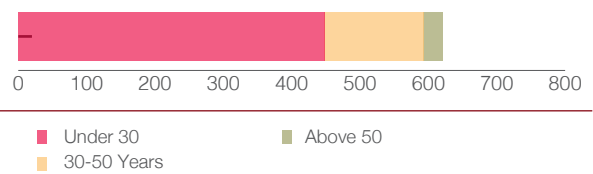
We aim to establish longstanding relationships with our employees. Despite our best-efforts, high labour turnover in the plantation sector continues to be a challenge. The Group introduced a revenue sharing model to facilitate their entrepreneurial capabilities among various other initiatives to address this issue. Total Employee turnover during the year amounted to 18.1% with the plantation sector recording a turnover of 18.2%.

New Recruits

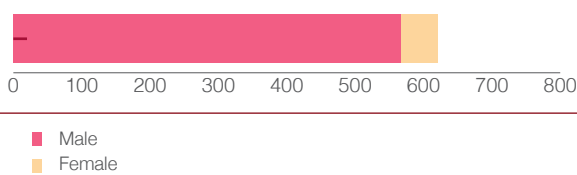
By Sector



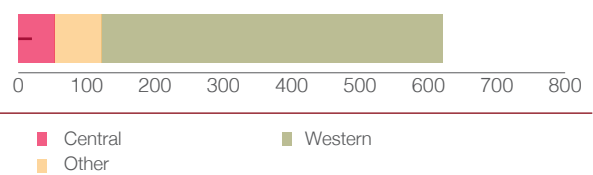
By Age



By Gender

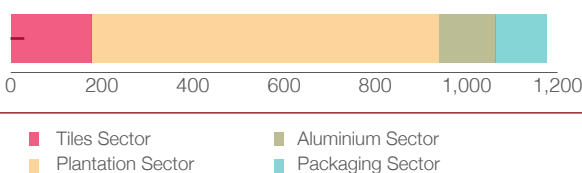


By Location

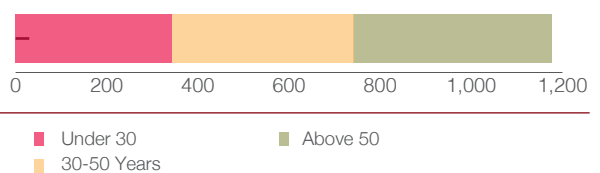


Turnover

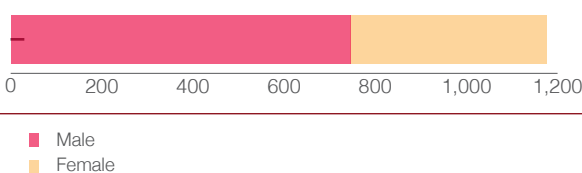
By Sector



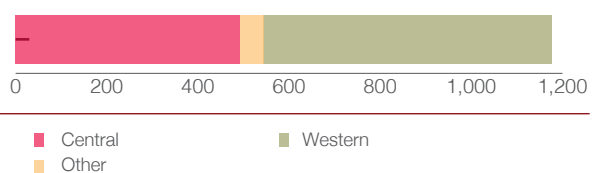
By Age



By Gender



By Location



A Great Place to Work

Lanka Walltiles received the prestigious “Great Place to Work” recognition for Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC and Swisstek Aluminium Ltd. Great Place to Work, is a global authority on assessing and benchmarking employee perception and organisational culture. This certification is testament to our efforts in creating a workplace with empowered employees who share common values and thrive in a

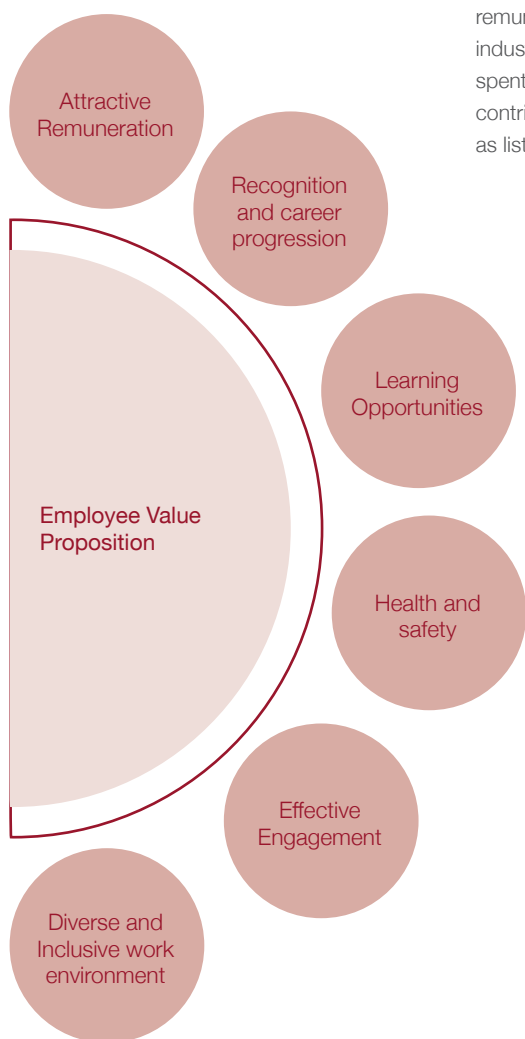


Nurturing our Talent Pool

We strive to build mutually beneficial relationships with our employees by aligning their career aspirations to our strategic business goals. Consequently, we offer a comprehensive and competitive value proposition to all employees which has enabled us to develop a competent talent pool to achieve our business aspirations and to maintain our market dominance.

Remuneration

In order to attract and retain top talent we offer all employees attractive and competitive remuneration packages complying with all regulatory requirements and on par with rest of the industry. Group remuneration for the year amounted to Rs. 4,545 Mn, compared to Rs. 3,625 Mn spent in the previous year. The fixed pay includes basic salary, allowances, and statutory pension contributions while the variable component consists of both monetary and non-monetary benefits as listed below,



The proposed daily minimum wage of Rs.1000 for the plantation workers was to become effective from March 2021 is being appealed through the legal process by the RPC's together with the private holders and factory owners.

	2022	2021	2020	2019	2018
Staff cost (Rs.'000)	3,645,459	3,139,476	2,667,349	2,497,026	2,664,405
Define contribution schemes such as EPF and ETF (Rs.'000)	759,438	295,117	279,831	251,464	237,674
Defined benefit plans Gratuity (Rs.'000)	140,740	190,630	169,765	126,289	135,738

performance driven culture. All four companies of Lanka Walltiles group scored particularly high under the “Pride” category, which focuses on pride in their employment, team spirit, and corporate image.

Human Capital

GRI : 102-8,404-1,
404-2,404-3

Tiles and associated products	Plantations	Aluminium	Packaging
<ul style="list-style-type: none"> COVID testing and medical reimbursements Uniforms facilities Financial assistance for higher education Medical Insurance 	<ul style="list-style-type: none"> Housing for estate workers Financial support for higher education of employee's children Loan facilities by collaborating with housing co-operatives Improving living conditions through various community development projects 	<ul style="list-style-type: none"> Financial assistance for higher education Transport Facilities Medical Insurance Loan facilities at subsidised rates 	<ul style="list-style-type: none"> COVID testing and medical reimbursements Transportation facilities Uniforms and PPE facilities Medical Insurance Loan facilities at low interest rates

Recognition and Career progression

All employees undergo annual performance appraisals to identify training requirements, to reward performance and facilitate progression. Employees are assessed based on KPIs set in line with the business strategy and evaluated based on their contribution. The Group policy is to encourage internal promotions for vacant promotions. During the year 267 employee were promoted.

Additionally, all employees have a variable pay component which is based on their performance as assessed through the performance management system.

Learning Opportunities

Learning requirements are identified through the employee performance appraisals and developed inline with the overall business

strategy. Training and development cost for the year amounted to Rs.3Mn with 17,801 training hours.

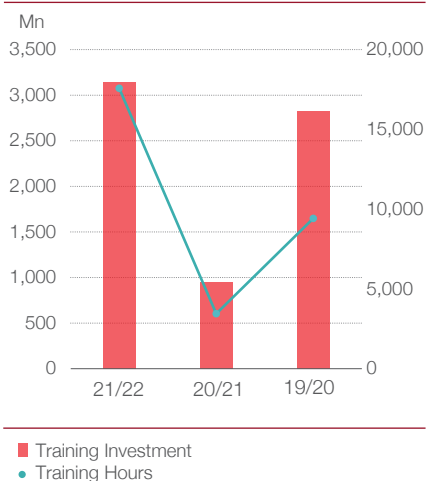
During the assessments carried out for Great Place to Work certification, we identified 45 Executives with exceptional performances for the next generation of leadership. As part of our ongoing corporate training strategy these selected individuals were given necessary training to empower them with the necessary skills required for leadership.

Further, we initiated a series of training programs on spiritual management practices with the aim of enhancing employees psychological mindset and thereby increasing employee satisfaction and instil team spirit and loyalty. The program was initiated from Executive level and upwards and later on expanded to employees at all levels.

Training programs conducted during the year are,

	Tile	Plantation	Packaging	Aluminium	Total
By Gender					
Male	3,680	9,483	643	46	13,852
Female	765	2,810	145	6	3,726
Total	4,445	12,293	788	52	17,578
By Employee category					
Executive staff	1,210	7,424	93	17	8,744
Non Executive Staff	3,211	3,679	197	35	7,122
Other	24	1,190	498	-	1,712
Total	4,445	12,293	788	52	17,578

Investment in Training and Hours



Employee Engagement

We maintain an open-door policy across the Group to instil a culture of inclusivity and to inspire collaboration. We encourage employees to participate in strategic planning and their input is valued and taken to consideration when formulating our overall strategy. Further, we have several annual welfare events to promote networking amongst the employees.

Grievance Handling

We encourage employees to come forward with their grievances by maintaining an open door policy. Employees can report such grievances to their line managers but they also have access to the HR department or to the Managing Director.

The Group has a grievance policy in line with best practices of OHSAS 18001 and all grievances are considered strictly confidential and addressed through a structured resolution process. There were no significant grievances reported during the year.

Health and Safety

Prolonged pandemic necessitated the stringent health and safety and good hygiene practices. We continued the safety measures implemented at the onset of the pandemic to continuous operations and minimal disruptions.

In addition to the measures adopted to prevent the spread of COVID-19, as a manufacturing organisation safety of our employees is of paramount important to us. We maintain stringent safety controls and standards that are on par with international best practices across all manufacturing plants. We are certified by the Occupational Health and safety Assessment Series (OHSAS).

Work related Injuries	2021/2022
Tiles Sector	21
Plantation Sector	0
Aluminium Sector	23
Packaging Sector	25
Total	69

Diversity and Inclusion

Our HR policy framework ensures equal opportunities and non-discriminative work place for all employees irrespective of their age, gender, ethnicity, etc. We maintained a ratio of basic salary of women to men at 1:1 and our training, development and career progression does not have any gender limitation ensuring equal opportunity.

Maternal Leave	2021/2022
Employees Entitled to Parental Leave	391
Employees That Took Parental Leave	10
Employees Due to Return to Work After Taking Parental Leave	4
Employees that returned to work during the period	1
Employees Who Still in Employment 12 Months After Returning From Parental Leave	4

Prevention and Control measures taken to combat COVID 19

- COVID safety team in place
- Renting separate premises for quarantine purposes.
- Segregation of employee where possible
- Conducting vaccination drives
- Reinforcing good hygiene practices at all premises.
- Adhering to all safety protocols stipulated by the authorities.

Social & Relationship Capital

GRI : 102-9,102-10,102-12,
204-1,308-1,413-1,416-
1,416-2,417-1,417-2,417-3

How we nurture our social and relationship capital

Expanding export product portfolio

Maintaining effective relationships with suppliers to ensure continuous supply

Exploring supplier options in different geographical locations

Enhancing our reach by expanding showroom network

Positive relationships with key stakeholders such as customers, suppliers, regulator and communities are vital to sustaining our market dominance. We maintain close engagement with them through a structured process to facilitate mutual growth.

Highlights

138

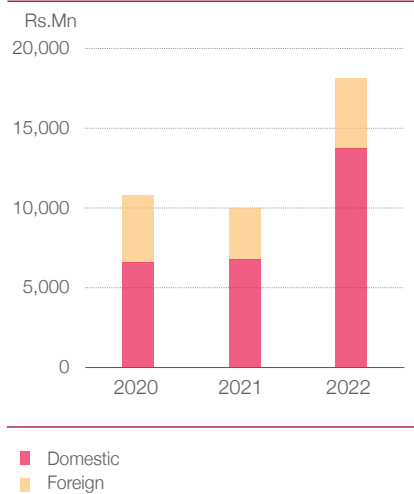
New designs launched

66

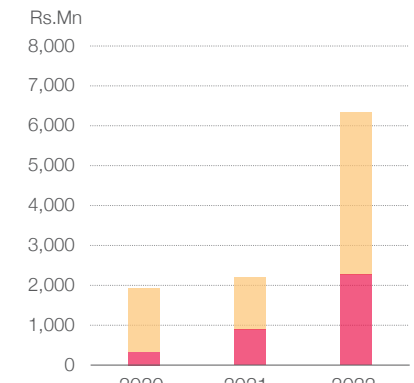
Franchises showrooms

Only tile manufacturer in Asia to have an online retail presence at an international level through Amazon

Tile Sector Supplier Payment



Aluminium Sector Supplier Payment



Value Delivered



Customers

8,312,971 SQM of tiles
2,860 MT of tea
611 MT of rubber
27,277 MT of packing material
6,726 Aluminium



Suppliers

Rs. 18,427 Mn paid to local suppliers
Rs.12,943 paid to foreign suppliers
Timely payments



Regulator

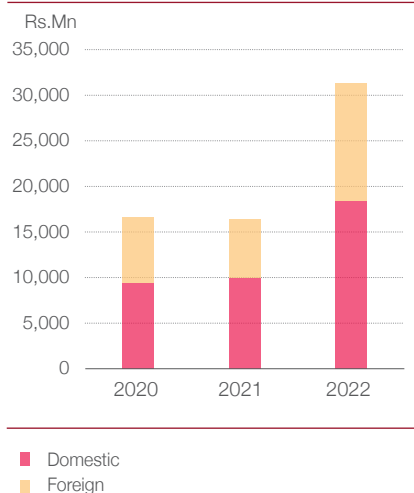
Direct taxes of Rs.1,438 Mn
Export revenue of Rs.1,412 Mn



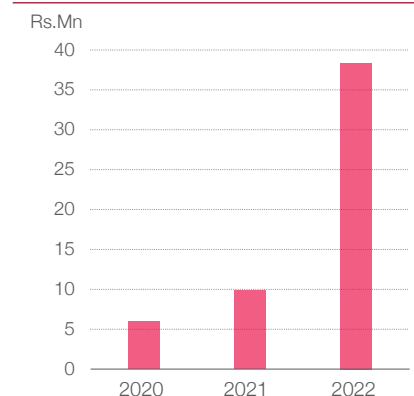
Community

Direct and indirect employment
CSR spend of Rs.38 Mn

Group Supplier Payment-Rs.Mn



CSR Spend



Managing Customer Relationships



We maintain ongoing communications with our customer base in order to understand their requirements and preference which is essential for maintaining our competitive advantage. We maintain customer engagement through touchpoints as illustrated below

We aggressively pursued expanding our export market in USA for our Mosaic line. These efforts were successful as we have partnered with several retailers with large presence in the USA. We also have a significant presence in Australia, Maldives and Japan and plans are underway to expand exports to countries such as India, Pakistan and the European region.

We place great emphasis on customer satisfaction as our market dominance depend on it. We strive to expand our product portfolio according to customer preference and maintain stringent quality control measure to ensure superior quality end product. During the year we expanded the production of larger size tiles to align with customer preferences.

Tiles & Associated Products

	02 own showrooms	9 Hybrid stores	19 factory outlets	59 dealers	4,171 Tiler club members
	Call centre	Android, iOS Apps	Social media	sub dealers	49 franchisees

Aluminium

	01 own stores	17 franchisees	15 distributors	384 direct dealers	Social media
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Packaging

	B2B customers
--	---------------

Plantations

	Brokers	Trade fairs
--	---------	-------------

During the year we expanded our call centre operations by increasing the headcount. Operators work remotely and are provided with necessary infrastructure to carry our operation efficiently. All customer inquiries are followed up in a methodical manner and each customer is given a unique code for identification and follow up purposes.

Social & Relationship Capital

Value delivered to customers

Value for money	Customer Support	Quality	Innovation
<ul style="list-style-type: none"> Fair pricing Maintaining the same prices throughout the year despite increases in raw material process Display of maximum retail price Discounts offered to Tiler club members 	<ul style="list-style-type: none"> Call centre support Training programs for Tiler club members Trained and competent showroom staff 	<ul style="list-style-type: none"> Compliance with international best practices Continuous monitoring Predefined KPIs to ensure quality 	<ul style="list-style-type: none"> 138 new designs introduced Use of latest available technology State of the art manufacturing facilities

Supplier Relations

We strive to develop long standing and mutually beneficial relationships with our suppliers to ensure reliability. Having a reliable supplier base during tough economic conditions benefited us as we were able to source adequate raw materials for continuity of our manufacturing operations.

Sourcing from overseas suppliers became increasingly challenging during the year due to lack of foreign reserves in the country. Consequently, the Group was compelled to explore domestic sourcing options where possible and to increase our raw material holding capacities due to this.

Relationship with the Regulator

We work closely with the regulator on various initiatives for industry development. Further the Group contributes to Government revenue by paying direct and indirect taxes that are stipulated by law. All required tax payments are made in a timely manner and during the year Group direct tax expenses amounted to Rs. 1,438 Mn

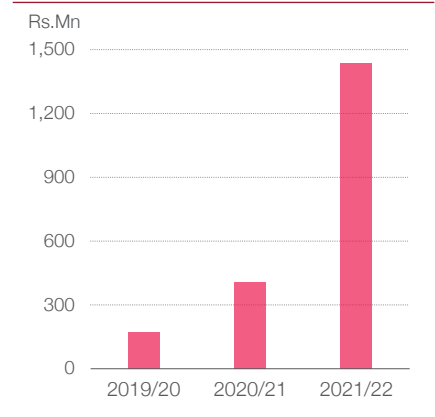
Community Development

We carry out various projects, contributing towards the development of the community we operate in. During the year we undertook following initiatives,



- Payments of Rs.31,370 Mn made to suppliers
- Maintaining fair pricing
- Settling supplier dues on time
- Supply training and development

Direct Tax paid to the Government



Manufactured Capital

GRI : 203-1

How we nurture our Manufactured capital

Drive innovation and adopt latest technology to enhance efficiency

Expanding manufacturing capacity to meet the domestic demand

Expanded Mosaic line capacity due to high domestic and export demand

Expanding our reach by opening 02 showrooms

Consisting of property, plant, equipment, investment property and Right of Use Assets, our manufacturing plays an integral part of our value creation process. Substantial investments are required for these highly specialised assets which form 46% of our total assets.

Transport & Communication equipment

Rs.122.3 Mn

Rs.183.4 Mn

Buildings

Plant & Machinery

Rs.5,623 Mn

Rs.284.8 Mn

Water supply & electrical distribution

Furniture & Fittings

Rs.4,931.1 Mn

Highlights

Rs. 2,196 Mn

CAPEX of

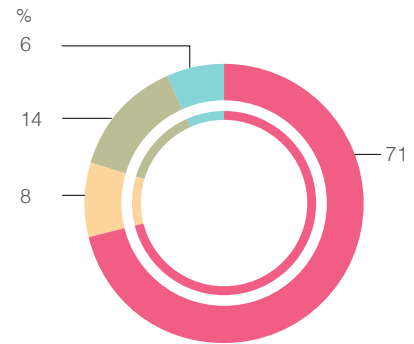
66

Franchises showrooms

94%

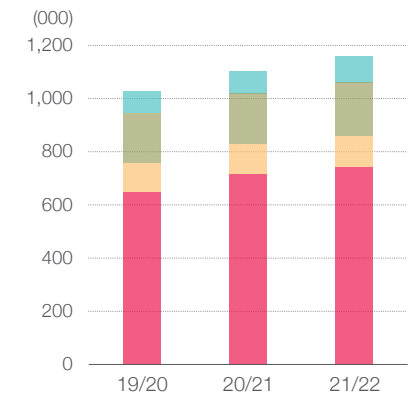
Capacity Utilisation Tile Sector

Manufactured Capital by Sector (PPE)



■ Tiles & associated items ■ Plantation products
■ Aluminium Products ■ Packing materials

Depreciation charge by sector



■ Tiles & associated items ■ Plantation products
■ Aluminium Products ■ Packing materials

Nurturing our manufactured capital

We continue to make significant investments in enhancing our manufactured capital to sustain our market leadership. The Board provides direction to all expansion plans which consider the demand, design trends, technology and the return on investments amongst other factors.

During the year we invested capital expenditure of Rs. 2,195 Mn to procure a range of machinery including a trim tile machine, 2 press machines, a horizontal dryer and a new 36 meter kiln.

Manufactured Capital

Way Forward

- A project in planning stages to increase the floor tiles capacity at Lanka Walltiles to 14,000m²/day.
- LANKA WALLTILES 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 Aluminium Ltd subsidiary companies. By 31st March 2022, Implementation has been completed & System Go Live scheduled on 12th April 2022.

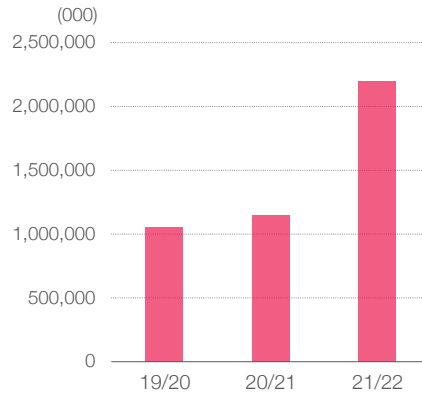
Further we expanded the mosaic assembly line at a cost of Rs. 296Mn to increase production by four folds. We also procured a 1500KV generator for the milling department to ensure operation during the power outage.

During the year, the tile sector achieved a capacity utilisation of 94%, with total production of 2.55 million square meters which exceeded the budgeted expectations.

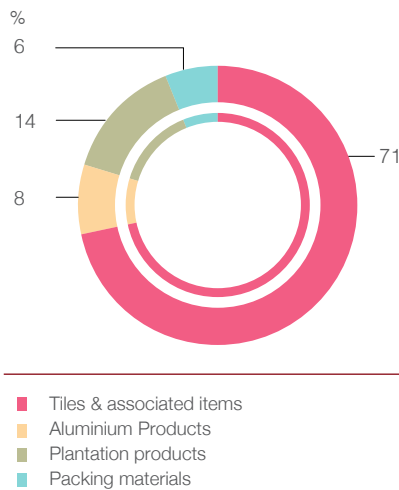
Our Showroom Network

Despite the challenging economic conditions and prolonged pandemic, we opened 2 showrooms and upgrade distribution network with a cost of Rs.221 Mn In addition to this all routine and required maintenance was carried out with minimal disruptions to day-to-day operations.

