

Defined by Excellence



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Scan to view this Integrated Annual Report online at <http://www.lankatiles.com>

Defined by Excellence

Over the years, Lanka Walltiles has exemplified principles encompassing practicality, functionality, aesthetics, and excellence; values inherent to us and are the fundamental principles behind our portfolio of products and services.

During the year under review, we at Lanka Walltiles transformed and augmented our offerings to serve our valued stakeholders; examining the various factors defined by years of crafting the art of excellence. Today as we remain true to the fundamentals that have kept us steadfast in the face of overwhelming odds, the report you hold is a testament to how we are built to weather any storm that the future may hold through a remarkable sense of perseverance and resilience.

Lanka Walltiles. We're defined by excellence.

About Us

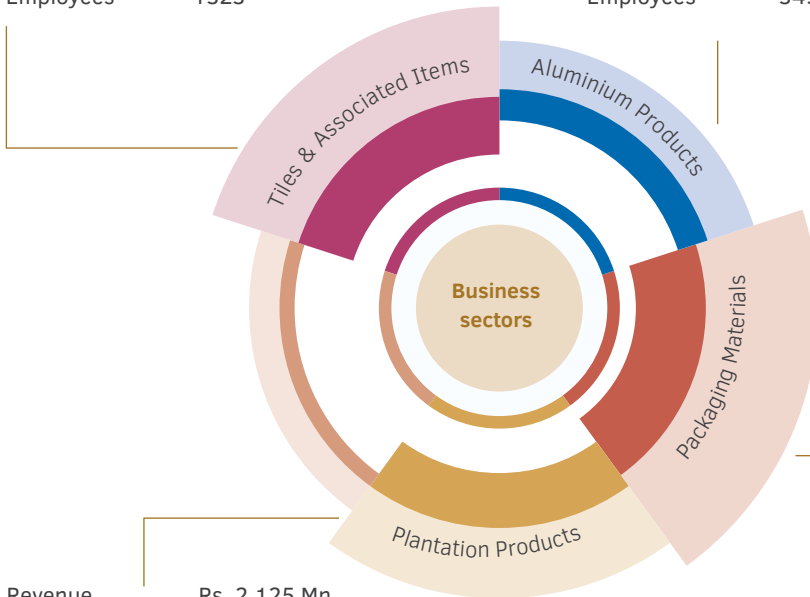
GRI - 102-5

Lanka Walltiles PLC is the leading manufacturer of tiles in the country with a market share of over 40% and investments in Aluminium, Plantations and Packaging. A strong brand and a network of showrooms, distributors and franchisees support distribution of our products island-wide and overseas. Our operations are carried out through two modern manufacturing facilities in Sri Lanka complemented by certified systems and processes that support our brand.

Group operations span four business sectors

Revenue Rs. 19,330 Mn
 PBT Rs. 3,857 Mn
 Segment Assets Rs. 23,996 Mn
 Employees 1323

Revenue Rs. 3,894 Mn
 PBT Rs. 449 Mn
 Segment Assets Rs. 4,034 Mn
 Employees 349



Revenue Rs. 2,125 Mn
 PBT Rs. (81) Mn
 Segment Assets Rs. 4,145 Mn
 Employees 4,895

Revenue Rs. 4,074 Mn
 PBT Rs. 357 Mn
 Segment Assets Rs. 3,545 Mn
 Employees 542



14

The diversity of our operation spread across 14 Subsidiary

29,423 Mn

Group Revenue



4 sectors

Group diversified to four Operating segment

4,013 Mn

Group Profit

Key Numbers

7,109

Group Employees

33,710

Total Assets Rs. Mn

17,799

PPE Rs. Mn

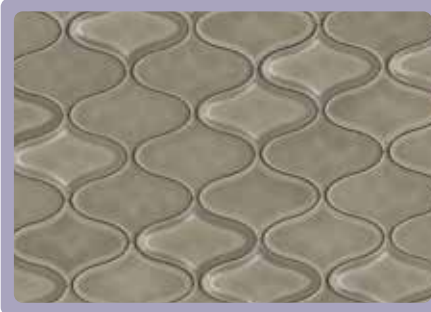
1,444

Capital Expenditure Rs. Mn

3,222

Suppliers

A new product range for 2020/21



HEARTS OF EARTH
THE WOOD COLLECTION
 Enjoying the refined treasures of the earth

MOSAICS
 Adorn your home

MAJESTICA
 Dream big

XILOSOPHY
THE WOOD COLLECTION
 With the essence of nature

ESSENTIAL +
COLLECTION
 With the Plus of being essential

CONCRETE
COLLECTION
 With a concrete attitude

senses
COLLECTION
 With the enchanting experience with the nature

Made to International Standards