Capital Expenditure



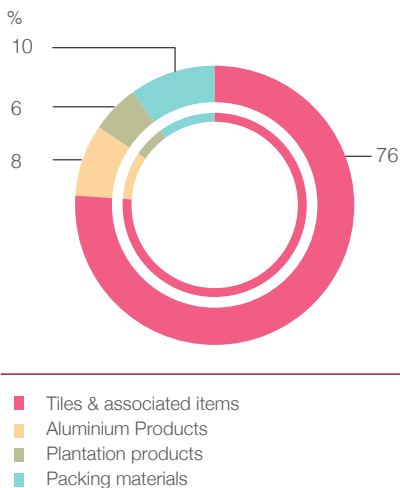
Composition of manufactured capital (PPE)






Description
Current Capacity
Capacity Utilisation




Description
Current Capacity
Capacity Utilisation

Capital Expenditure by Sector



Our Manufacturing Facilities

Tiles and Associated Products		
Meepe – Lanka Wall Tiles	Ranala – Lanka Tiles PLC	Ballunmahara – Swisstek (Ceylon) PLC
		
Produces Wall tiles in a variety of colours, textures and sizes including special trim tiles, decorated tiles, as well as handmade tiles.	The Largest tile manufacturing facility in the country with state-of-the art machinery. Produces glazed, vitrified and ceramic tiles.	Produces tile grout, tile mortar and decorative pebbles
8,000 m ² /day	16,500 m ² /day	60,000MT/annum
87%	97%	

Aluminium	Packaging	Plantations
Dompe – Swisstek Aluminium Ltd.	Dekatana – Uni Dil Packing	Horana Plantations
		
Produces aluminium profiles to fabricate all types of doors, sliding doors, windows, shop fronts, partitions, curtain walls, roller shutters, ladders and tile beading.	Produces corrugated cartons and paper sacks for packaging industry	9 estates in Nuwara Eliya producing tea and 6 estates in Kalutara and one in Ratnapura producing latex
7.00Mt/month	26,400MT corrugated packaging and 3,600MT pa-per sacks	Tea – 8,083MT/annum Rubber – 1,215MT/annum
81%	75%	

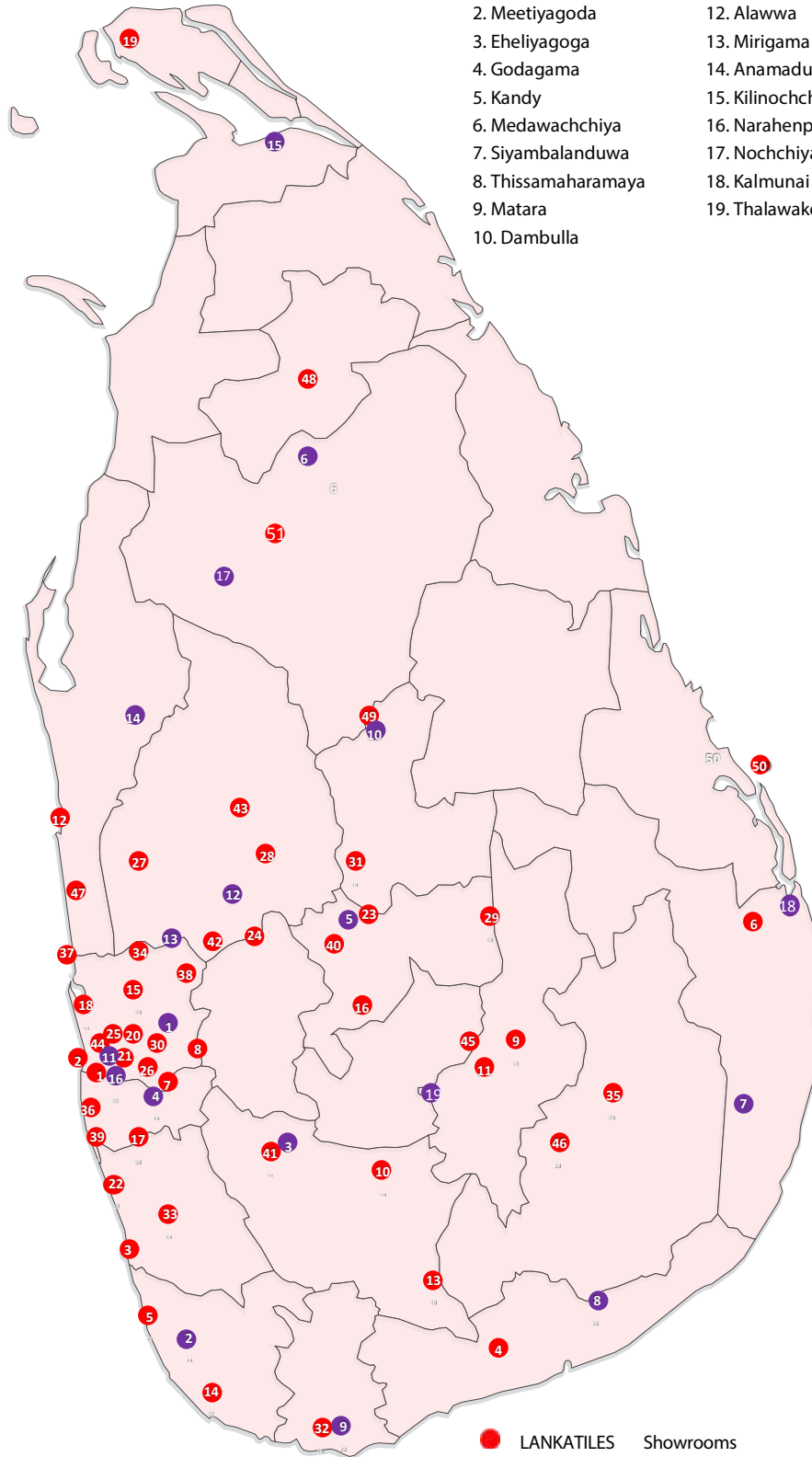
Manufactured Capital

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



● LANKATILES Showrooms
 ● LANKATILES Factory Outlets

Intellectual Capital

GRI : 307-1

How we nurture our intellectual capital

Focused marketing campaigns to enhance our brand & market presence

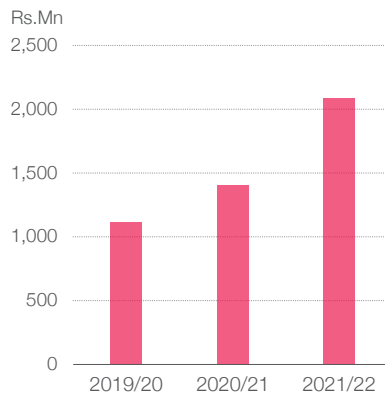
Process innovation to maximise productivity

Comprehensive employee value proposition to retain competent talent pool

Automation and digitisation to improve efficiency

Our intellectual capital comprises our brand value, skills, expertise, capabilities, and systems and processes. These elements enable us to sustain our market dominance and achieve our strategic aspirations. Our flagship brand “Lanka Tiles” is a home-grown brand that is associated with world class quality and designs.

Brand value of Lanka Tile



Our Brand Value

- Tacit Knowledge
- Innovation
- Systems & Processes
- Operational Excellence

Our Brand



Highlights

A Brand Value of **Rs. 2,084 Mn**

Cost savings of **Rs. 554 Mn** through TPM and other initiatives

Ranked #48 among top 100 brands



Emerges as the fastest growing brand in the top 100, with a growth in value by 48% - Brands Finance, Sri Lanka

We have developed a strong brand presence based on our esthetically pleasing designs, innovative products and superior quality. We dominate the domestic wall tile and floor tile market with a market share of 42%. Our flagship brand “Lanka Tiles” was named the fastest growing brand in Sri Lanka with a growth of 48% and a brand value of Rs. 2,084Mn. Group carried out several promotional campaigns during the year to market Mosaic and Megesctica lines. This campaigns also enhanced our brand visibility in the domestic market.

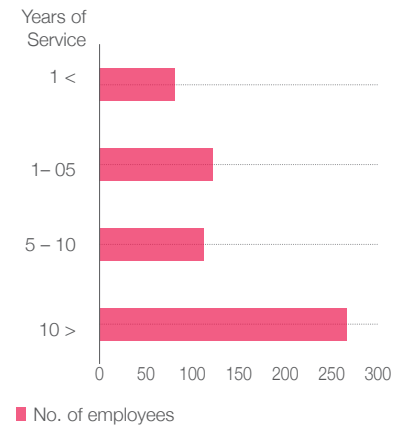
Both Swisstek and Unidil are ranked among the top contenders in their respective industries while Horana Plantations PLC has built a reputation for producing some of the finest high grown tea in the country.

Tacit Knowledge

Detailed screening process carried out at the recruitment stage and the comprehensive value proposition offered to all employees has allowed us to build a strong and competent team. Further we make continuous investments in enhancing their skillset through our training

Intellectual Capital

Employees by Years of Service (Company)

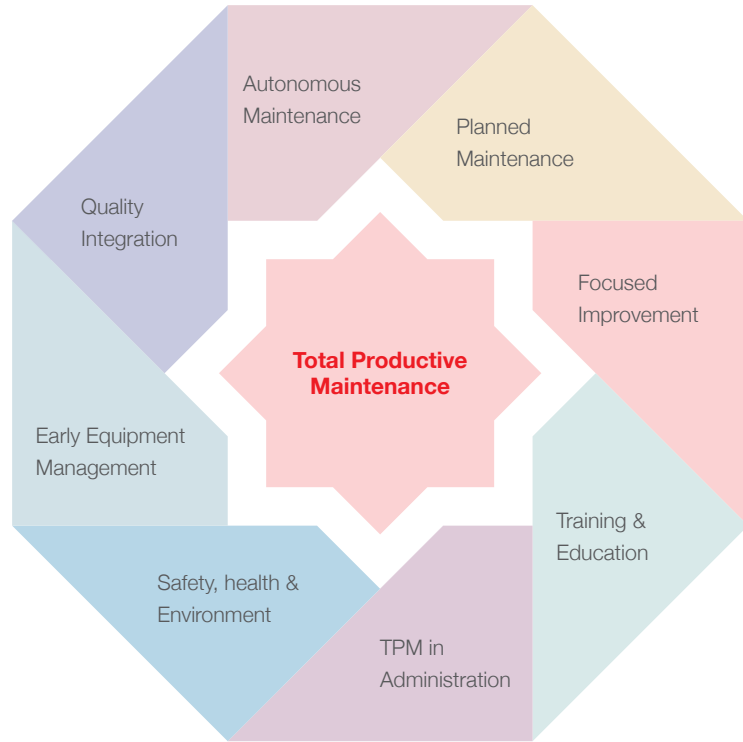


programs allowing employees to reach their career goals. Majority of our employees have completed more than 5 years with us and their experience and knowledge make a valuable contribution to our value creation process.

Innovation

A dedicated Research and Development team is in place to identify and analyse market trends and customer preferences while the Business Development team is responsible for potential areas for market and product development. Product innovation is carried out based on these recommendations and over the years we have developed many innovative designs that enabled us to gain our market dominance. Our innovative designs such as Mosaic and Magestica which gained popularity among both domestic and export markets are testaments to our efforts in innovation.

Process innovation is another key area of focus of the Group. We continue to look for avenues to achieve operational excellence by increasing efficiency and productivity. This has enabled us to sustain our margins in the current inflationary economic conditions.



Operational Excellence

Driving operational efficiency is key to maintaining our competitive edge and sustaining our market dominance. Automation and digitisation of operations and processes continued to drive productivity and efficiency and to face challenges caused by the difficult economic conditions.

Ongoing efforts in implementation of Total Productive Maintenance (TPM) have resulted in significant cost savings and enhanced productivity. Under this initiative, a project symposium was conducted at the beginning of the year and the Group took initiative to implement the top 20 proposals which resulted in a total cost saving of Rs. 132Mn.

Systems and Processes

The Group make continuous investments in technology and has a robust systems and processes in place to achieve our strategic objectives. These systems and processes are developed and fine tuned over the years to achieve optimum productivity and efficiency levels.

- Employee Performance Management System that facilitates succession planning and career development. The system is also designed to identify gaps in skill levels and training programs are designed based on these findings.
- A production quality system implemented in all manufacturing plants where best practices for workflows, health and safety, environmental safety is applied.

Certifications

Given below is a list of certifications we complied with during the year covering areas related to product quality, health and safety and sustainability.

Certifications

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Certification	Lanka Walltiles PLC	Lanka Tiles PLC	Swisstek Aluminium	Unidil Packaging	Horana Plantations PLC
SLS ISO 14001 Certificate of the Environmental Management System by the Sri Lanka Standards Institution	✓	✓		✓	✓
SLS ISO 9001 Quality Management Certification	✓	✓	✓	✓	✓
SLS 1181 Certificate of Conformity issued by Sri Lanka Standard Institute	✓	✓			
OHSAS 18001 : 2009 Certification Occupational health and safety		✓			
CE Marking Certificate of Conformity to European standards issued by Euro Veritas Limited – Glazed Ceramic Tiles.		✓			
Green SL Labelling System Certificate for environmental performance issued by the Green Building Council of Sri Lanka	✓	✓			
ISO 22000: 2018 Food Safety Management Systems and HACCP Certification				✓	✓
SLS 1474 Certification Food safety related risk				✓	
SLS 1492 Certification Food safety related risk				✓	
SLS 1410 Certificate of conformity issued by Sri Lanka Standard Institution for Swisstek Aluminium brand extruded aluminium alloy profiles		✓			
Qualicoat Certification Authorisation to use the quality sign of 'Qualicoat'		✓			
Ethical Tea Partnership Certification of internationally recognised social and environmental standards					✓
Rainforest Alliance Certified conformity to principles of sustainable farming addressing Biodiversity conservation, improved livelihoods and human well-being, natural resource conservation and effective planning and farm management systems.					✓
FSC Certification for Rubber and Oil Palm Estates Awarded by the Forest Stewardship Council (FSC) which certifies sustainable forest management practices					✓
Fair Trade Certification Product certification within the market-based movement fair trade.					✓
Great Place to Work Certification Global authority on workplace culture assessment.	✓	✓	✓	✓	

Natural Capital

GRI : 301-1,301-2,302-1,302-2, 302-3,302-4,303-1,303-2, 303-3,305-1,305-2,305-3



How we nurture our natural capital

Investments in renewable energy

Implementation of energy saving initiatives

Reducing dependency on agro-chemicals and use of organic substitutes

Effective management of water and effluents

Managing our carbon footprint

Our natural capital comprises largely of agricultural land, mining land other freehold properties utilised for various commercial purposes. We also use ball clay and feldspar which are mined as well as Due to the nature of our operations, we rely heavily on natural inputs, and we are conscious of the impact of our operations on the environment. Consequently, environment sustainability is of utmost importance to us, and we take various initiatives to minimise any negative impact

Highlights

Water Consumption of **265,789 (M3)**

Effluents discharges **128,154 (M3)**

Material consumption of **257,097 MT**

Solid waste of **29,804 MT**

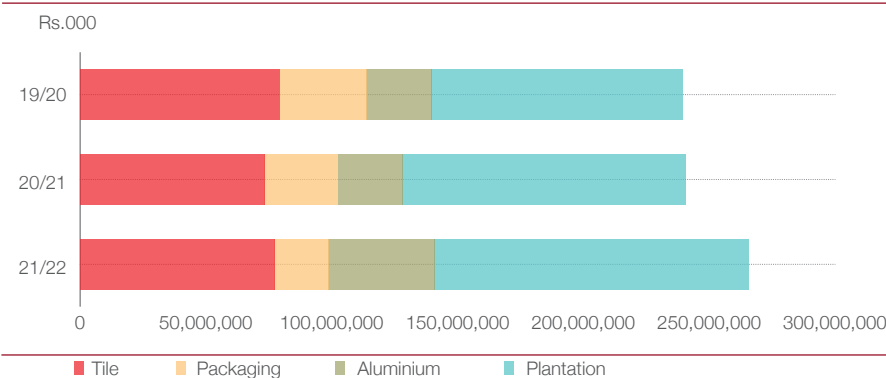
Way Forward

We will continue to seek ways to become more responsible in our consumption of raw materials, energy and water while minimising the impact on the environment through reusing, recycling and safe disposal of waste and effluent discharge.

Compliance with Environmental Regulations

	Tiles	Packaging	Aluminium	Plantation
Compliance with the requirements of the Central Environmental Authority	✓	✓	✓	✓
ISO 14001	✓	✓	✓	
Green SL Labelling System	✓			
Ethical Tea Partnership				✓
Rainforest Alliance				✓

Water Consumption by segment (Liters)





Monetised Natural Capital

The Group has a significant asset base consisting on agricultural and mining land. Bearer biological assets consisting of investments on tea, rubber, oil palm and other diverse crops were valued at Rs. 2173 Mn while consumable biological assets were valued at Rs. 596 Mn.

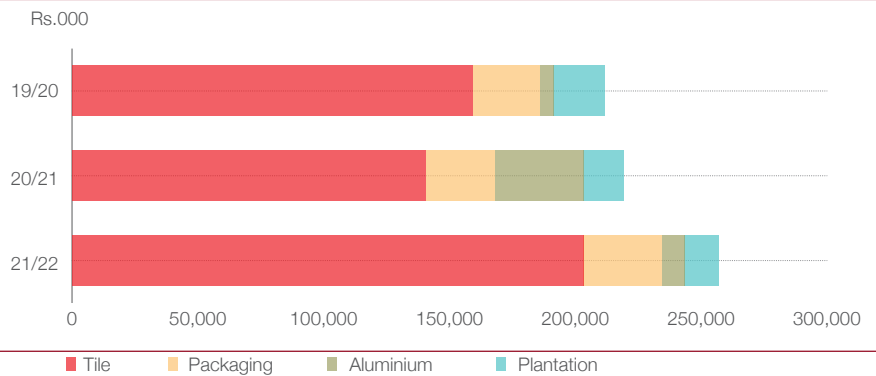
Material Management

Our operations require finite inputs such as ball clay, feldspar and kaolin. During the year we consumed 203,194 MT of non-renewable resources such as clay, silica and feldspar. We are conscious of the restricted nature of these resources and have implemented various initiatives to reduce wastage and re-use materials where possible. During the year increased focus was given to enhancing raw material productivity through process innovations. Further, we continue to carry out TPM initiatives to drive productivity and reduce wastage.

Our Environmental Policy

- Comply with all regulatory requirements, standards and practices relevant for our business lines
- Committed to prevent/minimise any negative impact to the environment
- Monitor and review progress on environmental objectives
- Educating all stakeholder through awareness and training programs

Material Consumed By Segment



Natural Capital

Renewable Material	2022	2021
Billet	8,302	5,522
Chemicals	557	379
Cornstarch	596	485
Dolomite	-	347
Field Latex Rubber	747	3,925
Green Leaf	12,932	12,319
Ink	98	95
Paper	30,540	26,796
Powder	131	29,391

Non Renewable Material	2022	2021
Ball Clay	49,751	37,777
Feldspar A	82,204	58,761
Frit c/0107161	-	197
Grey Cement	20,776	15,623
Kaolin	14,357	4,377
Silica Sand Dark	34,833	22,638
White Cement	1,344	880
Total Material Consumption	257,168	190,215

Energy Management

Energy management is a key area of focus due to the energy-intensive nature of tile manufacturing. During the year we commenced a project to install solar panels with a capacity of 1500KW in our manufacturing plants and. The project is expected to be completed during next year and will contribute to 17% of energy requirement of the company. Further, the

initiatives taken under the heat recovery project resulted in energy savings of 850MT of LPG and 190,215 KWh of electricity during the year corresponding to total cost savings of Rs. 153 Mn.

Plantation sector has number of renewable energy initiatives such as use of firewood, biomass and significant investments in hydro power plants.

Energy consumption by type

Type		2022	2021
Renewable			
Firewood/Biomass	Kg	11,040,534	9,485,497
Hydro Power	Kwh	583,774	2,318,581
Non Renewable			
Diesel	Litre	1,073,665	808,320
Petrol	Litre	124	
Furnace Oil	Litre	573,519	255,619
LPG	Kg	19,107,516	14,551,597
Electricity	Kwh	48,659,040	36,568,220
Kerosene	Litre	2,269	2,942

Water Consumption by Source (Litres)

Type	2022	2021
Ground water	193,392,653	151,260,241
Municipal Water	919,049	27,935,967
Rainwater Harvested	2,393,761	2,310,670
Surface water	69,082,434	59,118,987
Total	265,787,897	240,625,865

Water

We are committed towards responsible use of water resources in our operations. Tiles and associated product segments account for 23% of Group's total water usage while 83% water consumed is sourced through ground water withdrawals.

Waste heat recovery projects

Shifting towards green energy

Investments in renewable energy generation

Installation of sky lights due to reduce electricity consumption

Use of LED bulbs in showrooms and installing inverter ACs

Use of capacitor banks

Waste and Effluents

Waste segregation is carried out to ensure responsible disposal of waste and done in compliance with all regulatory compliance and industry best practices. Periodic internal audits are carried out to ensure compliance. Our main sources of waste are paper, aluminium billets, and solid waste and during the year 46,923 MT of solid waste was discharged with tiles and associated products segment accounting for 52 % of it.

Disposing of hazardous waste is carried out by a Specialised third party while other waste such as paper waste and organic waste is either sold or re-used. During the year 16,998 MT was converted to reusable forms. Segregated food waste is used as animal food.

Effluent water treatment plants are installed at all factories to ensure all waste water is treated prior to being discharged.

Waste Discharged by segment(MT)

Sector	2022	2021
Tile	24,478	19,601
Packaging	3,503	5,304
Aluminium	119	85
Plantation	1,704	40
Total	29,804	25,030

Disposal of solid Waste (MT)

Type	2022	2021
Composting	1,672	24
Inclination	55	72
Landfill	7,363	5,963
On site Storage	226	1,097
Other	36	23
Recycled	9,629	7,874
Reused	10,823	9,977
Total	29,804	25,030

Waste Water (Litres)

Type	2022	2021
Municipality		
sewerage	14,751,000	3,632,000
Recycled	52,217,424	53,616,489
Soakage Pits	24,502,230	20,985,675
River, lakes & water land	36,684,250	29,782,850
Total	128,154,904	108,017,014

Carbon Footprint

We are aware of the risks associated with climate change and the implications of it on our operations. Consequently, we strive to reduce our carbon footprint in a sustained manner through ongoing efforts to enhance energy efficiency and increased reliance on renewable energy through solar power generation. A few other initiatives in this regard include:

- Implementation of waste heat recovery projects
- Ongoing investments in green energy generation
- Use of heat exhaust chimneys
- Ensuring safe emission of gases from the melting furnace and other energy saving initiatives

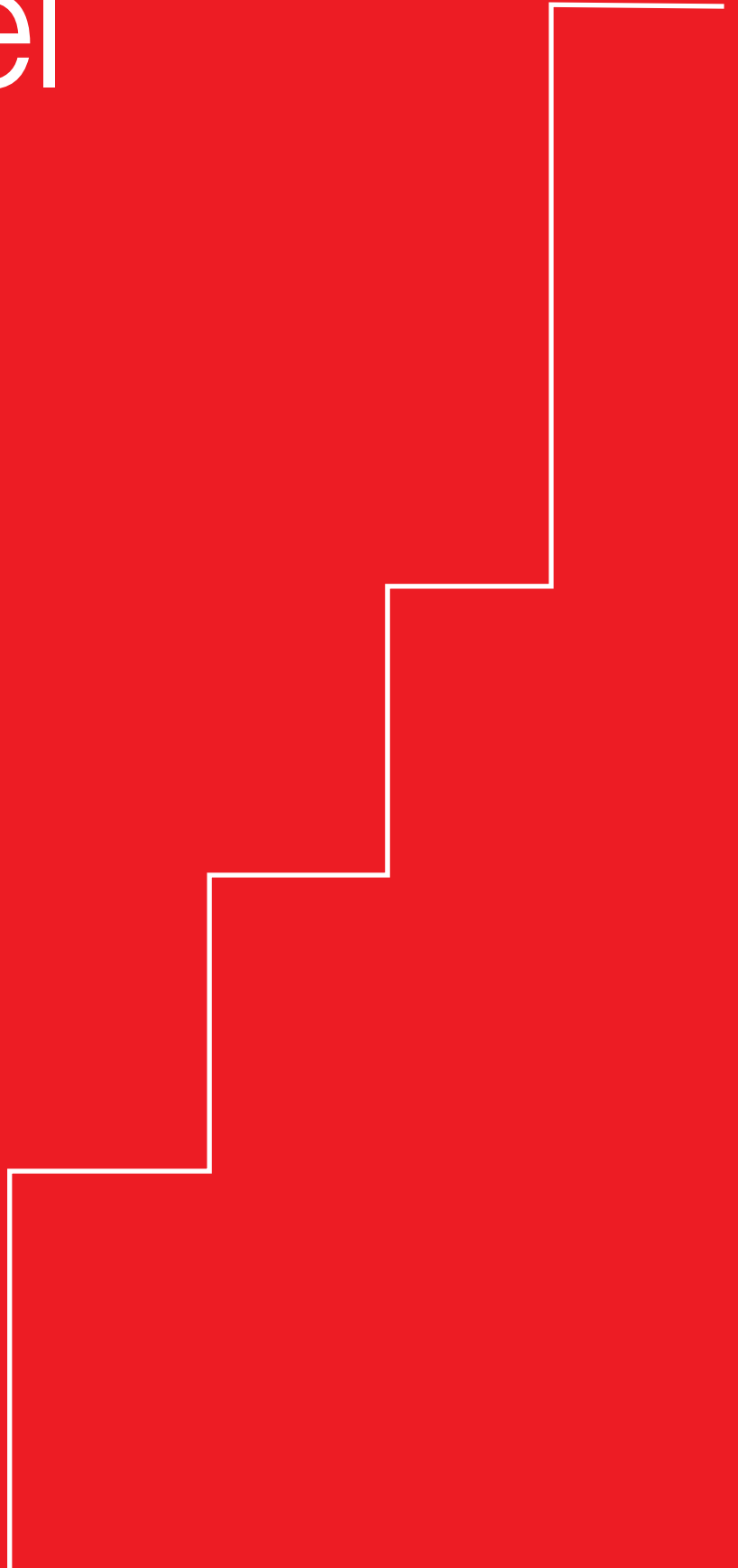
Carbon Footprint tCO2e

Type	2022	2021
Gross direct (Scope 1) GHG emissions tCO2e		
20,078.21	62,289	32,828
Energy indirect (Scope 2) GHG emissions tCO2e		
1,731.42	28,441	20,969
Total GHG emissions tCO2e	90,730	53,797
Emission intensity (GHG tCO2e/ Rs. million revenue)	2.28	1.83



Enduring

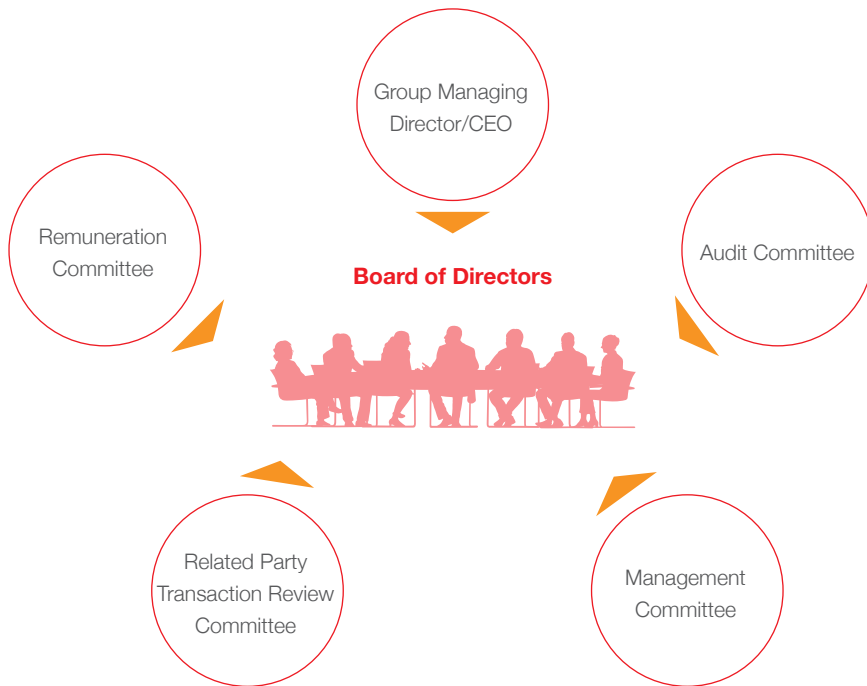
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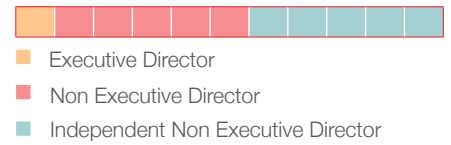
CORPORATE GOVERNANCE

Corporate Governance

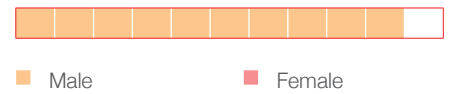
The Board provides guidance and leadership to formulate the strategic direction of the Group. Consequently, the composition of the Board is vital and plays an important role in achieving the Group’s strategic objectives. The Board is also responsible for setting up a sound governance structure and for the management of risks.



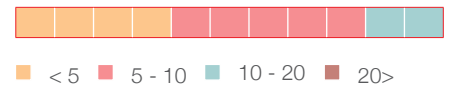
Board Composition



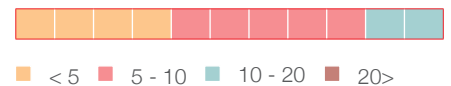
Gender Composition



Age Composition



Tenure of Service



Approach to Corporate Governance

Good governance, integrity and professionalism are important facets of our culture. Our Governance Framework is on par with international best practice and conforms to 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. Details of compliance are set out on pages 76 to 81.

Governance in 2021/22

The Board enhanced scrutiny due to the economic and political uncertainty while continuing to capitalise on the opportunities presented. Further, the Board reinforced its effective oversight and leadership as the medium to long term implications of the COVID 19 pandemic unfolded.

Effective and continuous dialogue between the Management and the Board strengthened the engagement, supporting an agile strategy. The Board was well supported by the Board sub-committees in facing challenges, managing risks and exploiting opportunities.

Compliance Framework

Please refer page 3 About this Report for the list of mandatory and voluntary frameworks we comply with.

Internal Policies and Procedures

- Articles of Association Lanka Walltiles PLC
- HR Policy

Shareholders

As of 31st March 2022, shares of Lanka walltiles PLC were held among 13,789 shareholders with our parent Company, Royal Ceramics Lanka PLC holding 54.55%. Each share held on 26th March 2021 was subdivided in to five shares, increasing the total number of shares in issue to 273,000,000 shares.

Communication with shareholders

The Company encourages effective communication with shareholders through multiple channels of communication such as,

- Annual general Meeting,
- Annual Report
- Interim Financial Statements
- A dedicated investors relations page on Company website
- Press Releases and announcements to the Colombo Stock Exchange
- Social media platforms.

The Board recognises their responsibility to present a balanced and fair assessment of the Group’s financial position, performance and prospects and is committed to fair disclosure, with emphasis on integrity, timeliness and relevance.

Role of the Chairman and Managing Director

The role of the Chairman and the role of the Managing Director has a clear division of

responsibilities mandated in the Board Charter. This ensures a balance of power and no one person has unconstrained power in decision making and implementation.

Appointment of Directors

Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Director, containing 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

Directors, except those who are over 70 years of age are appointed by the Board and are eligible for re-election at the next Annual General meeting by the shareholders.

Board Subcommittees

Audit Committee (Refer page 82 for Audit Committee Report)

Mandate :

- Reviews the integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards.
- Ensure compliance to legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.
- Assess the External Auditor's independence and performance.
- Review adequacy and effectiveness of risk management

Composition : 02 Independent Directors and 01 Non Executive Director, of whom one is a Chartered Accountant

Remuneration Committee (Refer page 83 for Remuneration Committee Report)

Mandate : The Committee assists the Board in determining a suitable remuneration package.

Composition : 03 Independent Non Executive directors of the parent Company, Royal Ceramics Lanka PLC

Related Party Transactions Review Committee (Refer page 84 for Related Party Transactions review Committee Report)

Mandate : To ensure on behalf of the Board, that all Related Party Transactions of the Group are consistent with the Code of Best Practice on Related Party Transactions issued by the SEC.

Composition : 02 Independent Non Executive and 01 Non Executive Director

Group Management Committee

Composition : members of the Corporate Management whose designations are given on pages 24.

Meetings and attendance

Director	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Dhammika Perera (Chairman)	01/11			
A M Weerasinghe (Deputy Chairman)	11/11			
J A P M Jayasekera (Managing Director)	11/11			
Dr. S Selliah (Director)	11/11	4/4		5/5
T G Thoradeniya (Director)	10/11	4/4		5/5
K D G Gunaratne (Director)	09/11			
A M L Page (Director)	08/11			
R N Somaratne (Director)	11/11			5/5
J D N Kekulawala (Director)	11/11	4/4		
S M Liyanage (Director)	11/11			
S R Jayaweera (Director)	10/11			
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	

Corporate Governance

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	Held every month and special meetings held as and when necessary	☑
A1.2	Role of the Board	<ul style="list-style-type: none"> Formulate and implement an effective strategy. Risk management Ensure compliance to all relevant laws and regulations. Maintain an effective governance framework consisting of policies and internal controls. Appoint and re-elect the members of the Board. Every member of the Board is re-elected at regular intervals at least once in three years. 	☑
A. 1.3	Compliance with laws and access to independent professional advice	The Board ensured the Group is compliant with all applicable, rules, laws and regulations.	☑
A 1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is available at any given time to the Board. The Secretary also informs the Board of any new laws and regulations that will need to be adhered with.	☑
A 1.5	Independent judgment of the Directors	The Board of Directors are committed in providing independent judgment in the decision- making process.	☑
A 1.6	Dedicating adequate time and effort	The Directors attended all Board meetings in person and allocate adequate time and effort in managing the affairs of the group.	☑
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept	☑
A 1.8	Training of Directors	All Directors have a considerable experience in the Ceramic industry. The Directors have also participated in training programs both locally and overseas during the financial year to further upskill their knowledge and competencies.	☑
A. 2.0	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director I page 12 to 19.	☑
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.	☑
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		

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
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 pages 20 to 23	☑
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence is obtained by the secretary annually.	☑
A.5.6	Alternate Director to a Non-Executive Director	No Alternate Directorships	☑
A.5.7/5.8	Senior Independent Director	Do not have a Senior Independent Director	Working towards compliance
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		
A.6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least 1 week before the meeting	☑
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	☑
A.7	Appointments to the Board		
A.7.1 / A.7.2	Nomination Committee and the assessment of composition of the Board		
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 / A.8.2	Re-election	At each AGM one Non-Executive director presents himself/herself 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.	☑
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 evaluates performance by: Assessing the achievement of corporate goals. Evaluating the effectiveness of strategy. Adherence to laws and regulations. Managing stakeholder requirements.	☑
A.10	Disclosure of Information in Respect of Directors		

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
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 20 to 23.	☑
A.11	Appraisal of Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	The performance of the CEO is reviewed annually by the Board based on the strategic targets set for the year.	☑
B. Directors' Remuneration			
B.1	Remuneration Procedure		
B.1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Directors' Remuneration on page 83 The Report of the Remuneration Committee on page 83 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		
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 83	☑
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	Consultation with the Chairman and the Managing Director	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 while remaining within the industry standards and Annual performance approved	☑
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	☑
B.2.6	Executive share options		NA
B.2.7	Designing schemes of performance-based remuneration	Refer the Report of the Remuneration Committee on page 83	☑
B.2.8/B.2.9	Early Termination of Directors		☑
B.3	Disclosure of Remuneration		
B.3.1 7.10.5.(c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 83 Notes 30.2 in the financial statements on page 167	☑
C. 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.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen 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 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 matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard.</p> <p>In the event there are Major Transactions, relevant disclosures and relevant shareholder approvals are obtained.</p>	☑
D. Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on pages 90 to 91	☑
D.1.2	Interim and price sensitive reports to public and regulators	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>	☑
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Deputy Chairman & Managing Director and the Chief Financial Officer.	☑
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on pages 85 to 89.	☑
D.1.5	Statements on responsibilities for preparation of financial statements and internal control	<p>Refer the following:</p> <p>Statement of Board responsibility for preparation of financial statements – page 91</p> <p>Statement from Auditors on their reporting responsibilities – pages 94 to 96</p> <p>Statement on Internal Control – pages 32 to 35</p>	☑

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.1.6	Management discussion & analysis	Refer annual report pages from 27 to 38 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: Relates party transactions Review Committee Report on page 84. Annual Report of the Board of Directors on pages 85 to 89 Note 30 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:	☑
D.2.2	Confirm assessment of the principal risks of the company	Risk Report on page 32	☑
D.2.3	Internal Audit	Risk & Internal Control on page 32	☑
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures	Directors' Statement on Internal Controls on page 35	☑
D.2.5	Compliance with Directors' responsibilities as set out by the Code	Audit Committee Report on page 82	☑
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 3 non-executive directors of whom 2 are independent. Refer Audit Committee on page 82.	☑
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 82.	☑
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 82.	☑
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3	Related Party Transactions Review Committee	Refer Related Party Transactions Review Committee on page 84 Report of the Related Party Transactions Review Committee on page 84	☑
9.3.2			
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on page 81.	
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 84.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 81 and The Board of Directors' Statement on Internal Controls on page 35.	☑
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 76 and 81 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			
F1	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 190	☑
G. Internet of things and cybersecurity			
G	Internet of things and cybersecurity	Refer Internet of Things & Cybersecurity on page 35	☑
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 49 to page 71	☑

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

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

Dr. S. Selliah
Committee Member Independent
Non - Executive

Mr. T. G. Thoradeniya
Committee Member - Non - Executive

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

- a. 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.
- b. 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.
- c. The Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
- d. 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.
- e. 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.

- f. 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.
- g. 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

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 Personnel 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 who is the parent company of Lanka Walltiles 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

- Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personnel of the Company, to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for the last financial year is given on page 167 of the Annual Report under key management remuneration.
- 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.
- 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.

- 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.
- 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
Remuneration Committee

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 Walltiles 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;

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

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

Composition of the Committee

The RPTRC comprises of the following three Non-executive Directors.

1. Dr. S. Selliah – Chairman
2. Mr. J. D. N. Kekulawala
3. 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.

- | | |
|------------------------------|-----|
| 1. Dr. S. Selliah - Chairman | 5/5 |
| 2. Mr. J. D. N. Kekulawala | 5/5 |
| 3. Mr. T. G. Thoradeniya | 5/5 |

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

Procedures for Reporting Related Party Transactions

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. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year with an aggregate value 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 30 to the Financial Statements, on pages 162 to 167 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 pages 85 to 89 of this Annual Report.



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

31st May 2022

Annual report of The Board of Directors on the Affairs of The Company

The Directors of Lanka Walltiles PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2022.

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

General

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

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

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

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

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on page 97

Summarised Financial Results

	2022	2021
	Rs.'000	Rs.'000
Revenue	39,857,514	29,423,381
Profit for the year	6,882,081	4,013,420

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 94 to 96.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on page 102 to 116. Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

Directors' responsibility for Financial Reporting

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

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 20 to 23.

Executive Director

Mr. J A P M Jayaskera
Managing Director

Non - Executive Directors

Mr. Dhammika Perera
Chairman

Mr. A M Weerasinghe
Deputy Chairman

Mr. T G Thoradeniya

Mr. M W R N Somaratne

Mr. S M Liyanage

Independent Non-Executive Directors

Dr. S Selliah

Mr. K D G Gunaratne

Ms. A M L Page

Mr. J D N Kekulawala

Mr. S R Jayaweera

Mr. K D G Gunaratne, Ms A M L Page and Mr. J D N Kekulawala retire by rotation in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Annual report of The Board of Directors on the Affairs of The Company

Directors of subsidiary Companies are given below.

Lanka Tiles PLC

Mr. Dhammika Perera
Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. G A R D Prasanna (Alternative Director)
Mr. J A R N Adhithetty
Mr. S M Liyanage
Mr. S R Jayaweera
Mr. J R Gunaratne

Swisstek (Ceylon) PLC

Mr. S H Amarasekera
Mr. A.M Weerasinghe
Mr. J A P M Jayasekera
Dr. S Selliah
Mr. J K A Sirinatha
Mr. A S Mahendra
Mr. K D G Gunaratne
Mr. C U Weerawardena

Vallibel Plantation Management Limited

Mr. A M Pandithage
Mr. R Rajadurai
Mr. T G Thoradeniya
Mr. J A Rodrigo

Horana Plantations PLC

Mr. A M Pandithage
Mr. Dhammika Perera
Mr. W G R Rajadurai
Mr. J A Rodrigo
Mr. S C Ganegoda
Mr. K.D.G Gunaratne
Mr. A N Wickremasinghe
Mr. Lalit de S Wijeyeratne
Mr. S M Liyanage
Mr. J M J Perera

Uni Dil Packaging Limited

Mr. D B Gamalath
Mr. J A P M Jayasekera
Mr. T G Thoradeniya
Mr. H Somashantha
Dr. N T Bogahalande
Mr. C U Weerawardena
Mr. S M Liyanage

Uni Dil Packaging Solutions (Private) Limited

Mr. K D H Perera
Mr. D B Gamalath
Mr. J A P M Jayasekera
Mr. C U Weerawardena

Beyond Paradise Collections 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 Ltd

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

Swisstek Development Ltd

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

LWL Development (Pvt) Ltd

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

Swistek Aluminium Ltd.

Mr. S H Amarasekera
Mr. J A P M Jayasekera
Mr. A M Weerasinghe
Mr. A S Mahendra
Mr. B T T Roche
Dr. S Selliah

Mr. T G Thoradeniya
Mr. C U Weerawardena

L W Plantation Investment Ltd

Mr. A M Weerasinghe
Mr. J A P M Jayasekera

Interests Register

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

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

The 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 30.2 to the Financial Statements on page 167.

Directors' Interests in Contracts

The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 30.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities. as given in Note No 30.

Auditors

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

A total amount of Rs. 1.6 Mn .is payable by the Company to the Auditors for the year under review comprising Rs. 1.5 Mn as audit fees and Rs. 0.1 Mn 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.787,765,736/-.

Subsequent to the sub-division of the total number of issued shares of the Company increased from 54,600,000 to 273,000,000.

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	Shareholding as at 31/03/2021
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekera	995	995
Dr. S Selliah	-	-
Mr. T G horadeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	-	-
Mr. M W R N Somaratne	2,000	55,000
Mr. J D N Kekulawala	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-

Shareholders

There were 13,789 shareholders registered as at 31st March 2022 (12,278 shareholders as at 31st March 2021). The details of distribution are given on page 187 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 186 to 188 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 - 581 persons were in employment (537 persons as at 31st March 2021).

Reserves

The reserves of the Company with the movements during the year are given in Note 13 to the Financial Statements on page 140.

Annual report of The Board of Directors on the Affairs of The Company

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 4,950,952.

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

Location	No. of Buildings		Land in Extent			Valuation Rs.000
	31/03/2022	A	R	P		
Head Office	1	1	1	2.1	1,550,310	
Meepe Factory	29	25	1	37.2	1,967,438	
Total	30	26	2	39.3	3,517,748	

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

Dividends

An interim dividend of Rs. 3.10 per share for the year ending 31st March 2022 was paid on 01st December 2021.

A second interim dividend of Rs. 3.10/- per share for the year ending 31st March 2022 was paid on 31st March 2022.

A third interim dividend of Rs. 2.90 per share for the year ended 31st March 2022 was declared on 26th May 2022.

Substantial Shareholdings

The Company is controlled by Royal Ceramics Lanka PLC which holds 54.55% (2021 - 54.55%) of the issued share capital of the Company.

The ultimate parent Company is Vallibel One PLC.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2022 are given in Notes 5 to the Financial Statements on pages 134 to 135.

Donations

The Company made donations amounting to Rs. 247,650/- in total, during the year under review. (2021 Rs.65,790/-).

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 35.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 31 to the Financial Statements on page 168, there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 32 to the Financial Statements on page 168 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 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 Asirwatham
Mr. L N De S Wijeyeratne

Related Party Transactions 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 74 to 81 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 58 to 60 of this Report.

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

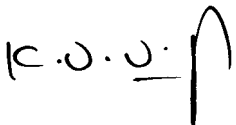
In determining the basis of preparing the financial statements for the year ended 31st March 2022, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

Having presented the outlook for each industry group to the LWPLC Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, its subsidiaries, 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.

Annual General Meeting

The Notice of the Forty Fifth (45th) Annual General Meeting appears on page 190.

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

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

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

The financial statements were audited by M/s. Ernst & Young, Chartered Accountants, the independent auditors. The independency of the external auditor has been assessed by the audit committee and the Board and have been determined as independent.

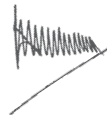
The Audit Committee of your Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the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



J. A. P. M. Jayasekera
Managing Director



B. T. T. Roche
General Manager (Finance)
31st May 2022

Statement of Directors Responsibilities

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

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

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

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that

the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 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 WALLTILES PLC
P W Corporate Secretarial (Pvt) Ltd
Secretaries

31st May 2022



Stories

of success



FINANCIAL STATEMENTS

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

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Lanka Walltiles 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 The Group’s Revenue for the year ended 31 March 2022, amounting to Rs. 39.8 Bn is derived from several operating segments as disclosed in note 33 to the financial statements Revenue was a key audit matter due to: <ul style="list-style-type: none"> • The significance of the amount. • High volume of transactions and significant increase recorded during the current year 	We identified the operating segments that generated significant revenues and our audit procedures amongst others included the following: <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 recognized by reviewing the relevant sales contracts and other supporting documents; and • Assessed the adequacy of the disclosures in respect of revenue in Notes 2.3.13, 20 and 33 to the financial statements.

Valuation of Land and Buildings

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 2.3.9. The fair values of land and buildings were determined by an external valuer engaged by the Group.

This was a key audit matter due to the:

- Materiality of the reported Land & Buildings within Property, Plant and Equipment and Investment Property which amounted to Rs. 18.97Bn and Rs. 813Mn 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.

Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings as disclosed in note 3.8.1 included the following:

- Estimate of per perch value of the land.
- Estimate of the per square foot value of the buildings.

Our audit procedures were focused on the valuations performed by the external valuer engaged by the Group, and included the following:

- We assessed the competency, capability and objectivity of the external valuer engaged by the Group.
- 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.

We have also assessed the adequacy of the disclosures made in notes 2.3.7, 2.3.9, 3.1 and 3.8 in the financial statements.

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

Independent Auditor's Report

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

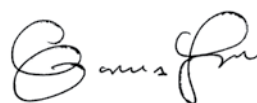
where applicable, related safeguards.

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

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	18,973,756	17,798,601	4,950,952	4,603,885
Consumable biological assets	3.1	595,643	630,578	-	-
Investment Properties	3.8	813,619	813,619	-	-
Intangible assets	4	57,721	35,814	-	-
Investments in subsidiaries	5	-	-	1,562,096	1,276,096
Investment in associates	6	177,920	170,000	-	-
Right of use assets	3.9	309,436	338,971	45,658	33,785
		20,928,095	19,787,583	6,558,706	5,913,766
Current assets					
Inventories	7	8,388,233	6,484,986	1,479,947	1,410,768
Trade and other receivables	8	6,767,705	4,246,624	792,407	792,031
Contract Assets	9	29,342	40,164	-	-
Amounts due from related parties	10	52,533	63,324	119,378	70,690
Income tax receivable		17,586	49,231	-	-
Short term investments	11	4,008	3,877	4,008	3,877
Cash and cash equivalents	28	7,346,071	3,034,216	1,029,771	279,697
		22,605,478	13,922,422	3,425,511	2,557,063
Total assets		43,533,573	33,710,005	9,984,217	8,470,829
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	787,765	787,765	787,765	787,765
Reserves	13	3,536,480	3,541,400	2,057,891	2,057,891
Retained earnings		13,492,885	10,242,050	4,620,515	3,645,057
Shareholders' funds		17,817,130	14,571,215	7,466,171	6,490,713
Non controlling interest		5,633,586	4,823,606	-	-
Total equity		23,450,716	19,394,821	7,466,171	6,490,713
Non-current liabilities					
Interest bearing liabilities	14	2,363,591	2,572,712	6,586	39,922
Deferred tax liabilities	15	1,996,380	1,879,638	628,461	623,783
Retirement benefit liability	16	912,379	1,071,475	123,617	173,041
Deferred income & Capital grants	17	113,324	118,995	-	-
		5,385,674	5,642,820	758,664	836,746
Current liabilities					
Trade and other payables	18	5,526,697	4,034,728	1,094,960	635,763
Contract liability	9	113,660	85,407	19,591	30,350
Income tax liabilities		778,669	497,320	338,039	201,192
Amounts due to related parties	19	121,365	85,957	20,784	79,878
Current portion of interest bearing liabilities	14	8,156,792	3,968,952	286,008	196,187
		14,697,183	8,672,364	1,759,382	1,143,370
Total equity and liabilities		43,533,573	33,710,005	9,984,217	8,470,829

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

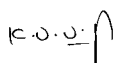


B T T Roche
General Manager (Finance)

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 102 to 177 form an integral part of the financial statements.
Figures in brackets indicate deductions.

31st May 2022
Colombo

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 March	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Revenue from contracts with customers	20	39,857,514	29,423,381	8,058,545	5,988,521
Cost of Sales		(26,449,632)	(20,187,348)	(4,772,898)	(3,922,084)
Gross Profit		13,407,882	9,236,033	3,285,647	2,066,437
Other Income	21	642,308	231,906	1,690,070	823,986
Change in fair value of investment property	3.8	-	(3,186)	-	-
Distribution Costs		(3,358,056)	(2,700,250)	(998,889)	(751,723)
Administrative Expenses		(1,684,348)	(1,332,036)	(289,316)	(211,242)
Other Operating Expenses			(100,951)		(40,989)
Finance Cost	22	(473,901)	(769,888)	(22,628)	(130,938)
Finance Income	23	189,292	20,814	5,594	-
Share of net profit of associate	6	3,720	-	-	-
Profit Before Tax	24	8,726,897	4,582,442	3,670,478	1,755,531
Income Tax Expense	25	(1,844,815)	(569,022)	(587,498)	(138,013)
Profit for the Year		6,882,082	4,013,420	3,082,980	1,617,518
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building	3	-	706,394	-	49,811
Actuarial Gain/ (Loss) on Retirement Benefit Liability	16	126,407	(29,951)	56,485	(10,305)
Deferred tax on components of other comprehensive income	25	(22,878)	234,531	(10,337)	197,882
Share of other Comprehensive Income of associate	6	4,200	-	-	-
Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods		107,729	910,974	46,148	237,388
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	-	-
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		3,523	618	-	-
Other Comprehensive Income/(loss) for the year, net of tax		111,252	911,592	46,148	237,388
Total Comprehensive Income for the year, net of tax		6,993,334	4,925,012	3,129,128	1,854,906
Profit attributable to:					
Equity holders of the parent		5,140,631	2,960,211	3,082,980	1,617,518
Non controlling interest		1,741,451	1,053,209	-	-
Profit for the year		6,882,082	4,013,420	3,082,980	1,617,518
Total comprehensive income attributable to:					
Equity holders of the parent		5,234,059	3,628,176	3,129,128	1,854,906
Non controlling interest		1,759,275	1,296,836	-	-
Total Comprehensive Income for the Year		6,993,334	4,925,012	3,129,128	1,854,906
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	26	18.83	10.84	11.29	5.92

The accounting policies and notes on pages 102 to 177 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

As at 31st March	Stated capital	Revaluation reserve	Retained earnings	Total	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP						
Balance as at 1st April 2020	787,765	2,850,974	7,982,331	11,621,070	3,936,582	15,557,652
Profit for the Year	-	-	2,960,211	2,960,211	1,053,209	4,013,420
Other Comprehensive Income	-	690,426	(22,461)	667,965	243,627	911,592
Total Comprehensive Income	-	690,426	2,937,750	3,628,176	1,296,836	4,925,012
Write back of unclaimed dividends	-	-	9,487	9,487	1,603	11,090
Dividends						
1st Interim 2020/21 (Rs. 3.60 per share)	-	-	(196,560)	(196,560)	-	(196,560)
2nd Interim 2020/21 (Rs. 10.00 per share)	-	-	(546,000)	(546,000)	-	(546,000)
	-	-	(742,560)	(742,560)	-	(742,560)
Dividends to non controlling interest			55,042	55,042	(411,415)	(356,373)
Balance as at 1st April 2021	787,765	3,541,400	10,242,050	14,571,215	4,823,606	19,394,821
Transfer from revaluation reserve on disposal of land	-	(4,920)	4,920	-	-	-
Profit for the Year	-	-	5,140,631	5,140,631	1,741,451	6,882,082
Other Comprehensive Income	-	-	93,428	93,428	17,824	111,252
Total Comprehensive Income	-	-	5,234,059	5,234,059	1,759,275	6,993,334
Write back of unclaimed dividends	-	-	3,030	3,030	-	3,030
Dividends						
Final Interim 2020/21	-	-	(846,300)	(846,300)	-	(846,300)
1st Interim 2021/22	-	-	(846,300)	(846,300)	-	(846,300)
2nd Interim 2021/22	-	-	(464,100)	(464,100)	-	(464,100)
	-	-	(2,156,700)	(2,156,700)	-	(2,156,700)
Dividends to non controlling interest	-	-	165,526	165,526	(949,295)	(783,769)
Balance as at 31 March 2022	787,765	3,536,480	13,492,885	17,817,130	5,633,586	23,450,716

The accounting policies and notes on pages 102 to 177 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

	Stated capital Rs.'000	Revaluation reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
COMPANY				
Balance as at 01 April 2020	787,765	1,812,082	2,770,701	5,370,548
Profit for the Year	-	-	1,617,518	1,617,518
Other Comprehensive Income	-	245,809	(8,421)	237,388
Total Comprehensive Income	-	245,809	1,609,097	1,854,906
Write back of unclaimed dividends	-	-	7,819	7,819
Dividends				
1st Interim 2020/21 (Rs. 3.60 per share)	-	-	(196,560)	(196,560)
2nd Interim 2020/21 (Rs.10.00 per share)	-	-	(546,000)	(546,000)
	-	-	(742,560)	(742,560)
Balance as at 01 April 2021	787,765	2,057,891	3,645,057	6,490,713
Profit for the Year	-	-	3,082,980	3,082,980
Other Comprehensive Income	-	-	46,148	46,148
Total Comprehensive Income	-	-	3,129,128	3,129,128
Write back of unclaimed dividends	-	-	3,030	3,030
Dividends				
Final Interim 2020/21	-	-	(846,300)	(846,300)
1st Interim 2021/22	-	-	(846,300)	(846,300)
2nd Interim 2021/22	-	-	(464,100)	(464,100)
	-	-	(2,156,700)	(2,156,700)
Balance as at 31 March 2022	787,765	2,057,891	4,620,515	7,466,171

The accounting policies and notes on pages 102 to 177 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year ended 31 March	Note	Group		Company	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Adjustments for					
Profit before Income Tax		8,726,897	4,582,442	3,670,478	1,755,531
Depreciation & amortisation	24	1,086,545	1,010,341	213,274	184,107
Amortisation of Right of use Lease Assets	3.9	71,690	93,354	20,633	24,100
Income from investments		-	-	(1,477,277)	(747,572)
(Profit)/Loss on sale of property, plant & equipment	21	32,349	(7,668)	40	(763)
Finance income	23	(189,292)	(20,814)	(5,594)	-
Finance costs	22	473,901	769,888	22,628	130,938
Provision for retirement benefit obligations	16	119,404	177,947	8,906	26,551
Capital expenditure written off		19,595	43,145	-	-
Allowance/ (reversal) for obsolete and slow moving inventories	7	87,830	72,134	23,278	8,100
Allowance for impairment of trade receivable	8	19,709	47,319	3,400	5,000
Deferred income / capital grants amortisation	17	(7,564)	(7,386)	-	-
Changing in Fair Value of Biological Assets		36,713	(75)	-	-
Fair value in investment property	3.8	-	3,186	-	-
Foreign exchange (gain)/ loss		(213,629)	(17,960)	-	-
Inventory Write Back		(81,874)	(21,542)	(70,935)	(5,368)
Share of net profit of associate	6	(3,720)	-	-	-
Operating profit/(loss) before working capital changes		10,178,554	6,724,311	2,408,831	1,380,624
Working capital adjustments:					
(Increase)/ decrease in inventories		(1,909,075)	3,695,479	(21,523)	1,349,084
(Increase)/ decrease in trade and other receivables		(2,316,339)	(420,842)	(3,775)	(123,275)
(Increase) /decrease in due from related parties		10,791	(14,874)	(48,688)	(5,709)
Increase/ (decrease) in due to related parties		35,408	(4,946)	(59,095)	(66,164)
Increase /(decrease) in trade and other payables		1,505,656	1,317,232	448,438	182,846
Increase/ (decrease) in investments		(65)	(123)	(132)	(123)
Cash generated from/(used in) operations		7,504,930	11,296,237	2,724,056	2,717,283
Interest received		189,292	20,814	5,594	-
Finance costs paid		(473,901)	(753,037)	(22,628)	(130,938)
Retirement benefit plan costs paid	16	(135,809)	(113,724)	(1,845)	(6,717)
Income tax paid		(1,437,958)	(406,035)	(456,309)	(95,882)
Net cash flows from/(used in) operating activities		5,646,554	10,044,255	2,248,868	2,483,746
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	3	(2,195,982)	(1,149,262)	(562,258)	(219,239)
Acquisition of Intangible assets	4.2	(22,326)	(1,527)	-	-
Acquisition of plantation assets	3	(181,793)	(123,101)	-	-
(Acquisition) / disposal of investments		-	(170,000)	(286,000)	-
Proceeds from sale of property, plant & equipment		59,361	14,995	1,878	5,822
Dividend Income		-	-	1,477,277	747,572
Net cash flows from/(used in) investing activities		(2,340,740)	(1,428,895)	630,897	534,155
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained		25,934,440	14,048,935	1,835,922	1,871,175
Repayment of interest bearing borrowings		(22,926,584)	(16,848,633)	(1,970,263)	(3,138,018)
Repayment of Lease liability		(47,916)	(66,543)	(20,974)	(23,508)
Dividends paid - on Ordinary Shares	25	(2,156,700)	(742,560)	(2,156,700)	(742,560)
Dividend paid to non controlling interest		(783,769)	(356,373)	-	-
Dividend write back		3,030	11,090	3,030	7,819
Capital grants received	17	1,894	3,550	-	-
Net cash flows from/(used in) financing activities		24,395	(3,950,534)	(2,308,985)	(2,025,092)
Net increase/(decrease) in cash and cash equivalents		3,330,209	4,664,826	570,780	992,809
Foreign exchange difference arising on translation of foreign operation		3,523	618	-	-
Cash and cash equivalents at the beginning of the year	28	2,270,477	(2,394,967)	223,511	(769,298)
Cash and cash equivalents at the end of the year	28	5,604,209	2,270,477	794,291	223,511

The accounting policies and the notes on pages 102 to 177 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal activities and nature of operations

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

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

1.3 Parent enterprise and ultimate parent enterprise

The Company’s parent entity is Royal Ceramics Lanka 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 Walltiles 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. Biological assets (fair value less cost to sell)
3. Investment properties

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

2.1.2 Statement of Compliance

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

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

2.1.3 Going concern

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

2.1.4 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 Company and its subsidiaries as at 31 March 2022.

Subsidiaries and equity accounted investees are disclosed in Note 5 to the Financial Statements.

2.1.5.1 Subsidiaries

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 5.2 to the financial statements.

2.1.5.2 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 equity method, the investment in the associate is carried in the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the 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 of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes

and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

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

2.1.6 Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each

Notes to the Financial Statements

of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.2 Significant Accounting Judgments, Estimates and Assumptions

2.2.1 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 16 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).

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 3.4 and 3.8 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 8.2)

e) Deferred tax assets

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

f) Impairment of Non Financial Assets

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

and choose a suitable discount rate in order to calculate the present value of those cash flows.

g) Fair Valuation of Biological Assets

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

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 Note 14.5 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.

Notes to the Financial Statements

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”.

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

2.3.5 Inventories

Inventories are valued at the lower of cost and net 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 formula:-

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.

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

Raw materials

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

Goods in transit

At actual cost

Harvest Crops – Refer note 2.4.2 (b)

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 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.

Notes to the Financial Statements

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 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 a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considered whether;

- The contract 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 right to obtain substantially all of the economic benefits of asset throughout the period of use; and
- The Group has right to direct the use of the asset. The Group has this 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 for 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 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

b) 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 to use the underlying assets.

(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 2 to 30 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 2.3.12- 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 14).

(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.

2.3.9 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".

Notes to the Financial Statements

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.

2.3.10 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.

2.3.11 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 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.

2.3.12 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.

2.3.13 Revenue recognition

Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items, sanitaryware, packing material, aluminium products and agricultural products in Sri Lanka and overseas as detailed in Note. 20. 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.

a) Sale of goods - tiles and associated items, sanitaryware, packing material, aluminium products

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.

b) Sale of Plantation produce

The group is in the Business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation produce).

Revenue from sale of plantation produce is recognised at the point in time when the control of the goods is transferred to the customer. Black tea and rubber produce are sold at the Colombo tea/rubber auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of hammer at which point control is transferred to the customer. Revenue from sale of the crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of goods.

c) Sale of timber with installation services

The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

(i) 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.

(ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. 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 conditional.

(iii) 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.

(iv) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

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.

Notes to the Financial Statements

2.3.14 Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segments of the Group are determined based on product or services supplied by Group.

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

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

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

The Group comprises the following main business segments:

Tiles and associated items

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

Biological Assets

Cultivation, processing and sale of tea and rubber

Aluminum products

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

Packing materials

The manufacture and distribution of packing materials

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

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

2.4.1 Basis of Preparation

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 3.10.(a).
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligation is recognised as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits)
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.4.2 Property, Plant and Equipment

a) Permanent Land Development Cost

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalised and amortised over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

b) Biological Assets

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

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

Recognition and Measurement

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

The expenditure incurred on bearer biological asset fields, which are bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment as per the option provided by the ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

The main variables in DCF model concerns

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

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

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Growing crop nurseries

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

Consumer Biological Assets

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

Notes to the Financial Statements

Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - "Borrowing Costs".

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

Produce on Bearer Biological Asset

"The Company recognises its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognised in profit or loss at the end of each reporting period.

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered."

2.4.3 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 group 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 costs 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 the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite 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 period and 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 lives of assets are as follows:

Software 5 Years

2.4.4 Inventories

a) Agricultural produce harvested from Biological Assets

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

b) Agricultural produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at cost or NRV.

2.4.5 Retirement Benefit Obligation

a) Defined Benefit Plan

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

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs. Actuarial Management Consultants (Private) Limited as at 31.03.2022.

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

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

2.4.6 Deferred Income

a) Grants and Subsidies

Government grants are recognised where there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants relate to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

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

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

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

2.4.7 Revenue Recognition

Refer Note 2.3.13 (b) for the policy of revenue recognition on sale of the plantation products.

2.5 Cash and cash equivalents

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

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand, cash at bank deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest Bearing Liabilities in the Statement of Financial Position.

2.6 Standards Issued but not Effective as at 31 March 2022

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below. None of the 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.

Notes to the Financial Statements

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

3. PROPERTY, PLANT & EQUIPMENT

3.1 GROUP

	Balance as at 01.04.2021	Revaluations	Additions	Disposals/ Transfers	Balance as at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

a) Gross Carrying Amounts

At Cost					
Buildings	371,522	-	-	3,499	375,021
Plant and Machinery	10,664,053	-	940,304	25,527	11,629,884
Water Supply, Electricity Distribution Scheme	649,005	-	64,364	(2,944)	710,425
Tools, Implements, Furniture & Fittings and Electrical Appliances	1,103,819	-	257,009	(11,855)	1,348,973
Transport & Communication Equipment	616,276	-	9,581	(7,052)	618,805
Total	13,404,675	-	1,271,258	7,175	14,683,108

	Balance as at 01.04.2021	Revaluations	Additions	Disposals/ Transfers	Balance as at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

At Valuation

Freehold Land	4,997,291	-	299,044	(42,900)	5,253,435
Buildings	3,818,409	-	342,740	14,823	4,175,972
Total	8,815,700	-	641,784	(28,077)	9,429,407

	Balance as at 01.04.2021	Revaluations	Additions	Disposals/ Transfers	Balance as at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

In the Course of Construction

Capital Work In Progress - Buildings & Others	580,455	-	793,406	(633,370)	740,491
	580,455	-	793,406	(633,370)	740,491
Total	22,800,830	-	2,706,448	(654,272)	24,853,006

Notes to the Financial Statements

b) Depreciation

	Balance as at 01.04.2021	Revaluations	Additions	Disposals/ Transfers	Balance as at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At Cost					
Buildings	143,112	-	48,497	-	191,609
Plant and Machinery	5,419,945	-	622,929	(35,981)	6,006,893
Water Supply, Electricity Distribution Scheme	385,907	-	40,368	(697)	425,578
Tools, Implements, Furniture & Fittings and Electrical Appliances	736,660	-	127,930	(8,686)	855,904
Transport & Communication Equipment	472,568	-	29,107	(5,135)	496,540
Total	7,158,192	-	868,831	(50,499)	7,976,524
At Valuation					
Buildings	-	-	75,679	-	75,679
	-	-	75,679	-	75,679
Total	7,158,192	-	944,510	(50,499)	8,052,203

c) Net book value of assets

	31.03.2022	31.03.2021
	Rs.'000	Rs.'000
At Valuation		
Freehold Land	5,253,435	4,997,291
Buildings	4,100,292	3,818,409
At Cost		
Buildings	183,412	228,410
Plant and Machinery	5,622,991	5,244,108
Water Supply, Electricity Distribution Scheme	284,847	263,098
Tools, Implements, Furniture & Fittings and Electrical Appliances	493,069	367,159
Transport & Communication Equipment	122,265	143,708
	16,060,312	15,062,183
Capital Work in Progress	740,491	580,455
Net Book Value	16,800,803	15,642,638

(d) Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- -fication	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Immature Plantations						
Cost or Valuation :						
Opening Balance	87,687	114,036	64,393	127,901	394,017	523,056
Additions	35,710	17,927	15,747	101,910	171,294	114,369
Transfers from Mature	-	(72,560)	(29,305)	(24,254)	(126,119)	(207,243)
Transfers (from)/to	-	(543)	(660)	1,203	-	-
Write off during the year	-	(16,892)	-	(1,053)	(17,945)	(36,165)
At the end of the year	123,397	41,968	50,175	205,707	421,247	394,017
Mature Plantations						
Cost or Valuation :						
Opening Balance	868,897	1,524,147	192,008	118,959	2,704,011	2,516,527
Transfers from Immature	-	72,560	29,305	24,254	126,119	207,243
Disposal during the year	-	(7,144)	-	-	(7,144)	(19,759)
At the end of the year	868,897	1,589,563	221,313	143,213	2,822,986	2,704,011
Amortisation :						
At the beginning of the year	270,530	617,789	20,319	33,433	942,071	830,642
Charge for the year	31,777	83,854	9,618	10,054	135,303	129,879
Disposal during the year	-	(6,094)	-	-	(6,094)	(18,456)
At the end of the year	302,307	695,549	29,937	43,487	1,071,280	942,065
Carrying Amount	566,590	894,014	191,376	99,726	1,751,706	1,761,946
Total Bearer Biological Assets	689,987	935,982	241,551	305,433	2,172,953	2,155,963

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 3.1. (d), 3.1. (e). and 3.9 Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

Notes to the Financial Statements

(e) Consumable Biological Assets

	31.03.2022	31.03.2021
	Rs'000	Rs'000
Immature Plantations		
Cost :		
At the beginning of the year	49,464	44,273
Additions	10,506	8,730
Transfers to Mature Plantations	(20,078)	(1,135)
Transferred to Statement of Profit or Loss	(599)	(2,404)
At the end of the year	39,293	49,464
Mature Plantations		
Cost :		
At the beginning of the year	581,114	587,904
Decrease due to Harvest	(68,177)	(40,015)
Increase due to new plantations	20,078	1,135
Change in Fair Value less costs to sell	23,335	32,090
At the end of the year	556,350	581,114
Total Bearer Biological Assets	595,643	630,578

(f) Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2022 comprised approximately 308 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.39.3 Million as at 31st March 2022. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature , the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr.A.A.M.Fathihu- Proprietor of FM Valuers for 2021/22 using Discounted Cash Flow (DCF) method . In ascertaining the fair value of timber , physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure

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

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

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

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

Regulatory and Environmental Risks

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

Supply and Demand Risks

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

Climate and Other Risks

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

Sensitivity Analysis

Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

Managed Timber		-5%	5%
31-Mar-22	Rs.000	(55,635)	55,635
31-Mar-21	Rs.000	(29,055)	29,055

Sensitivity Variation on Discount Rate

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

Managed Timber		-1%	1%
31-Mar-22	Rs.000	32,412	(28,068)
31-Mar-21	Rs.000	23,374	(20,788)

(g) **Capitalisation of borrowing cost**

capitalisation of borrowing cost

(h) **Net book value of assets**

	2022	2021
	Rs.'000	Rs.'000
Property, plant and equipment [3.1 (c)]	16,800,803	15,642,638
Bearer Biological Assets [3.1 (d)]	2,172,953	2,155,963
Total	18,973,756	17,798,601

Notes to the Financial Statements

- (i) Fixed assets include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 3,056.08 Mn (2021- Rs. 2,667.23 Mn)
- (j) During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs. 2,377.69 Mn (2021- Rs. 1,273.78 Mn). Cash payments amounting to Rs. 2,377.69 Mn (2021 - Rs. 1,273.78 Mn) were made during the year for purchase of property, plant and equipment.
- (k) The following properties are revalued and recorded under freehold land and buildings. Fair Value measurement disclosure for revalued land based on un-observable inputs are as follows,
 (A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).
 (B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level -2)
 (C) Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
Lanka Walltiles PLC property details included under Note 3.4.1.							
Lanka Tiles PLC	Factory Premises , Jaltara , Ranala	28A-02R-32.69P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market based evidence	Rs. 50,000/- to 120,000/- per perch	517,878
	Factory Premises , Jaltara , Ranala	415,638 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1000/- to Rs. 4250/- per sqft	1,191,022
	Land Adjacent to the Factory Premises , Jaltara , Ranala	08A-02R-08.56P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market based evidence	Rs. 120,000/- to 200,000/- per perch	203,001
	Land Adjacent to the Factory Premises , Jaltara , Ranala	25,604 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1,200/- to Rs. 4500/- per sqft	49,099
	Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama	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	48,531 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1500/- to Rs. 4000/- per sqft	192,451
	Land at Nugegoda	00A-00R-32.03P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 7,500,000/- per perch	240,200
Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A12-R03-P37.1	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs.85,000/- per perch	124,211
	Building and land improvement at Narampola road, Moragala, Deketana	179,357 sq.ft	Mr. D.G.Newton	31 March 2021	Depreciated Replacement cost	Rs.750/- to Rs. 2,000/- per sq.ft	334,090
Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 80,000/- per perch	34,800
	Building at Narampola road, Moragala, Deketana	32103 sq.ft	Mr. D.G.Newton	31 March 2021	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sq.ft	65,700
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda	984.5 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 750,000/- per perch	738,375

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
	No: 288/26, Colombo Road, Belummahara, Imbulgoda	81.6 perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 625,000/- per perch	51,000
	No:334/5, Colombo Road, Belummahara, Imbulgoda	20.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 600,000/- per perch	12,000
	No: 177/6, New Kandy Rd., Weliveriya	84.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 625,000/- per perch	44,625
	Factory Complex, Belummahara, Imbulgoda	62,530 sq.ft	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs. 500/- to 4,000/- per sqft	139,253
	Factory Complex, Belummahara, Imbulgoda- Crushing Plant 2	7,000 sq.ft	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs. 4,000/- per sqft	28,000
	No: 177/6, New Kandy Rd., Weliveriya	27,170 Sq.ft.	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs. 2,750/- to 3,250/- per sqft	79,569
	Factory Complex, Belummahara, Imbulgoda-Tiles Stores	27,285 sq.ft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 3,191/- per sqft	87,067
	Factory Complex, Belummahara, Imbulgoda-Sales Center	4944 sq.ft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 6,163/- per sqft	30,473
	Factory Complex, Belummahara, Imbulgoda-Open shed	3524 sq.ft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 2,308/- per sqft	8,133
	Factory Complex, Belummahara, Imbulgoda-Warehouse	4,950 sq.ft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 4,349/- per sqft	21,527
Swisstek Aluminium Ltd.	76/7,Pahala Dompe,Dompe	A11-R1-P 22.8	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs.50,000/- to Rs.150,000/- Per Perch	218,311
	76/7,Pahala Dompe,Dompe	171,861 Sq.ft	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs.500/- to Rs.3,500/- per sqft	559,398

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

Notes to the Financial Statements

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

	2022	2021
	Years	Years
Non plantation assets		
Buildings	25-50	25-50
Plant and machinery	8-20	8-20
Permanent Land Development Cost	40	40
Tools, implements and furniture fittings and electrical appliances	2-10	2-10
Transport and communication Equipment	2-5	2-5
Computer Hardware & Software	3-8	3-8
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33	33
Mature plantations (Rubber)	20	20
Mature plantations (Oil palm)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4

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

	Group				Company			
	Cost	Accumulated	Net	Net	Cost	Accumulated	Net	Net
		Depreciation	Carrying	Carrying		Depreciation	Carrying	Carrying
	2022	2022	2022	2021	2022	2022	2022	2021
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Freehold Land	2,321,803	-	2,321,803	2,056,753	459,928	-	459,928	459,928
Building	3,901,128	(772,580)	3,128,548	2,928,306	767,257	(268,003)	499,253	448,122
Total	6,222,931	(772,580)	5,450,351	4,985,059	1,227,185	(268,003)	959,182	908,050

3. PROPERTY, PLANT & EQUIPMENT CONTD.

3.3 Property, Plant & Equipment

COMPANY	Balance as at 01.04.2021	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2022
Gross Carrying Amounts	Rs.'000	Rs.'000	Rs.000	Rs.'000	Rs.'000
Plant and Machinery	2,280,588	288,995	-	(10,384)	2,559,199
Water Supply, Electricity Distribution Scheme	152,158	52,325	-	(2,168)	202,315
Tools, Implements, Furniture & Fittings and Electrical Appliances	232,627	42,072	-	(156)	274,543
Transport & Communication Equipment	146,413	20	-	(2,351)	144,082
Total	2,811,786	383,412	-	(15,059)	3,180,139

	Balance as at 01.04.2021	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2022
At Valuation	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold Land	2,433,989	-	-	-	2,433,989
Buildings	1,032,627	83,940	-	-	1,116,567
Total	3,466,616	83,940	-	-	3,550,556

In the Course of Construction	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
Capital Work In Progress Plant & Machinery and Building	79,830	348,773	-	(253,865)	174,738
	79,830	348,773	-	(253,865)	174,738
Total	6,358,232	816,125	-	(268,924)	6,905,433

Notes to the Financial Statements

	Balance as at 01.04.2021	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2022
Depreciation	Rs.'000	Rs.'000	Rs.000	Rs.'000	Rs.'000
At Cost					
Plant and Machinery	1,362,872	141,489	-	(9,959)	1,494,402
Water Supply, Electricity Distribution Scheme	107,307	7,503	-	-	114,810
Tools, Implements, Furniture & Fittings and Electrical Appliances	175,287	26,403	-	(1,220)	200,470
Transport & Communication Equipment	108,881	5,071	-	(1,961)	111,991
Total	1,754,347	180,466	-	(13,140)	1,921,673
At Valuation					
Buildings	-	32,808	-	-	32,808
	-	32,808	-	-	32,808
Total	1,754,347	213,274	-	(13,140)	1,954,481

3.4 Net Book Value of Assets

	2022	2021
	Rs.'000	Rs.'000
At Valuation		
Freehold Land	2,433,989	2,433,989
Buildings	1,083,759	1,032,627
At Cost		
Plant and Machinery	1,064,797	917,716
Water Supply, Electricity Distribution Scheme	87,505	44,851
Tools, Implements, Furniture & Fittings and Electrical Appliances	74,073	57,340
Transport & Communication Equipment	32,091	37,532
	4,776,214	4,524,055
Capital Work in Progress	174,738	79,830
Total	4,950,952	4,603,885

3. PROPERTY, PLANT & EQUIPMENT CONTD.

3.4 Assets At Valuation

3.4.1 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's
No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	Rs. 7,000,000/- per perch	1,414,700
		Mr. Ranjan J Samarakone	31 March 2020	Market based evidence	Rs. 7,000,000/- per perch	1,414,700
	36,170 Square feet building	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's basis method valuation	Rs.2,000/-to Rs 4,500/- per square feet	135,610
	35,990 Square feet building	Mr. Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	Rs.1,000/-to Rs 3,500/- per square feet	85,281
Plan No 2205 Situated @ Mawathagama and Galagedara Village	A23-R1-P24.16	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	Rs. 250,000/- per perch	1,019,290
		Mr. Ranjan J Samarakone	31 March 2020	Market based evidence	Rs. 300,000/- per perch	1,123,200
	308,612 Square Feet building	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's basis method valuation	Rs.2,000/-to Rs 6,000/- per square feet	897,017
	279,361 Square Feet building	Mr. Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	Rs.2,000/-to Rs 4,000/- per square feet	726,664

3.5 Right of use Assets

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

3.6 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 562.26 Mn (2021- Rs.219.24 Mn). Cash payments amounting to 562.26 Mn (2021- Rs.219.24 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.7 Fixed assets include fully depreciated assets the cost of which at the reporting date amounted to Rs. 962.07 Mn (2021 - Rs.907.19 Mn).

Notes to the Financial Statements

3.8 Investment property

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Opening balance	813,619	816,805	-	-
Net fair value gain recognised in profit or loss	-	(3,186)	-	-
Closing balance	813,619	813,619	-	-

3.8.1 The fair value of freehold lands and buildings were determined by means of an independent revaluation carried out by Chartered valuation surveyors during the financial year 2021/22 in reference to market based evidence and the details of the valuations are indicated below;

Company	Location	Extent	Valuation Date	Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Significant unobservable inputs (Level 3) Rs.000's
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,900
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.5,000,000/- per Acre	21,800
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-45 P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.125,000/- per Perch	5,625
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.70,000/- per Perch	475
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	House	981.sq.ft	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.4,000/- per sq.ft	3,924

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

3.9 Right of Use Assets/ Lease Liabilities- Company

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

	Land	Building	Total
	Rs. 000	Rs. 000	Rs. 000
Right of Use Asset			
As at 1 April 2020	11,194	46,691	57,885
Additions	-	-	-
Less: Amotisation Expense	(487)	(23,613)	(24,100)
As at 31 March 2021	10,707	23,078	33,785
As at 1 April 2021	10,707	23,078	33,785
Additions	-	32,506	32,506
Less: Amotisation Expense	(487)	(20,146)	(20,633)
As at 31 March 2022	10,220	35,438	45,658
Lease Liability			
As at 1 April 2020	-	48,257	48,257
Additions	-	-	-
Interest Expense	-	4,526	4,526
Less: Payments	-	(28,034)	(28,034)
As at 31 March 2021	-	24,749	24,749
As at 1 April 2021	-	24,749	24,749
Additions	-	32,506	32,506
Interest Expense	-	3,679	3,679
Less: Payments	-	(24,653)	(24,653)
As at 31 March 2022	-	36,281	36,281

*Net book value of the lease assets presented under Note 3, Property, Plant and Equipment as at 31 March 2019 has been transferred to Right-to-use Assets with the adoption of SLFRS 16-Leases, with effect from 1 April 2019. Prior period amounts has not been restated.

Notes to the Financial Statements

Right of Use Assets/ Lease Liabilities- Group

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

	Land	Building	Plantation Land (Note 3.10)	Equipment	Immovable Estate Assets (Note 3.10)	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Right of Use Asset						
As at 1 April 2020	16,322	180,110	156,261	4,560	32,627	389,880
Remeasurement of leasehold right on initial application of SLFRS 16	-	10,840	3,495	-	-	14,335
Additions	-	28,110	-	-	-	28,110
Less: Amotisation Expense	(1,275)	(77,012)	(6,293)	(1,403)	(7,371)	(93,354)
As at 31 March 2021	15,047	142,048	153,463	3,157	25,256	338,971
As at 1 April 2021	15,047	142,048	153,463	3,157	25,256	338,971
Additions	-	36,639	5,516	-	-	42,155
Less: Amotisation Expense	(1,275)	(53,345)	(6,501)	(1,403)	(9,166)	(71,690)
As at 31 March 2022	13,772	125,342	152,478	1,754	16,090	309,436
Lease Liability						
As at 1 April 2020	5,398	178,052	156,312	4,234	-	343,996
Remeasurement of leasehold right on initial application of SLFRS 16	-	10,840	-	-	-	10,840
Additions	-	28,110	3,495	-	-	31,605
Interest Expense	616	21,783	21,819	511	-	44,729
Less: Payments	(1,200)	(85,656)	(22,593)	(1,819)	-	(111,269)
As at 31 March 2021	4,814	153,129	159,032	2,926	-	319,901
As at 1 April 2021	4,814	153,129	159,032	2,926	-	319,901
Additions	-	35,139	5,516	-	-	40,655
Interest Expense	542	18,291	22,388	317	-	41,538
Less: Payments	(1,200)	(63,073)	(23,362)	(1,819)	-	(89,454)
As at 31 March 2022	4,156	143,486	163,574	1,424	-	312,640

The following are the amounts recognised in profit or loss:

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortisation expense of right-of-use assets	71,690	93,354	20,633	24,100
Interest expense on lease liabilities	41,538	44,729	3,679	4,526
Expense relating to short-term leases (included in cost of sales)	42,397	38,937	10,930	14,313
Total amount recognised in profit or loss	155,625	177,020	35,242	42,939

	Group		Company	
	2022	2021	2022	2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Lease Liability -Current	39,715	31,666	6,586	5,660
Lease Liability -Non Current				
Payable with in one to five years	116,711	128,370	29,695	19,089
Payable after Five Years	156,214	159,866	-	-
	312,640	319,902	36,281	24,749

Notes to the Financial Statements

3.10 Right of use - Land

(a)

	2022	2021
	Rs. 000	Rs. 000
Capitalised Value As at 22.06.1992	204,931	204,931
Net book value carried forward as at 1st April	153,463	156,261
Remeasurement of leasehold right as at 1st July	5,516	3,495
	158,979	159,756
Amortisation		
Charge for the year	6,501	6,293
Amortisation as at 31st March	6,501	6,293
Carrying Amount as at 31st March	152,478	153,463

The Right of Use Asset of Lands consist of the lease rights on Janatha Estates Development Board / Estates of Sri Lanka State Plantations Corporation and Land located in Dumbara Estate. This right to use asset is amortised over the remaining lease period of 24 years from 01 April 2021.

(b) Right of Use Immovable Estate Assets

	Bearer Biological Assets (Mature)	Permanent Land Development Costs	Buildings	Plant & Machinery	Total as at 31.03.2022	Total as at 31.03.2021
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Capitalised Value :						
As at 22.06.1992	214,810	4,014	47,173	6,818	272,815	272,815
Transfers to Mature :						
At the end of the year	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation :						
Opening Balance	189,841	3,726	47,173	6,818	247,559	240,188
Charge for the year	9,043	125	-	-	9,168	7,371
At the end of the year	198,884	3,851	47,173	6,818	256,727	247,559
Carrying Amount :						
As at 31.03.2022	15,926	163	-	-	16,089	
As at 31.03.2021	24,968	288	-	-		25,256

4 INTANGIBLE ASSETS

4.1 Goodwill

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

	2022	2021
	Rs.'000	Rs.'000
Balance at the beginning of the year	24,519	24,519
Balance at the end of the year	24,519	24,519

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins

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

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate

The Management has estimated 5% growth rate in the cash flow beyond the five-year period

4.2 Intangible Assets

	2022	2021
	Rs.'000	Rs.'000
Software		
Balance as at 1 April	11,295	12,594
Additions	24,502	1,527
Transfer from PPE	4,198	-
Amortisation charge	(6,793)	(2,826)
Balance as at 31 March	33,202	11,295
As at 31 March 2022		
Cost	50,883	15,200
Accumulated amortisation	(17,681)	(3,905)
Net book amount	33,202	11,295

Notes to the Financial Statements

5 INVESTMENTS IN SUBSIDIARIES

Company	Number of Shares		Holding		Cost		Market Value/ Directors' Valuation*	
	2022 '000	2021 '000	2022 %	2021 %	2022 Rs.'000	2022 Rs.'000	2021 Rs.'000	2021 Rs.'000
5.1 Subsidiary								
a) Quoted								
Lanka Tiles PLC	180,946	180,945	68.22	68.22	935,958	21,396,862	935,958	6,722,107
Swisstek (Ceylon) PLC	15,706	15,706	11.48	11.48	41,247	731,911	41,247	339,255
Total Quoted Investment in Subsidiary					977,205	22,128,773	977,205	7,061,362
b) Non-quoted								
VPML Plantation Management (Pvt) Ltd	10,336	10,336	100.00	100.00	298,891	298,891	298,891	298,891
LWL Development (Pvt) Ltd	0.001	0.001	100.00	100.00	286,000	286,000	0.001	-
LW Plantation (Pvt) Limited	0.001	0.001	100.00	100.00	0.001	-	0.001	-
Total Non-quoted Investments in Subsidiaries					584,891	584,891	298,891	298,891
Total Net Carrying Value of Investments in Subsidiaries					1,562,096		1,276,096	

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

5.2 Details of those companies in which Lanka Walltiles 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				Principal activities of the company	Auditors company
	Group		Company			
	2022	2021	2022	2021		
1) Lanka Tiles PLC	68.22	68.22	68.22	68.22	Manufacture of Ceramic & Porcelain floor tiles	M/s. Ernst & Young
2) Vallibel Plantation Management Ltd	100.00	100.00	100.00	100.00	Providing management services to plantation industry	M/s KPMG
3) Horana Plantations PLC	51.00	51.00	-	-	Agricultural production	M/s KPMG
4) Uni-Dil Packaging Ltd	100.00	100.00	-	-	Manufacture and sale of cartons for packing	M/s KPMG
5) Uni-Dil Packaging Solutions Ltd	100.00	100.00	-	-	Manufacture and sale of paper sacks for packing	M/s KPMG
6) Swisstek (Ceylon) PLC	59.28	59.28	11.48	11.48	Manufacture and sale of tile grout and tile mortar.	M/s KPMG
7) Swisstek Aluminium Ltd	51.81	51.81	-	-	Manufacture and sale of aluminium extrusions	M/s. Ernst & Young
8) LWL Development (Pvt) Ltd	100.00	100.00	100.00	100.00	Property Holding Company	M/s. Ernst & Young
9) Beyond Paradise Collection Ltd	68.22	68.22	-	-	Property Holding Company	M/s. Ernst & Young
10) Lankatiles (Pvt) Ltd (Foreign Subsidiary)	34.79*	34.79	-	-	Property Holding Company	M/s. K S Muralidhar
11) LTL Development Ltd	68.22	68.22	-	-	Property Holding Company	M/s. Ernst & Young
12) Swisstek Development Ltd	59.28	59.28	-	-	Property Holding Company	M/s KPMG
13) LW Plantation Investment Ltd	100.00	100.00	100.00	100.00	Property Holding Company	M/s. Ernst & Young

* The company has a controlling stake in these investee companies through the direct and indirect holdings within Group Companies.

Notes to the Financial Statements

6 INVESTMENTS IN ASSOCIATES

Group	Holding		Carrying Value	
	2022	2021	2022	2021
	%	%	Rs.000	Rs.000
Non-quoted Investments				
C P Holdings (Private) Limited	35.39%	35.39%	170,000	170,000

Movement in Investments in Associates

Group	2022	2021
	Rs.000	Rs.000
Investment	-	170,000
Share of net profit of associate	3,720	-
Share of other Comprehensive Income of associate	4,200	-
At the end of the year	177,920	170,000

The Group invested in CP Holdings (Pvt) Ltd through its subsidiary Companies namely LTL Development Limited, Swisstek Development Limited and LW Plantation Investment Limited at 16.67% each. Accordingly, the effective investment holding of CP Holding (Pvt) Ltd is 35.39% as at the reporting date.

C P Holdings (Pvt) Limited

Summarised Statement of financial position

As at 31 March	2022	2021
	Rs.000	Rs.000
Current Assets	15,742	22,216
Non Current Assets	352,079	326,966
Current liabilities	1,282	9,323
Non current liabilities	-	-
Net Assets	366,539	339,859

7 INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials	4,715,853	3,267,168	311,373	284,007
Work in progress	358,774	278,773	23,722	29,425
Finished goods	2,102,146	2,104,550	577,091	633,037
Goods in transit	118,685	144,232	-	-
Consumables and spares	1,274,436	698,118	631,064	504,324
Harvested crops	116,959	206,306	-	-
Non-harvested produce on bearer biological assets	8,129	7,999	-	-
Shading Tree Nurseries	3,369	128	-	-
Allowances for obsolete and slow moving spares	(310,118)	(222,288)	(63,303)	(40,025)
Total	8,388,233	6,484,986	1,479,947	1,410,768
Writ-off/(Write back)during the year	(81,874)	(21,542)	(70,935)	(5,368)

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade debtors - related parties (8.1)	22,919	23,507	15,795	7,018
- Other	4,371,333	3,188,037	582,655	606,185
	4,394,252	3,211,544	598,450	613,203
Less: Allowances for doubtful debts	(137,744)	(118,034)	(14,470)	(11,070)
	4,256,508	3,093,510	583,980	602,133
Advance and prepayments	2,160,695	611,210	199,165	157,255
Other debtors	322,292	506,623	8,686	29,990
Loans to company officers	28,210	35,281	576	2,653
Total	6,767,705	4,246,624	792,407	792,031

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Allowances for doubtful debts				
Opening Balance as at 1 April	118,034	70,715	11,070	6,070
Provided during the year	23,602	47,319	3,400	5,000
Utilised/reversed during the year	(3,892)	-	-	-
Closing balance as at 31 March	137,744	118,034	14,470	11,070

Notes to the Financial Statements

8.1 Trade debtors - related parties

Company	Relationship	Group		Company	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	15,643	6,933
Lanka Ceramic PLC	Affiliated Company	-	19	-	-
Royal Ceramics Lanka PLC	Parent Company	16,790	22,221	100	-
Rocell Bathware Ltd	Affiliated Company	49	913	49	-
Uni Dil Packaging (Pvt) Limited	Subsidiary Company	-	-	3	3
MN Properties (Pvt) Ltd	Affiliated Company	-	81	-	82
Delmage Forsyth & Co.Ltd	Affiliated Company	6,080	50	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	-	223	-	-
Total		22,919	23,507	15,795	7,018

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

Company	Neither past due nor impaired Rs.'000	Past due but not impaired			Impaired Rs.'000	Total Rs.'000
		< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000		
2022	544,570	25,055	7,033	8,624	13,168	598,450
2021	545,985	4,125	36,795	15,229	11,069	613,203

Group	Neither past due nor impaired Rs.'000	Past due but not impaired			Impaired Rs.'000	Total Rs.'000
		< 3 Months Rs.'000	> 1 Year Rs.'000	> 1 Year Rs.'000		
2022	3,325,871	707,494	166,742	120,020	74,125	4,394,252
2021	2,558,770	390,400	93,878	52,012	116,486	3,211,544

9. Contract Asset and Liability

9.9.1 Contract Assets

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
As at 1st April	40,164	38,079	-	-
During the year recognised	(10,822)	2,085	-	-
As at 31st March	29,342	40,164	-	-

The contract assets primarily relate to company's rights to consideration for work completed but not billed at the reporting date on supply of timber. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

9.2 Contract Liabilities

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
As at 1st April	58,383	14,843	30,350	-
Advance received	90,233	85,407	-	30,350
During the year recognised	(34,956)	(14,843)	(10,759)	-
As at 31st March	113,660	85,407	19,591	30,350

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

10 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	Group		Company	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Lanka Ceramic PLC	Affiliated Company	3,398	2,210	-	-
Rocell Bathware Limited	Affiliated Company	9,964	12,286	888	2,287
LWL Development (Pvt) Ltd	Subsidiary company	-	-	-	15,825
LW Plantation Investment Ltd	Subsidiary company	-	-	56,775	52,578
Royal Ceramics Lanka PLC	Parent Company	39,171	48,828	-	-
Lanka Tiles PLC	Subsidiary company	-	-	61,715	-
Total		52,533	63,324	119,378	70,690

11 SHORT TERM INVESTMENTS

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Deposit of Tsunami donations	4,008	3,877	4,008	3,877
Total	4,008	3,877	4,008	3,877

12 STATED CAPITAL

12.1 Issued & fully paid

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Balance at the beginning of the year	787,765	787,765	787,765	787,765
Balance at the end of the year	787,765	787,765	787,765	787,765

12.2 Issued & fully paid

	Group		Company	
	2022 '000	2021 '000	2022 '000	2021 '000
Balance at the beginning of the year	273,000	54,600	273,000	54,600
Share Split	-	218,400	-	218,400
Balance at the end of the year	273,000	273,000	273,000	273,000

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

Notes to the Financial Statements

13 RESERVES

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Revaluation reserve (13.1)	3,536,480	3,541,400	2,057,891	2,057,891
Total	3,536,480	3,541,400	2,057,891	2,057,891

13.1 Revaluation reserve

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
On: Property Plant & Equipment				
As at 01 April	3,541,400	2,850,974	2,057,891	1,812,082
Transfer from revaluation reserve on disposal of land	(4,920)	-	-	-
Revaluation of freehold land and building net of deferred tax	-	690,426	-	245,809
As at 01 April	3,536,480	3,541,400	2,057,891	2,057,891

14 INTEREST BEARING LIABILITIES

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Non Current				
Long term loans (14.1)	2,113,775	2,284,476	-	20,833
Lease Liability-Plantation(14.2)	162,592	158,217	-	-
Lease Liability-Other (Note-3.9)	87,224	130,019	6,586	19,089
Total	2,363,591	2,572,712	6,586	39,922
Current				
Long term loans (14.1)	1,010,829	889,668	20,833	34,340
Lease Liability-Plantation(14.2)	982	815	-	-
Lease Liability-Other (Note-3.9)	61,843	30,850	29,695	5,660
Short term loans	5,341,276	2,283,880	-	100,000
Bank overdrafts (28)	1,741,862	763,739	235,480	56,187
Total	8,156,792	3,968,952	286,008	196,187
Total	10,520,383	6,541,664	292,594	236,109

14.1 Long term loans

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the beginning	3,174,144	3,429,030	55,174	130,957
Loans obtained	781,574	645,000	-	-
Exchange gain/(loss)	44,846	1,734	-	-
Repayments	(875,960)	(901,622)	(34,341)	(75,783)
At the end	3,124,604	3,174,144	20,833	55,174
Amount payable within 12 months	1,010,829	889,668	-	34,340
Amount payable after 12 months	2,113,775	2,284,476	20,833	20,833
Total	3,124,604	3,174,144	20,833	55,173

Short term loans

At the beginning	2,283,880	4,826,956	100,000	1,291,060
Loans obtained	25,152,866	13,403,935	1,835,922	1,871,175
Repayments	(22,095,470)	(15,947,012)	(1,935,922)	(3,062,235)
At the end	5,341,276	2,283,880	-	100,000

14.2 Lease Liabilities to JEDB/SLSPC Estates and Dumbara Land

	2022			2021		
	Gross Liability Rs.'000	Future Finance Cost Rs.'000	Net Liability Rs.'000	Gross Liability Rs.'000	Future Finance Cost Rs.'000	Net Liability Rs.'000
Movement :						
As at 1st April	545,621	(386,589)	159,032	556,056	(399,744)	156,312
Interim remeasurement of right-of-use asset as at 1st July	18,437	(12,921)	5,516	12,159	(8,664)	3,495
	564,058	(399,510)	164,548	568,215	(408,407)	159,807
Repayments during the year	(23,362)	-	(23,362)	(22,593)	-	(22,593)
Interest Expense for the year	-	22,388	22,388	-	21,819	21,819
As at 31st March	540,695	(377,122)	163,573	545,621	(386,589)	159,032
Payable as follows :						
Payable within One Year						
Payable by due dates	23,362	(22,380)	982	22,593	(21,778)	815
	23,362	(22,380)	982	22,593	(21,778)	815
Payable after One Year :-						
Payable within Two to Five Years	93,983	(87,605)	6,378	90,910	(85,635)	5,276
Payable after Five Years	423,352	(267,138)	156,214	432,118	(279,177)	152,941
	517,335	(354,743)	162,592	523,028	(364,811)	158,217
Total Payable	540,697	(377,123)	163,574	545,622	(386,590)	159,032

14.3 The weighted average incremental borrowing rate applied to the lease liabilities was 14.44%.

The rental payable under the JEDB/SLSPC lease is Rs. 5.840 Million per quarter until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

Notes to the Financial Statements

14.4 Details of long term loans of the Group

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 31.03.2022 Rs '000	Balance as at 31.03.2021 Rs '000
Lanka Walltiles PLC						
Commercial Bank of Ceylon PLC	60 monthly instalment	584,000	AWPLR+0.5%	Tripartite agreement for Rs.392.8 Mn between Bank,Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 Shares of Lanka Tiles PLC.	-	9,340
DFCC Bank PLC	48 monthly instalments	100,000	AWDR+1%	Corporate Guarantee from Lanka Tiles PLC.	20,833	45,833
Company Total - Lanka Walltiles PLC					20,833	55,173
Lanka Tiles PLC						
DFCC Bank	72 monthly instalment (12 month Grace period)		AWPLR+0.75%	'A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	916,667	1,166,666
Company Total - Lanka Tiles PLC					916,667	1,166,666
Uni-Dil Packaging Limited						
Standard Chartered Bank	US \$ 114,079 Quarterly instalment	USD 310,000	LIBOR+3.8%	Primary concurrent Mortgage bond for LKR 170 Mn over Property	133,615	54,769
		USD 200,000	LIBOR+2.75%	Mortgage bond for USD 200,000 over Movable Machinery	USD 454.99	USD 274.08
		USD 500,000	LIBOR+3.25%	Mortgage bond for USD 500,000 over Movable Machinery		
Commercial Bank of Ceylon PLC	54 monthly instalment	70,755	7.75% (Fixed)	Solar System & related equipment	70,755	-
Hatton National Bank	36 monthly instalment	60,000	AWPLR + 0.5%	Clean	46,667	-
Company Total					251,037	54,769
Uni-Dil Packaging Solution Limited						
Commercial Bank of Ceylon PLC	54 monthly instalment	17,744	7.75%(fixed)	Solar System & related equipment	17,744	-
Company Total					17,744	-

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 31.03.2022 Rs '000	Balance as at 31.03.2021 Rs '000
Horana Plantations PLC						
Hatton National Bank PLC	72 monthly instalments	150,000	AWPLR + 1.00%	Primary mortgage for 550 million over the leasehold	3,000	19,800
		200,000	AWPLR + 1.00%	rights of Frocester	25,175	50,150
		200,000	AWPLR + 0.75%	Estate Primary mortgage	50,150	72,350
		250,000	AWPLR + 2.00%	for 400 million over	146,000	187,600
		200,000	AWPLR + 1.75%	the leasehold rights of	162,200	195,800
		200,000	AWPLR + 1.25%	Bambrakelly Estate	234,376	250,000
Hatton National Bank PLC	60 monthly instalments	100,000	AWPLR+0.75%	Primary mortgage over leasehold rights of Bambrakelly,Eildon Hall and frocester Estates	15,820	26,860
Hatton National Bank PLC	60 monthly instalments	130,114	AWPLR+1.5%	Primary mortgage over leasehold rights of Bambrakelly Estate	-	17,352
Commercial Bank of Ceylon PLC	72 monthly instalments,After a 24 months grace period.	100,000	AWPLR + 2.00%	Primary Floating Mortgage for Rs.120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.	65,250	81,930
Sampath Bank PLC	72 monthly instalments,After a 24 months grace period.	200,000	AWPLR + 1.80%	Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate and Alton Estate	166,400	200,000
Commercial Bank of Ceylon PLC	60 monthly instalment	350,000	8.5%-Fixed Rate	Primary mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (pvt) Ltd and Jhon Keels PLC	279,992	350,000
Seylan Bank PLC	24 monthly instalment	15,000	4.00%	No security has been offered	8,594	11,665
Commercial Bank of Ceylon PLC	60 monthly instalment	43,477	7.75%-Fixed Rate	Primary mortgage bond over Solar Panels and related equipments	43,477	-
Company Total - Horana Plantations PLC					1,200,434	1,463,507

Notes to the Financial Statements

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	2022 Rs. '000	2021 Rs. '000
Swisstek (Ceylon) PLC						
DFCC Bank PLC	60 monthly instalments	110,000	AWPLR+1.25%	Mortgage over Land, Building, Plant & Machinery, Stocks and Book debts owned by Swisstek Aluminium Ltd.	76,704	107,599
Bank of Ceylon	54 monthly instalments	170,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	28,323	59,490
	60 monthly instalment	323,000	7.75% (Fixed)	Board Resolution	323,000	-
Commercial Bank	60 monthly instalments	35,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	-	20,960
Company Total - Swisstek (Ceylon) PLC					428,027	188,049
Swisstek Aluminium Limited						
DFCC Bank	60 monthly instalment, After a 24 months grace period.	500,000	AWPR+1.4%	Mortgage over land, building, plant & machinery	133,333	233,333
	60 monthly instalments	193,032	AWPR+1.5%	Movable Machinery	-	12,645
Commercial Bank	60 monthly instalment, After a 6 months grace period.	156,529	AWPR+1.4%	Mortgage over Solar Panel Equipment	156,529	-
Company Total - Swisstek Aluminium Limited					289,862	245,978

14.5 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	4,607,010	3,635,413	4,607,010	3,635,413
Amounts due from related parties	52,533	63,324	52,533	63,324
Contract Assets	29,342	40,164	29,342	40,164
Short term investments	4,008	3,877	4,008	3,877
Cash and cash equivalents	7,346,071	3,034,216	7,346,071	3,034,216
Total	12,038,964	6,776,994	12,038,964	6,776,994

Financial Liabilities

Trade and Other Payables	2,884,498	2,265,572	2,884,498	2,265,572
Contract Liabilities	113,660	85,407	113,660	85,407
Loans and Borrowings- Current	8,156,792	3,968,952	8,156,792	3,968,952
Loans and Borrowings- Non Current	2,363,591	2,572,712	2,363,591	2,572,712
Total	13,518,541	8,892,643	13,518,541	8,892,643

Company	Carrying Amount		Fair value	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	584,557	604,787	584,557	604,787
Amounts due from related parties	119,378	70,690	119,378	70,690
Short term investments	4,008	3,877	4,008	3,877
Cash and cash equivalents	1,029,771	279,697	1,029,771	279,697
Total	1,737,714	959,051	1,737,714	959,051

Financial Liabilities

Trade and Other Payables	615,022	320,372	615,022	320,372
Contract Liabilities	19,591	30,350	19,591	30,350
Loans and Borrowings- Current	286,008	196,187	286,008	196,187
Loans and Borrowings- Non Current	6,586	39,922	6,586	39,922
Total	927,207	586,831	927,207	586,831

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.

Majority of the Interest-bearing loans and borrowings balances comprise floating rate instruments therefore fair value of the value due to banks approximate to the carrying value as at the reporting date.

Fixed Rate Financial Instruments

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

Notes to the Financial Statements

15 DEFERRED TAX LIABILITIES

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the beginning of the year	1,879,638	2,421,476	623,783	967,884
Charge/ (Reversal) Recognised in Profit or Loss (Note 25.2)				
- Arising on During the Year Movement	93,864	106,465	(5,659)	(16,028)
- Due to Change in Tax Rates	-	(413,772)	-	(130,191)
Charge/ (Reversal) Recognised in Other Comprehensive Income (Note 25.2)				
- Arising on During the Year Movement	22,878	96,292	10,337	7,230
- Due to Change in Tax Rates	-	(330,823)	-	(205,112)
At the end	1,996,380	1,879,638	628,461	623,783

15.1 Statement of Financial Position

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Deferred Tax Liability				
Capital Allowances	1,458,504	1,458,610	270,269	268,722
Revaluation surplus	741,502	761,534	406,415	396,079
Revaluation surplus on Investment Property	113,271	84,582	-	-
Lease Liability	(1,571)	2,579	-	-
Deferred Tax Assets				
Retirement Benefit Liability	(137,675)	(184,421)	(33,679)	(31,667)
Carried Forward Tax Losses	(93,044)	(189,619)	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(68,442)	(46,146)	(11,838)	(7,325)
Allowances for Doubtful Debts	(16,165)	(7,481)	(2,706)	(2,026)
Total	1,996,380	1,879,638	628,461	623,783

16 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the Beginning of the Year	1,098,237	1,004,063	173,041	142,902
Past Service Cost	(22,145)	-	(11,183)	-
Current service cost	60,001	80,353	7,976	12,551
Net interest on the net defined benefit liability (asset)	81,548	97,594	12,113	14,290
	119,404	177,947	8,906	26,551
Net Actuarial Gain / loss for the year	(126,407)	29,951	(56,485)	10,305
Payments made during the Year	(135,809)	(113,724)	(1,845)	(6,717)
	(262,216)	(83,773)	(58,330)	3,588
Payable for retired employees included under current liabilities	(43,046)	(26,762)	-	-
At the End of the Year	912,379	1,071,475	123,617	173,041

Lanka Walltiles PLC - Company

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

	2022 Rs. 000	2021 Rs. 000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	9,285	14,394
Effect on DBO due to increase in the discount rate by 1%	(8,209)	(12,591)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(8,679)	(12,421)
Effect on DBO due to increase in the salary escalation rate by 1%	9,693	13,891

Notes to the Financial Statements

Lanka Walltiles PLC - Group

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

	2022	2021
	Rs. 000	Rs. 000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	61,832	82,868
Effect on DBO due to increase in the discount rate by 1%	(54,904)	(86,817)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(60,744)	(84,216)
Effect on DBO due to increase in the salary escalation rate by 1%	67,609	80,603

Lanka Walltiles PLC - Company

Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March 2022					
Defined Benefit Obligation	6,660	32,743	19,723	64,491	123,617

Group

Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March 2022					
Defined Benefit Obligation	113,613	146,861	177,804	474,101	912,379

16 RETIREMENT BENEFIT LIABILITY CONTD.

Lanka Walltiles PLC

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)	15.70%	7.00%
Salary scale (per annum) - Executives	14.00%	9.70%
- Non Executives	10.00%	10.00%
Retirement Age	60 Years	55 Years
Staff Turnover ratio	4% up to 54 years, thereafter 0%	7% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	14.08	8.25

Lanka Tiles PLC

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

Principal Actuarial Assumptions are as follows

	2022	2021
Discount rate	15.40%	7.00%
Future salary increases - Executives	14.00%	8.60%
- Non Executives	10.00%	10.00%
Retirement Age	60 Years	55 Years
In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the actuarial valuation.		
Weighted Average duration of defined benefit obligation (Years)	10.81	5.76

Horana Plantations PLC

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2022 by Mr.M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits".

Notes to the Financial Statements

Principal Actuarial Assumptions are as follows

	2022	2021
Rate of interest	15%	8%
Rate of salary increase		
Workers	8% per annum	5.68% per annum
Staff	13.5% per annum	8% per annum
Head Office Staff	13.5% per annum	8% per annum
Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Estate Staff	60 years	55 years
Weighted Average duration of defined benefit obligation (Years)		
Staff	9.93	9.83
Workers	7.35	9.31

Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2022.

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

Principal Actuarial Assumptions are as follows	2022	2021
Discount rate p.a	15.00%	8.00%
Rate of salary increase	10.00%	10.00%
Staff turnover factor	7.00%	7.00%
Retirement age (years)	60	55
The Company will continue as a going concern.		
Weighted Average duration of defined benefit obligation (years) Uni Dil Packaging Ltd	6.46	6.60
Weighted Average duration of defined benefit obligation (years) Uni Dil Packaging Solution Ltd	7.72	8.07

16 RETIREMENT BENEFIT LIABILITY CONTD.**Swisstek (Ceylon) PLC**

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2022

	2022	2021
Principal Actuarial Assumptions are as follows		
Discount rate p.a	15.00%	7.00%
Future salary increases		
Executives	15.00%	11.00%
Non Executives	10.40%	11.00%
Retirement age (Years)	60	55
Weighted Average duration of defined benefit obligation (Years)	13.71	8.59

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2022.

	2022	2021
Principal Actuarial Assumptions are as follows		
Discount rate p.a	15.00%	7.00%
Rate of salary increase	15.00%	10.00%
Retirement age (Years)	60	55
Weighted Average duration of defined benefit obligation (Years)	6.85	6.31

17 CAPITAL GRANTS

	Group	
	2022	2021
	Rs.'000	Rs.'000
Capital grants (17.1)	113,324	118,995
Total	113,324	118,995

Notes to the Financial Statements

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received	Balance at the beginning	Received during the period	Amortised during the period	Balance at the end
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lanka Tea Board	Tea factory modernisation	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	258	840	(39)	1,059
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	6,992	110	(173)	6,929
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	14,316	-	(1,128)	13,188
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	23,937	-	(1,600)	22,337
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	236	-	(20)	216
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	12,465	-	(716)	11,750
	Internal Road Development and Boudry Posts	Rate of Depreciation applicable to Permanent Land Development Cost (2.50%pa)	4,622	2,969	-	(165)	2,804
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,569	-	(361)	6,208
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	51,135	944	(3,354)	48,724
Export Agriculture Department (EAD)	Cinnamon replanting subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	118	-	(9)	109
Total			166,239	118,995	1,894	(7,564)	113,324

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade creditors - other	2,697,081	2,080,236	528,262	245,399
- related parties [18.1]	60,636	98,313	3,026	14,714
	2,757,717	2,178,549	531,288	260,113
Sundry creditors including accrued expenses	2,642,199	1,769,157	479,937	315,391
Provision for terminal benefits (current) [16.0]	43,046	26,762	-	-
Donations in respect of Tsunami fund	4,008	3,877	4,008	3,877
Unclaimed dividends	79,727	56,383	79,727	56,382
Total	5,526,697	4,034,728	1,094,960	635,763

18.1 Trade creditors - related parties

Company	Relationship	Group		Company	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Ceramic PLC	Affiliated Company	1,698	13,195	289	-
Royal Ceramics Lanka PLC	Parent Company	-	6,549	-	-
Hayleys Agriculture Holding	Affiliated Company	861	1,269	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	1	645	-	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	312	13	-	-
Hayleys PLC	Affiliated Company	18,616	13,358	-	-
Hayleys Aventura (Pvt) Ltd	Affiliated Company	264	-	-	-
Kelani Valley Plantations PLC	Affiliated Company	515	2,350	-	-
Talawakelle Tea Estates PLC	Affiliated Company	6	217	-	-
Puritas (Pvt) Ltd	Affiliated Company	-	13	-	-
Logiwiz Limited	Affiliated Company	-	3	-	-
Fentons Limited	Affiliated Company	38,363	-	-	-
Swisstek Aluminium Limited	Subsidiary Company	-	-	-	255
Unidil Packaging Solution Ltd	Subsidiary Company	-	-	2,737	14,459
Valibel One PLC	Ultimate Parent Company	-	60,701	-	-
		60,636	98,313	3,026	14,714

19 AMOUNTS DUE TO RELATED PARTIES

Company	Relationship	Group		Company	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	-	47,646
Swisstek Ceylon PLC	Subsidiary Company	-	-	554	682
Swisstek Aluminium Ltd	Subsidiary Company	-	-	1,618	1,424
Royal Ceramics Lanka PLC	Parent Company	7,006	29,367	262	10,928
Lanka Ceramic PLC	Affiliated Company	2,644	3,202	2,644	3,202
Vallibel One PLC	Ultimate Parent Company	111,655	51,288	15,706	15,996
Delmage Forsyth & Co. Ltd.	Affiliated Company	60	2,100	-	-
Total		121,365	85,957	20,784	79,878

Notes to the Financial Statements

20 REVENUE

20.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's/ Group's revenue from contracts with customers:

Revenue from Contracts with Customers

Year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Types of goods or service				
Sale of Tiles & Associated Items	23,752,747	19,329,845	8,058,545	5,988,521
Sale of Plantation Produce	2,563,636	2,125,306	-	-
Sale of Packing Materials	6,226,383	4,074,409	-	-
Sale of Aluminium Products	7,314,748	3,893,821	-	-
Total revenue from contract with customers	39,857,514	29,423,381	8,058,545	5,988,521
Geographical markets				
Local	38,445,016	28,388,378	7,288,008	5,324,188
Foreign - Export	1,412,498	1,035,003	770,537	664,333
Total revenue from contract with customers	39,857,514	29,423,381	8,058,545	5,988,521
Timing of revenue recognition				
Goods transferred at a point in time	39,857,514	29,423,381	8,058,545	5,988,521
Total revenue from contract with customers	39,857,514	29,423,381	8,058,545	5,988,521

Segmental information is given in Note 33 to the financial statements.

20.2 Contract balances

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Trade receivables (Note 08)	6,767,705	4,246,624	792,407	792,031
Contract assets (Note 09.1)	29,342	40,164	-	-
Contract Liabilities (Note 09.2)	113,660	85,407	19,591	30,350

21 OTHER INCOME

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Income from investments in related Parties - Dividend	-	-	1,477,277	747,572
Rental income - Related parties	-	-	24,640	24,011
Amortisation of capital and revenue grants	7,564	7,386	-	-
Disposal Gain/(Loss) on property, plant and equipment	(32,349)	7,668	(40)	763
Change in fair value of consumable biological assets	31,464	40,089	-	-
Sundry income	258,663	125,126	10,698	7,963
Exchange gain	376,965	51,637	177,495	43,677
Total	642,308	231,906	1,690,070	823,986

22 FINANCE COST

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Interest expense on overdrafts	79,438	140,233	3,867	27,980
Interest expense on bank loans	508,795	610,863	15,082	98,432
Finance charges on lease liabilities	41,545	44,729	3,679	4,526
Exchange loss/(gain)	(110,069)	15,453	-	-
Less : Capitalisation of borrowing costs on immature plantations	(45,808)	(41,390)	-	-
Total	473,901	769,888	22,628	130,938

23 FINANCE INCOME

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Interest income	189,292	20,814	5,594	-
Total	189,292	20,814	5,594	-

Notes to the Financial Statements

24 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	989,351	934,002	186,364	165,390
Amortisation of Right of use Lease Asset	17,071	21,524	4,453	-
Defined benefit plan costs - gratuity	125,358	131,080	34,863	13,275
Defined contribution plan costs - EPF & ETF	696,550	240,474	468,611	29,751
Other staff cost	2,859,379	2,537,211	-	364,592
Inventory written off and allowances	3,745	31,144	23,278	8,100
Included in administration expenses				
Depreciation and Amortisation cost	68,324	60,263	13,611	12,239
Amortisation of Right of use Lease Asset	33,987	9,649	-	-
Defined benefit plan costs - gratuity	10,371	52,578	3,587	11,724
Defined contribution plan costs - EPF & ETF	38,686	35,024	5,818	5,921
Other staff cost	427,057	331,396	56,955	45,404
Audit Fee	8,273	7,990	1,600	1,680
Technical Fee	342,568	290,720	55,280	47,940
Included in distribution cost				
Depreciation and Amortisation cost	28,870	16,076	13,300	6,478
Amortisation of Right of use Lease Asset	20,633	62,181	20,633	24,100
Defined benefit plan costs - gratuity	5,011	6,972	866	1,552
Defined contribution plan costs - EPF & ETF	24,202	19,619	7,560	6,714
Other staff cost	359,023	270,869	111,468	97,344
Allowance for doubtful Debts	19,710	47,319	3,400	5,000

25 INCOME TAX EXPENSES

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

Year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
(a) Current income tax				
Current income tax charge	1,745,974	885,089	593,157	277,324
Under/(over) provision of current taxes in respect of prior years	(1,395)	(34,318)	-	6,907
Economic Service Charge (non-claimable)	6,373	25,557	-	-
	1,750,952	876,328	593,157	284,231
(b) Deferred income tax				
Deferred taxation charge/(reversal)	93,863	(307,306)	(5,659)	(146,218)
Income tax expense reported in the Income statement	1,844,815	569,022	587,498	138,013
(c) Deferred tax expense reported in the OCI				
	22,878	(234,531)	10,337	(197,882)
Total	1,867,693	334,491	597,835	(59,869)

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

Year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Accounting profit before income tax	8,726,897	4,582,442	3,670,478	1,755,531
Income considered as separate source of income	1,810,673	33,227	1,477,277	771,582
Non deductible expenses	(358,470)	1,555,248	337,758	257,573
Deductible expenses	(2,310,573)	(2,431,745)	(1,714,641)	(1,707,616)
Total Statutory Income	7,868,527	3,739,172	3,770,872	1,077,070
Tax losses utilised	(7,466)	(511,558)	-	-
Qualifying Payment Relief	(1,055)	-	-	-
Net Taxable profit	7,860,006	3,227,614	3,770,872	1,077,070
Taxable Profit	7,880,050	3,259,954	3,770,872	1,077,070
Taxable Loss	(20,044)	(32,340)	-	-
Net Taxable profit	7,860,006	3,227,614	3,770,872	1,077,070
Current income tax expense				
Taxation -14%	322,130	155,492	193,997	92,995
Taxation -18%	1,288,458	622,003	297,703	154,221
Taxation -24%	135,385	107,594	101,457	30,108
Total	1,745,974	885,089	593,157	277,324

Notes to the Financial Statements

25.3 Reconciliation between tax expense and the product of accounting profit

Year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Capital Allowances	(1,606)	(486,446)	1,548	(157,739)
Retirement Benefit Liability	18,271	21,256	(2,013)	10,232
Carried Forward Tax Losses	94,978	158,432	-	-
Lease Liability	(2,734)	(4)	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(9,454)	2,241	(4,513)	1,614
Allowances for Doubtful Debts	(5,592)	(2,786)	(680)	(326)
Deferred taxation charge/(reversal)	93,863	(307,307)	(5,658)	(146,219)
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	-	(228,399)	-	(195,997)
Retirement Benefit Liability	22,878	(6,132)	10,337	(1885)
Total	22,878	(234,531)	10,337	(197,882)
Effective Income Tax Rate	21.14%	12.42%	16.01%	7.86%

Horana Plantation PLC

The deferred tax asset has been recognised in the Financial Statements to the extent that it is probable that future taxable profit will be available against which the accumulated tax losses can be utilised. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st March 2022. The unutilised tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilise therefrom. Hence a deferred tax asset of Rs. 102,383,237/- has not been recognised in respect of unutilised tax losses of Rs. 975,078,451/- as at 31st March 2022.

25.3 Notes on income tax of Group companies

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

The statutory tax rate of above companies are as follows;

	2022	2021
Local sales and other profits	24% & 18%	24% & 18%
Qualified export profit	14%	14%

Horana Plantations PLC

Profit from Agricultural business will be taxed at rate of 14% as per the Inland Revenue Act No. 24 of 2017. Other income will be taxed at the rate of 28%.

26 EARNINGS PER SHARE

26.1 Earnings per share - basic

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

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

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

	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	5,140,631	2,960,211	3,082,980	1,617,518
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	Group		Company	
	2022	2021	2022	2021
	'000	'000	'000	'000

Number of ordinary shares used as the denominator:

Weighted average number of ordinary shares in issue applicable to basic earnings per share	273,000	273,000	273,000	273,000
Basic earning per shares (Rs)	18.83	10.84	11.29	5.92

27 DIVIDENDS PAID

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Declared and paid during the year

Equity dividends on ordinary shares :

Final Interim 2020/21	846,300	196,560	846,300	196,560
1st Interim 2021/22	846,300	546,000	846,300	546,000
2nd Interim 2021/22	464,100	-	464,100	-
Total	2,156,700	742,560	2,156,700	742,560

Dividend Payout Ratio(%)	42%	25%	70%	46%
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Notes to the Financial Statements

28. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	7,346,071	3,034,216	1,029,771	279,697
	7,346,071	3,034,216	1,029,771	279,697
Unfavourable cash & cash equivalent balances				
Bank overdrafts (13)	(1,741,862)	(763,739)	(235,480)	(56,186)
Total cash and cash equivalents for the purpose of cash flow statement	5,604,209	2,270,477	794,291	223,511

29. ASSETS PLEDGED

Following Assets have been pledged as security for liabilities, in addition to the items disclosed in Note 14.7 to these financial statements.

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging (Pvt) Ltd

Lender	Facility	Limit Rs. '000	Security
Hatton National Bank	Import Loan	400,000	Immovable Property Inventories and Debtors
	Over Draft	20,000	
Standard Chartered Bank	Import Loan	70,000	Land and Building, Immovable Machinery and Debtors
		134,000	
DFCC Bank	Import Loan	1,250,000	Inventories and Debtors
	Over Draft	50,000	
Pan Asia Bank	Import Loan	300,000	Inventories and Debtors
	Over Draft	10,000	
Sampath Bank	Import Loan	460,000	Inventories and Debtors
	Over Draft	20,000	
Seylan Bank	Import Loan	250,000	Inventories and Debtors
	Over Draft	30,000	

Uni Dil Packaging Solutions Ltd

Lender	Facility	Limit Rs.'000	Security
Hatton National Bank	Import Loan	600,000	Primary Mortgage Bond over the Company's Stock- in-trade and Book Debts
	Overdraft	30,000	
HSBC Bank	Import Loan	50,000	Corporate Guarantee from Uni Dil Packaging Limited
Pan Asia Bank	Import Loan	200,000	Series of loan agreement
	Overdraft	10,000	
Seylan Bank	Import Loan	100,000	Primary Mortgage Bond over the Company's Stock- in-trade and Book Debts
	Overdraft	20,000	
DFCC Bank	Import Loan	100,000	Primary concurrent Mortgage Bond for Rs 120,000,000/- ranking equal and parri passu with mortgage bond no 2365.
	Overdraft	20,000	
Sampath Bank	Import Loan		
	Overdraft	20,000	

Horana Plantations PLC

The following securities were offered for bank overdraft facilities.

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets.	AWPLR+2.5% (with the floor Rate of 9.5%)	100,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	AWPLR+0.5% (Weekly Review)	200,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.	AWPLR+0.75%(weekly Review)	150,000
Sampath Bank PLC	Primary Mortgage Bond for Rs.100 Million over leasehold rights of Gouravilla Estate.	AWPLR+1.8%(Monthly Review)	100,000

Lanka Walltiles PLC

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

Other bank overdrafts are secured primarily on inventories and debtor.

Swisstek Aluminium Limited

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Hatton National Bank (Import Loan)	Trading Stock and Trade Debtors	AWPLR+0.5%	300,000
DFCC Bank (Term loan)	Primary mortgage over plant and machinery	AWPLR+1.5%	200,000
DFCC Bank (Import loan and Bank Overdrafts)	Secondary mortgage over stock and book debtors	AWPLR+0.5%	800,000

RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

30.1**Company**

	Transactions with the Parent and Ultimate Parent Company (Royal Ceramic Lanka PLC and Valibel 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	(26,924)	(14,189)	10,039	(145,745)	(16,885)	(159,934)
Sale of Tiles/ (Sales returns)	-	1,504	(4,330)	626	(4,330)	2,130
Purchase of raw materials	100	-	(443,830)	(30,190)	(443,730)	(30,190)
Purchase of other items	(724)	(32,725)	-	(64,195)	(724)	(96,921)
Sale of raw materials	228	1,904	3,876	13,593	4,104	15,497
Settlements/(Recoveries) by the Company	68,280	70,493	(59,937)	40,285	8,343	110,778
Rent received/(paid)	-	-	7,701	8,716	7,701	8,716
Expenses apportioned	388	80	769,551	359,849	769,939	359,929
Commission on sales	-	-	(11,239)	(9,376)	(11,239)	(9,376)
Expenses incurred and transferred	-	-	(160,243)	(170,457)	(160,243)	(170,457)
Credit Cards Collected On Behalf Of Subsidiary	-	-	15,643	6,933	15,643	6,933
Technical Fees	(57,215)	(53,990)	-	-	(57,215)	(53,990)
Balance as at 31 March	(15,867)	(26,924)	127,231	10,039	111,364	(16,885)
Included Under						
Trade and other receivable	100	-	15,695	7,017	15,795	7,017
Trade and other payable	-	-	(3,026)	(14,714)	(3,026)	(14,714)
Amount due from related parties	-	-	119,377	70,691	119,377	70,691
Amount due to related parties	(15,967)	(26,924)	(4,815)	(52,955)	(20,782)	(79,878)
Balance as at 31 March	(15,867)	(26,924)	127,231	10,039	111,364	(16,885)

The above subsidiaries and affiliates include following companies;

Company

- Lanka Tiles PLC
- Unidil Packaging (Pvt) Ltd
- Vallibel Plantation Management (Pvt) Ltd
- Horana Plantations PLC
- Swisstek Aluminum Limited
- Swisstek (Ceylon) PLC
- Rocell Bathware Limited
- LWL Development (Private) Limited
- Beyond Paradise Collection Limited
- Lankatiles (Pvt) Ltd
- LTL Development Ltd
- Swisstek Development Ltd
- MN Properties (Pvt) Ltd
- Lanka Ceramics PLC
- LW Plantation Investment Ltd.

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 with in short Period of time.

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 Walltiles PLC, Lanka Tiles PLC and Swisstek Aluminum Limited.

Credit cards collection & part of the settlement represents the sales proceeds of the subsidiaries received by the parent company and it will be settled by transferring of funds back to the relevant companies.

Commission on sales paid to Royal Ceramic Lanka PLC & Swisstek Ceylon PLC for the sales of tiles at their Owned location.

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES CONTD.

30.2 Group - Related Party Transactions

30.2.1 Swisstek Aluminium Ltd

	Parent & ultimate Parent		Other Related Entities		Total	
	2022	2021	2022	2021	2022	2021
Statement of Profit or Loss	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Nature of Transaction						
Sale of goods	183,691	57,078	201,105	72,298	384,796	129,377
Purchase of goods	-	-	-	-	-	-
Expenses incurred by related parties	(39,288)	(59)	(4,072)	(24,009)	(43,360)	(24,068)
Expenses reimbursements	17,030	81	1,344	8,643	18,374	8,724
Settlements made	(124,345)	(18,730)	(152,426)	(29,582)	(276,771)	(48,312)
Rent income	-	-	4,543	5,590	4,543	5,590
Statement of Financial Position						
Balance outstanding as at the reporting date						
Amount Due to Related Parties	(22,547)	(289)	(16,744)	(17,208)	(39,291)	(17,497)
Due from Related Parties	82,181	22,835	94,318	44,287	176,499	67,122
	59,634	22,546	77,574	27,079	137,207	49,625

30.2.2 Lanka Tile PLC

Name of the company	Relationship	Nature of the transaction	2022	2021
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Rocell Bathware Ltd.	Affiliated Company	Raw materials	1,938	-
		Consumables	-	20
		Glaze	-	889
		Spares	-	4
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	4,589	2,654
		Spares	3,957	1,529
		Packing	10,800	30
		Glaze	-	13,062
		Consumables	-	179
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Affiliated Company	Raw materials	110,152	76,406
Swisstek Aluminium Ltd	Affiliated Company	Trading Items	209,012	76,446
Swistek (Ceylon)PLC	Affiliated Company	Trading Items	962,995	586,400
		Sales Commission	31,692	36,584
Uni-Dil Packing (Pvt) Ltd	Affiliated Company	Packing Material	228,625	122,235
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	941	119
		Spares	17	118
		Consumables	121	659
		Glaze	-	7,634
		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

30.2.3 Swisstek (Ceylon) PLC

Name of the company	Relationship	Nature of the transaction	2022 Rs. '000	2021 Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	903,834	614,971
		Warehouse rental income	13,608	9,391
		Sales Commission	31,692	36,608
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	62,007	76,645
		Sales Commission	8,802	1,768
		Warehouse rental income	4,498	4,498
Swisstek Aluminum Ltd	Affiliated Company	Rental income	2,925	-
(b) Purchase of goods/Services from:				
Rocell Bathware Ltd.	Affiliated Company	Sales Commission	1,643	935
Uni-Dil Packing Ltd	Affiliated Company	Purchase of corrugated boxes	9,767	6,779
Lanka Ceramic PLC	Affiliated Company	Purchase of Goods	-	747
Swisstek Aluminum Ltd	Affiliated Company	Purchase of Goods	185,372	56,548
Lanka Tiles PLC	Affiliated Company	Purchase of Goods/Services	5,840	4,931
Venigros (Pvt) Ltd.	Affiliated Company	Purchase of Land & Building	268,967	-
Dipped Products PLC	Affiliated Company	Purchase of Land	131,033	-

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES CONTD.

30.2.4 Uni Dil Packaging Ltd

Name of the company	Relationship	Nature of the transaction	2022	2021
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Horana Plantations PLC	Affiliated Company	Finished goods	317	169
Royal Bathware LTD	Affiliated Company	Finished goods	1,098	-
Swisteck (Ceylon)PLC	Affiliated Company	Finished goods	9,767	6,477
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	2,814	-
(b) Purchase of goods/Services from:				
Horana Plantations PLC	Affiliated Company	Finished goods	480	-
Swisstek Aluminum Ltd	Affiliated Company	Purchase of goods	111	-
Vallibel One PLC	Affiliated Company	Technical fees	26,255	52,924
Uni-Dil Packing Solution Limited	Affiliated Company	Purchase of goods	423,121	70,873

30.2.5 Uni Dil Packaging Solutions Ltd

Name of the company	Relationship	Nature of the transaction	2022	2021
			Rs. '000	Rs. '000
(a) Sale of goods to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	75,087	53,800
Royal Bathware LTD	Affiliated Company	Finished goods	50,323	31,253
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	133,270	89,590
Lanka Tiles PLC	Affiliated Company	Finished goods	228,623	121,907
Horana Plantation PLC	Affiliated Company	Finished goods	16,657	9,473
Nilano Garments Private Limited	Affiliated Company	Finished goods	341	149
(b) Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Ltd	Parent Company	Purchase of goods	423,121	70,873
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	-	15

30.2.6 Horana Plantations PLC

Name of the company	Relationship	Nature of the transaction	2022	2021
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Uni Dil Packaging Pvt Ltd	Affiliated Company	Sale of tea	560	240
Lanka Ceramic PLC	Affiliated Company	Sale of tea	38	38
Delmage Forsyth & Co.Ltd	Affiliated Company	Sale of tea	41,051	33,153
The Kingsbury PLC	Affiliated Company	Sale of Coconuts	-	4

Name of the company	Relationship	Nature of the transaction	2022	2021
			Rs. '000	Rs. '000
(b) Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Pvt Ltd	Affiliated Company	Purchase of goods	317	351
Uni Dil Packaging Solutions Ltd	Affiliated Company	Purchase of goods	17,401	10,261
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of tiles	60	51
Lanka Tiles PLC	Affiliated Company	Purchase of sanitaryware	3	
Hayleys PLC	Affiliated Company	Insurance Premium	-	11,216
		Office Rent & related services	10,738	8,749
		Insurance Premium	21,580	
Hayleys Agriculture Holdings Ltd	Affiliated Company	Chemicals	5,633	3,207
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	Fertilizer	14,602	24,231
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	Salary Processing Fee	164	167
Hayleys Aventura (Pvt) Ltd	Affiliated Company	Office Premises Related Services	260	-
Logiwiz Limited	Affiliated Company	Document Storage Rental	42	40
NYK Lanka (Pvt) Ltd	Affiliated Company	Office Premises Related Services	-	179
Singer Sri Lanka PLC	Affiliated Company	Purchase of Equipment	129	404
Diesel & Motor Engineering PLC	Affiliated Company	Purchase of Motor Vehicle Spares	-	220
Hayleys Lifesciences (Pvt) Ltd	Affiliated Company	Purchase of Medical & Analytical Equipments	1,237	-
Fentons Limited	Affiliated Company	Purchase of solar PV system	51,149	-

30.2 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 parents

Key management personnel compensation	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short Term Employment Benefits	170,240	136,498	45,568	33,322
Post Employment Benefits	48,457	42,763	16,887	15,065
Total	218,697	179,261	62,455	48,387

Notes to the Financial Statements

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

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

Lease & Other commitments

- a). Lanka Tiles PLC is committed to pay Rs. 14,808,000/- as rent per month for the use of land & buildings situated in Nawala.
- b). Horana Plantation has no any material Financial Commitments other than the JEDB/SLSPC. Lease Rentals Payable to the Secretary to the Treasury as explained in Note 14.3.1. 'Lease Liabilities - Land'

31.2 Contingencies

a) Horana Plantation PLC

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

Legal case on Retirement Benefit Obligation wage rate change

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazette its decision on 5th March 2021.

RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. However, matter is under the purview of the Court of Appeal at the time of approval of these financial statements.

b) Lanka Walltiles PLC

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

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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 LK 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.882.08 Mn for Group and Rs.278.16 Mn for the Company.

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

	2022					2021						
	Tiles & associated items	Aluminium Products	Plantation products	Packing materials	Inter Segment Elimination	Total	Tiles & associated items	Aluminium Products	Plantation products	Packing materials	Inter Segment Elimination	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sales to External Customers	23,752,747	7,314,749	2,563,636	6,226,383	-	39,857,514	19,329,845	3,893,821	2,125,306	4,074,409	-	29,423,381
Inter Segment Sales	-	-	-	351,891	(351,891)	-	-	-	-	179,317	(179,317)	-
Total Revenue	23,752,747	7,314,749	2,563,636	6,578,274	(351,891)	39,857,514	19,329,845	3,893,821	2,125,306	4,253,726	(179,317)	29,423,381
Gross Profit	10,567,706	1,457,482	371,010	1,011,684	-	13,407,882	7,232,724	1,075,230	200,455	727,624	-	9,236,033
Other Income	407,613	24,233	39,028	174,554	(3,120)	642,308	97,640	9,531	47,536	74,734	(720)	228,720
Distribution Costs	(2,635,599)	(547,335)	-	(178,242)	3,120	(3,358,056)	(2,221,205)	(333,102)	-	(145,943)	-	(2,700,250)
Administrative Expenses	(956,931)	(238,278)	(203,056)	(286,084)	-	(1,684,349)	(761,357)	(131,596)	(191,644)	(248,158)	720	(1,332,035)
Other Operating Expenses	(178,428)	(145,565)	(141,066)	(8,842)	-	(473,901)	(410,042)	(171,234)	(137,363)	(51,249)	-	(769,888)
Finance Cost	188,592	-	700	-	-	189,292	20,412	-	402	-	-	20,814
Share of net profit of associate	3,720	-	-	-	-	3,720	-	-	-	-	-	-
Profit Before Tax	7,396,673	550,538	66,617	713,069	-	8,726,897	3,857,220	448,829	(80,615)	357,007	-	4,582,442
Income Tax Expense	(1,592,690)	(96,394)	(38,497)	(117,234)	-	(1,844,815)	(436,638)	(107,008)	6,370	(31,845)	-	(669,022)
Net Profit for the year	5,803,983	454,144	28,120	595,835	-	6,882,081	3,420,682	341,821	(74,245)	325,161	-	4,013,420
Segment Assets	29,045,844	7,522,471	4,336,017	5,189,880	(2,560,636)	43,533,575	23,996,027	4,034,450	4,144,780	3,545,384	(2,010,636)	33,710,005
Segment Liabilities	8,195,437	5,897,623	3,173,063	3,042,316	(225,578)	20,082,860	6,936,246	2,589,180	3,051,101	1,807,570	(68,912)	14,315,184
Other Segment Information												
Total cost incurred during the period to												
Depreciation and amortisation	743,120	114,999	201,570	98,548	-	1,158,236	717,460	111,789	190,713	83,733	-	1,103,695
Property, plant & equipment	1,676,084	184,294	121,790	213,814	-	2,195,982	703,450	216,436	54,619	176,285	-	1,150,789
Biological assets	-	-	181,793	-	-	181,793	-	-	123,101	-	-	123,101
Trade debtors and inventory impairment	54,173	18,914	(1,176)	35,628	-	107,539	75,300	21,800	(301)	22,654	-	119,453
Provision for retirement benefit	24,663	8,156	75,478	11,107	-	119,404	61,207	7,281	92,941	16,518	-	177,947
Reconciliation of net profit for the year												
Segment net profit for the year					6,882,081							4,013,420
Dividend tax on inter segment dividend					-							-
Group net profit for the year					6,882,081							4,013,420
Reconciliation of assets												
Segment Assets					46,094,212							35,720,641
Inter-segment balance eliminations					(225,578)							(68,912)
Investment in subsidiary elimination					(2,335,059)							(1,941,724)
					43,533,575							33,710,005
Reconciliation of liabilities												
Segment Liabilities					20,308,438							14,384,096
Inter-segment balance eliminations					(225,578)							(68,912)
					20,082,860							14,315,184

Notes to the Financial Statements

34. 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 US Dollar & Euro and 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	Increase (decrease) in exchange rate US Dollar/LKR	Change in	Company
		profit before tax Group	
		Rs. '000	Rs. '000
2022	10%	87,339	31,823
	15%	131,009	47,735
	20%	174,679	63,647
	-10%	(87,339)	(31,823)
	-15%	(131,009)	(47,735)
	-20%	(174,679)	(63,647)
2021	5.0%	53,207	3,762

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	Change in	Company
	basis points	profit before tax Group	
		Rs. '000	Rs. '000
2022	6%	587,125	17,776
	4%	391,417	11,851
	2%	195,708	5,925
	-2%	(195,708)	(5,925)
	-4%	(391,417)	(11,851)
	-6%	(587,125)	(17,776)
2021	0.05%	32,708	1,181

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.

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.

Notes to the Financial Statements

34. FINANCIAL RISK MANAGEMENT CONTD.

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	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	4,189,479	3,729,887	1,656,641	1,632,183	593,675
Trade and other payables	5,526,697	-	-	-	-
Amounts due to related parties	121,365	-	-	-	-
Lease Liability of Right of Use Assets	13,785	20,086	49,735	75,974	562,245

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	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	2,267,882	1,814,892	932,756	1,873,310	574,972
Trade and other payables	4,034,728	-	-	-	-
Lease Liability of Right of Use Assets	8,281	26,754	44,162	123,239	571,882

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	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	247,268	35,787	8,149	7,284	-
Trade and other payables	1,094,959	-	-	-	-
Amounts due to related parties	20,783	-	-	-	-
Lease Liability of Right of Use Assets	5,221	18,427	7,276	5,356	-

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	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	174,986	24,348	29,332	17,179	-
Trade and other payables	635,763	-	-	-	-
Amounts due to related parties	79,878	-	-	-	-
Lease Liability of Right of Use Assets	1,410	4,677	7,232	17,179	-

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	10,520,382	6,541,664	292,594	236,109
Total equity	23,450,715	19,394,822	7,466,171	6,490,712
Gearing ratio ; Debt to Equity	45%	34%	4%	4%

Notes to the Financial Statements

35. MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2022	2021
		%	%
Lanka Tiles PLC	Sri Lanka	31.78%	31.78%
Horana Plantation PLC	Sri Lanka	49.00%	49.00%
Swisstek (Ceylon) PLC	Sri Lanka	55.91%	55.91%
Swisstek Aluminium Limited	Sri Lanka	61.48%	61.48%
Beyond Paradise Collection Limited	Sri Lanka	31.78%	31.78%
Lankatiles (Pvt) Ltd	India	65.21%	65.21%
LTL Development Limited	Sri Lanka	31.78%	31.78%
Swisstek Development Limited	Sri Lanka	55.91%	55.91%

Accumulated Balances of the Material Non - Controlling Interest

Name	2022	2021
	Rs. '000	Rs. '000

Accumulated Balances of Material Non - Controlling Interest

Lanka Tiles PLC	3,379,517	2,750,792
Horana Plantation PLC	396,226	372,552
Swisstek (Ceylon) PLC	892,315	871,781
Swisstek Aluminium Limited	903,616	764,721
Beyond Paradise Collection Limited	53,514	57,643
Lankatiles (Pvt) Ltd	8,791	6,257
LTL Development Limited	(107)	(88)
Swisstek Development Limited	(285)	(52)
Total	5,633,586	4,823,606

Profit allocated to Material Non - Controlling Interest

Lanka Tiles PLC	1,208,623	714,587
Horana Plantation PLC	20,802	(38,157)
Swisstek (Ceylon) PLC	236,977	164,683
Swisstek Aluminium Limited	279,194	210,141
Beyond Paradise Collection Limited	(4,129)	1,933
Lankatiles (Pvt) Ltd	236	160
LTL Development Limited	(19)	(88)
Swisstek Development Limited	(233)	(50)
	1,741,451	1,053,209

34. FINANCIAL RISK MANAGEMENT CONTD.

Summarised statement of profit or loss for year ended 31 March 2022

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd	LTL Development Limited	Swisstek Development Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Revenue	14,591,620	2,563,636	2,390,434	7,314,749	-	-	-	-
Cost of sales	(7,981,658)	(2,192,626)	(1,718,337)	(5,857,266)	-	-	-	-
Distribution costs	(1,583,831)	-	(139,508)	(547,335)	-	-	-	-
Administrative expenses	(573,381)	(201,354)	(93,320)	(238,278)	(1,819)	(291)	(60)	(417)
Finance costs	(88,126)	(141,063)	(67,125)	(145,565)	-	-	-	-
Profit before tax	4,819,523	68,321	811,439	550,538	-	-	-	-
Income tax	(829,966)	(25,868)	(146,595)	(96,394)	-	-	-	-
Profit for the year	3,989,557	42,453	664,844	454,144	(12,991)	361	(60)	(417)
Total comprehensive income	4,021,772	48,313	667,786	455,400	(12,991)	3,884	(60)	(417)
Attributable to non- controlling interests	1,208,623	20,802	236,977	279,194	(4,129)	236	(19)	(233)
Dividends paid to non- controlling interests	590,135	-	218,089	141,071	-	-	-	-

Notes to the Financial Statements

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of profit or loss for year ended 31 March 2021

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd	LTL Development Limited	Swisstek Development Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Revenue	12,626,485	2,125,306	1,552,534	3,893,821	-	-	-	-
Cost of sales	(7,892,721)	(1,924,851)	(1,120,012)	(2,818,591)	-	-	-	-
Distribution costs	(1,462,202)	-	(99,706)	(333,102)	-	-	-	-
Administrative expenses	(490,573)	(187,160)	(58,626)	(131,596)	(1,731)	(269)	(276)	(93)
Finance costs	(223,839)	(137,361)	(54,649)	(171,234)	-	-	-	-
Profit before tax	2,644,503	(76,129)	361,363	448,829	-	-	-	-
Income tax	(307,635)	(1,742)	(5,658)	(107,008)	-	-	-	-
Profit for the year	2,336,868	(77,871)	355,705	341,821	6,083	246	(276)	(93)
Total comprehensive income	2,718,191	(67,038)	564,778	341,548	6,083	864	(276)	(93)
Attributable to non- controlling interests	714,587	(38,157)	164,683	210,141	1,933	160	(88)	(52)
Dividends paid to non- controlling interests	272,305	-	103,305	35,805	-	-	-	-

Summarised statement of financial position as at 31 March 2022

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd	LTL Development Limited	Swisstek Development Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Current Assets	8,369,338	558,165	1,288,714	5,878,393	6,600	16,648	-	-
Non- Current Assets	7,040,869	3,406,040	2,201,866	1,644,078	483,091	-	56,667	56,667
Current Liabilities	2,905,452	1,463,982	1,005,304	5,503,157	3,665	126	56,775	57,003
Non- Current Liabilities	1,529,203	1,704,101	539,789	394,465	53,644	-	-	-
Total equity	10,975,551	796,123	1,945,488	1,624,850	432,384	16,523	(108)	(336)
Attributable to:								
Equity holders of parent	7,487,521	406,023	857,765	625,955	294,973	5,749	(74)	(148)
Non-controlling interest	3,488,030	390,100	1,087,722	998,895	137,412	10,774	(34)	(188)

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of financial position as at 31 March 2021

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd	LTL Development Limited	Swisstek Development Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Current Assets	6,276,263	426,587	1,021,672	2,480,493	5,400	12,735	-	-
Non- Current Assets	6,701,370	3,362,949	1,767,970	1,553,957	394,819	-	56,667	56,667
Current Liabilities	2,359,557	995,262	785,613	2,275,042	177,799	97	56,739	56,942
Non- Current Liabilities	1,807,533	2,046,463	336,278	314,138	41,045	-	-	-
Total equity	8,810,542	747,812	1,667,752	1,445,271	181,375	12,638	(73)	(276)
Attributable to:								
Equity holders of parent	6,010,552	381,384	735,312	556,774	123,734	4,397	(50)	(122)
Non-controlling interest	2,799,990	366,428	932,440	888,497	57,641	8,241	(23)	(154)

Summarised cash flow information for year ending 31 March 2022

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd	LTL Development Limited	Swisstek Development Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Operating	5,125,219	246,505	480,583	(1,439,852)	(175,729)	470	-	-
Investing	(819,490)	(303,583)	(244,198)	(205,700)	175,728	-	-	-
Financing	(2,120,728)	(157,203)	(13,960)	1,632,436	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	2,185,001	(214,281)	222,425	(13,116)	(1)	470	-	-

Summarised cash flow information for year ending 31 March 2021

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd	LTL Development Limited	Swisstek Development Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Operating	5,865,053	113,766	334,574	850,801	1	250	56,667	56,667
Investing	(425,535)	(177,660)	12,600	(216,436)	-	-	(56,667)	(56,667)
Financing	(2,441,780)	378,900	(305,775)	(400,849)	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	2,997,738	315,006	41,399	233,516	1	250	-	-

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Five Year Summary - Statement of Profit or Loss

	Group				
	2022	2021	2020	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing Operations					
Revenue	39,857,514	29,423,381	19,929,709	19,627,160	18,313,245
Cost of Sales	(26,449,632)	(20,187,348)	(15,144,779)	(15,324,147)	(12,995,860)
Gross Profit	13,407,882	9,236,033	4,784,930	4,303,014	5,317,386
Other Income	642,308	231,906	165,489	614,218	189,020
Distribution Costs	(3,358,056)	(2,700,250)	(1,921,242)	(1,803,218)	(1,798,905)
Administrative Expenses	(1,684,348)	(1,332,035)	(1,055,957)	(1,079,661)	(1,027,033)
Other Operating Expenses	-	(100,951)			
Finance Cost	(473,901)	(769,888)	(1,171,381)	(847,593)	(480,146)
Finance Income	189,292	20,814	1,837	6,012	110,617
Fair Value adjustment in investment property		(3,186)	-	-	-
Share of net profit of associate	3,720	-	-	-	-
Profit / (Loss) Before Tax from Continuing Operations	8,726,897	4,582,442	803,676	1,192,772	2,310,938
Income Tax (Expense)/Reversal	(1,844,815)	(569,022)	(389,027)	(412,702)	(699,774)
Profit / (Loss) for the Year from Continuing Operations	6,882,082	4,013,420	414,649	780,070	1,611,165
Profit for the Year	6,882,082	4,013,420	414,649	780,070	1,611,165
Profit attributable to:					
Equity holders of the parent	5,140,631	2,960,211	405,115	617,157	1,086,902
Non controlling interest	1,741,451	1,053,209	9,534	162,914	524,262
Profit for the year	6,882,082	4,013,420	414,649	780,070	1,611,165
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	18.83	10.84	1.48	2.26	3.98

	Company				
	2022	2021	2020	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing Operations					
Revenue	8,058,545	5,988,521	3,493,619	3,220,934	3,316,247
Cost of Sales	(4,772,898)	(3,922,084)	(2,537,014)	(2,291,881)	(2,106,806)
Gross Profit	3,285,647	2,066,437	956,605	929,053	1,209,441
Other Income	1,690,070	823,986	36,823	214,793	424,965
Distribution Costs	(998,889)	(751,723)	(528,566)	(483,030)	(445,167)
Administrative Expenses	(289,316)	(211,241)	(185,660)	(206,134)	(208,646)
Other Operating Expenses	-	(40,989)	-	-	-
Finance Cost	(22,628)	(130,938)	(220,077)	(166,487)	(113,185)
Finance Income	5,594	-	-	-	-
Profit / (Loss) Before Tax from Continuing Operations	3,670,478	1,755,531	59,124	288,196	867,409
Income Tax (Expense)/Reversal	(587,498)	(138,013)	(21,099)	(56,915)	(176,368)
Profit / (Loss) for the Year from Continuing Operations	3,082,980	1,617,518	38,026	231,281	691,041
Profit for the Year	3,082,980	1,617,518	38,026	231,281	691,041
Profit attributable to:					
Equity holders of the parent	3,082,980	1,617,518	38,026	231,281	972,313
Non controlling interest	-	-	-	-	-
Profit for the year	3,082,980	1,617,518	38,026	231,281	972,313
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	11.29	5.92	0.14	0.85	2.53

Five Year Summary - Statement of Financial Position

	Group				
	2022	2021	2020	2019	2018
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Non-current assets					
Property, plant and equipment	18,973,756	17,798,601	16,884,149	16,822,752	14,316,493
Consumable biological assets	595,643	630,578	632,177	585,920	536,575
Investment Property	813,619	813,619	816,805	816,805	459,407
Intangible assets - goodwill	57,721	35,814	37,113	24,519	24,519
Investments in associates	177,920	170,000	-	-	-
Long term receivables	-	-	27,285	27,285	27,285
Right of use assets	309,436	338,971	389,880	-	-
Deferred tax asset	-	-	-	847	14,686
	20,928,095	19,787,583	18,787,409	18,278,128	15,378,965
Current assets					
Inventories	8,388,233	6,484,986	10,226,419	8,316,920	6,113,247
Trade and other receivables	6,767,705	4,246,624	3,875,187	3,837,082	3,450,285
Contract Assets	29,342	40,164	38,079	58,269	-
Amounts due from related parties	52,533	63,324	48,450	37,016	55,427
Income tax receivable	17,586	49,231	30,336	123,962	60,854
Short term investments	4,008	3,877	3,754	3,499	3,239
Cash and cash equivalents	7,346,071	3,034,216	413,243	401,580	660,879
	22,605,478	13,922,422	14,635,468	12,778,329	10,343,930
Total assets	43,533,573	33,710,005	33,422,877	31,056,458	25,722,894
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	3,536,480	3,541,400	2,850,974	2,850,974	2,566,671
Retained earnings	13,492,885	10,242,050	7,982,331	7,602,813	7,162,378
Shareholders' funds	17,817,130	14,571,215	11,621,070	11,241,553	10,516,814
Non controlling interest	5,633,586	4,823,606	3,936,582	3,943,554	3,897,935
Total equity	23,450,716	19,394,821	15,557,652	15,185,107	14,414,750
Non-current liabilities					
Interest bearing liabilities	2,363,591	2,572,712	2,765,040	2,950,245	1,712,118
Deferred tax liabilities	1,996,380	1,879,638	2,421,476	2,341,613	2,032,023
Retirement benefit liability	912,379	1,071,475	975,933	882,161	778,830
Deferred income & Capital grants	113,324	118,995	122,832	125,726	136,532
	5,385,674	5,642,820	6,285,281	6,299,745	4,659,503
Current liabilities					
Trade and other payables	5,526,697	4,034,728	2,785,122	3,117,585	2,714,644
Contract liability	113,660	85,407	14,843	79,177	-
Income tax liabilities	778,669	497,320	45,924	9,829	81,844
Amounts due to related parties	121,365	85,957	90,903	100,613	48,528
Current portion of interest bearing liabilities	8,156,792	3,968,952	8,643,152	6,264,402	3,803,622
	14,697,183	8,672,364	11,579,944	9,571,606	6,648,638
Total equity and liabilities	43,533,573	33,710,005	33,422,877	31,056,458	25,722,894

	Company				
	2022	2021	2020	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current assets					
Property, plant and equipment	4,950,952	4,603,885	4,524,000	4,536,281	4,114,548
Investments in subsidiaries	1,562,096	1,276,096	1,276,096	1,276,096	1,276,096
Right of use assets	45,658	33,785	57,885	-	-
	6,558,706	5,913,766	5,857,981	5,812,377	5,390,644
Current assets					
Inventories	1,479,947	1,410,768	2,762,580	2,224,608	1,606,272
Trade and other receivables	792,407	792,031	673,756	814,889	725,049
Amounts due from related parties	119,378	70,690	64,981	72,756	34,628
Short term investments	4,008	3,877	3,754	3,499	3,239
Cash and cash equivalents	1,029,771	279,697	47,776	33,240	61,004
	3,425,511	2,557,063	3,552,847	3,148,992	2,430,193
Total assets	9,984,217	8,470,829	9,410,828	8,961,369	7,820,837
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	2,057,891	2,057,891	1,812,082	1,812,083	1,531,815
Retained earnings	4,620,515	3,645,057	2,770,699	2,739,853	2,661,459
Shareholders' funds	7,466,171	6,490,713	5,370,546	5,339,701	4,981,039
Total equity	7,466,171	6,490,713	5,370,546	5,339,701	4,981,039
Non-current liabilities					
Interest bearing liabilities	6,586	39,922	72,735	119,134	165,180
Deferred tax liabilities	628,461	623,783	967,884	989,442	887,282
Retirement benefit liability	123,617	173,041	142,902	118,746	108,706
	758,664	836,746	1,183,521	1,227,322	1,161,169
Current liabilities					
Trade and other payables	1,094,960	635,763	483,266	666,730	479,476
Contract liability	19,591	30,350	-	-	-
Income tax liabilities	338,039	201,192	12,841	8,402	23,833
Amounts due to related parties	20,784	79,878	146,043	191,377	167,860
Current portion of interest bearing liabilities	286,008	196,187	2,214,611	1,527,838	1,007,459
	1,759,382	1,143,370	2,856,761	2,394,346	1,678,628
Total equity and liabilities	9,984,217	8,470,829	9,410,828	8,961,369	7,820,837

Major Shareholders

20 MAJOR SHAREHOLDERS OF THE COMPANY

NAME	31-03-2022		31-03-2021	
	NO OF SHARES	(%)	NO OF SHARES	(%)
1 ROYAL CERAMICS LANKA PLC	148,921,090	54.550	148,921,090	54.550
2 MR.A A PAGE	19,636,260	7.193	25,548,780	9.359
3 ARUNODHAYA INVESTMENTS (PRIVATE) LIMITED	6,313,345	2.313	6,313,345	2.313
4 ARUNODHAYA (PRIVATE) LIMITED	6,313,345	2.313	6,313,345	2.313
5 ARUNODHAYA INDUSTRIES (PRIVATE) LIMITED	6,313,345	2.313	6,313,345	2.313
6 SEYLAN BANK PLC/CAPITAL TRUST HOLDINGS LIMITED	3,988,675	1.461	-	-
7 MRS. A SELIAH	3,733,895	1.368	3,733,895	1.368
8 MRS. A KAILASAPILLAI	3,486,670	1.277	3,486,670	1.277
9 CAPITAL TRUST HOLDINGS LTD	3,449,466	1.264	1,065,500	0.390
10 MELLON BANK N.A-ACADIAN FRONTIER MARKETS EQUITY FUND	2,808,501	1.029	256,080	0.094
11 MR K A S R NISSANKA	2,550,000	0.934	1,053,825	0.386
12 ANDYSEL PRIVATE LIMITED	2,100,000	0.769	2,100,000	0.769
13 EMPLOYEES TRUST FUND BOARD	1,770,351	0.648	-	-
14 MR. K ARAVINTHAN	1,680,000	0.615	1,680,000	0.615
15 AMANA BANK PLC/MR.MOHAMED NAYAZ DEEN	1,671,164	0.612	64,760	0.024
16 SAMPATH BANK PLC/MR. GERARD SHAMIL NIRANJAN PEIRIS & MRS. INDRANI ROSHANI PEIRIS"	1,533,430	0.562	-	-
17 SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	1,354,349	0.496	4,038,000	1.479
18 SAMPATH BANK PLC/MR. S.M. DISSANAYAKE	1,028,711	0.377	-	-
19 MR S VASUDEVAN	1,000,449	0.366	845,795	0.310
20 MRS V. SARASWATHI & MR S. VASUDEVAN	1,000,000	0.366	750,000	0.275
SUB TOTAL	220,653,046	80.825	212,484,430	77.833
OTHER 13,769 SHAREHOLDERS	52,346,954	19.175	60,515,570	22.167
ISSUED CAPITAL	273,000,000	100.000	273,000,000	100.000

SHARE DISTRIBUTION AS AT 31ST MARCH 2022

Size of Shareholdings Number	No of holders	No of Shares	Holdings %
1 - 1,000	4,787	1,588,852	0.58
1,001 - 10,000	8,435	14,295,401	5.24
10,001 - 100,000	468	13,285,535	4.86
100,001 - 1,000,000	80	24,177,166	8.86
Over 1,000,000	19	219,653,046	80.46
	13,789	273,000,000	100.00

CATEGORIES OF SHAREHOLDERS

	No of holders	No of Shares	Holdings %
Local Individuals	13,221	65,361,897	23.94
Local Institutions	469	203,141,158	74.41
Foreign Individuals	93	465,322	0.17
Foreign Institutions	6	4,031,623	1.48
	13,789	273,000,000	100.00

Major Shareholders

DIRECTORS' & 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. Jayasekera	995	0.000
Dr. S Selliah	-	-
Mr. T.G.Thoradeniya	-	-
Mr. K.D.G.Gunaratne	-	-
Ms. A.M.L. Page	-	-
Mr. M.W.R.N. Somaratne	2,000	0.001
Mr. J.D.N. Kekulawala	-	-
Mr. S.M. Liyanage	-	-
Mr. S.R. Jayaweera	-	-

- The fractional shares of 210 arising from the Sub division were issued jointly in the names of Mr. A A Page and Mr. L De Chikera
- The fractional shares of 2,445 arising from the Sub division of shares were issued jointly in the names of Mr. A A Page and Mr. J A P M Jayasekera.

SHARE PRICE FOR THE YEAR

	2022	2021
Market price per share		
Highest during the year	Rs.140.00 (07-01-2022)	Rs. 340.00 (29-01-2021)
Lowest during the year	Rs. 37.80 (01-04-2021)	Rs. 39.00 (12-05-2020)
As at end of the year	Rs. 69.70	Rs. 37.70* (26-03-2021)

*Closing share price 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	84,425
Number of Shares traded during the year	133,889,606
Value of shares traded during the year	Rs. 9,891,605,990

PUBLIC HOLDING

Public Holding	
The Percentage of shares held by the Public as at 31st March 2022	26.143%
No of public shareholders representing the above percentage	13,775
The float adjusted market capitalisation as at 31st March 2022 is	Rs. 5,545,334,439.50

The Float adjusted market capitalisation of the Company falls under Option 4 of Rule 7.13.1 (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

	2022	%	2021	%	2020	%	2019	%	2018	%
	Rs.000		Rs.000		Rs.000		Rs.000		Rs.000	
Group										
Turnover	39,857,514		29,423,381		19,929,709		19,627,160		18,313,245	
Other income	831,600		252,720		167,326		620,230		299,637	
Cost of material and services purchased	(27,258,990)		(20,605,995)		(14,013,881)		(14,409,902)		(12,438,227)	
Value Added	13,430,124		9,070,106		6,083,155		5,837,488		6,174,655	
To employees as remuneration	4,545,637	33.8	3,625,222	40.0	3,116,945	51.2	2,874,779	49.2	3,037,814	49.2
To providers of funds as interest	473,901	3.5	769,888	8.5	1,171,381	19.3	847,593	14.5	486,146	7.9
To state as taxes	1,844,815	13.7	569,022	6.3	389,028	6.4	412,702	7.1	699,774	11.3
To shareholders as dividends	2,156,700	16.1	742,560	8.2	-	0.0	163,800	2.8	518,700	8.4
Depreciation	1,158,237	8.6	1,103,695	12.2	1,026,284	16.9	813,876	13.9	709,855	11.5
Reserves	3,250,834	24.2	2,259,719	24.9	379,516	6.2	724,739	12.4	722,366	11.7
Total	13,430,124	100.0	9,070,106	100.0	6,083,155	100.0	5,837,488	100.0	6,174,655	100.0

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Fifth (45th) Annual General Meeting of Lanka Walltiles PLC will be held by way of electronic means on the 29th day of June 2022 at 10.30 a.m. centered at the Board Room of Royal Ceramics 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 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 Ms. A M L Page 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. J D N Kekulawala, 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 WALLTILES 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 Walltiles PLC, do hereby appoint
of
or failing him/her

Mr. Dhammika Perera	of Colombo or failing him*
Mr. Amarakone Mudiyanseelage 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. Migel Wasam Rizvi Nandajith Somaratne	of Colombo or failing him*
Mr. Joseph Dacius Nihal Kekulawala	of Colombo or failing him*
Mr. Sameera Madushanka Liyanage	of Colombo or failing him*
Mr. Sanjeewa Renuka Jayaweera	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 10.30 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 Ms. A M L Page, 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. J D N Kekulawala, 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 lwl.pwcs@gmail.com before the time fixed for the meeting.



www.lankatiles.com



LANKA WALLTILES PLC

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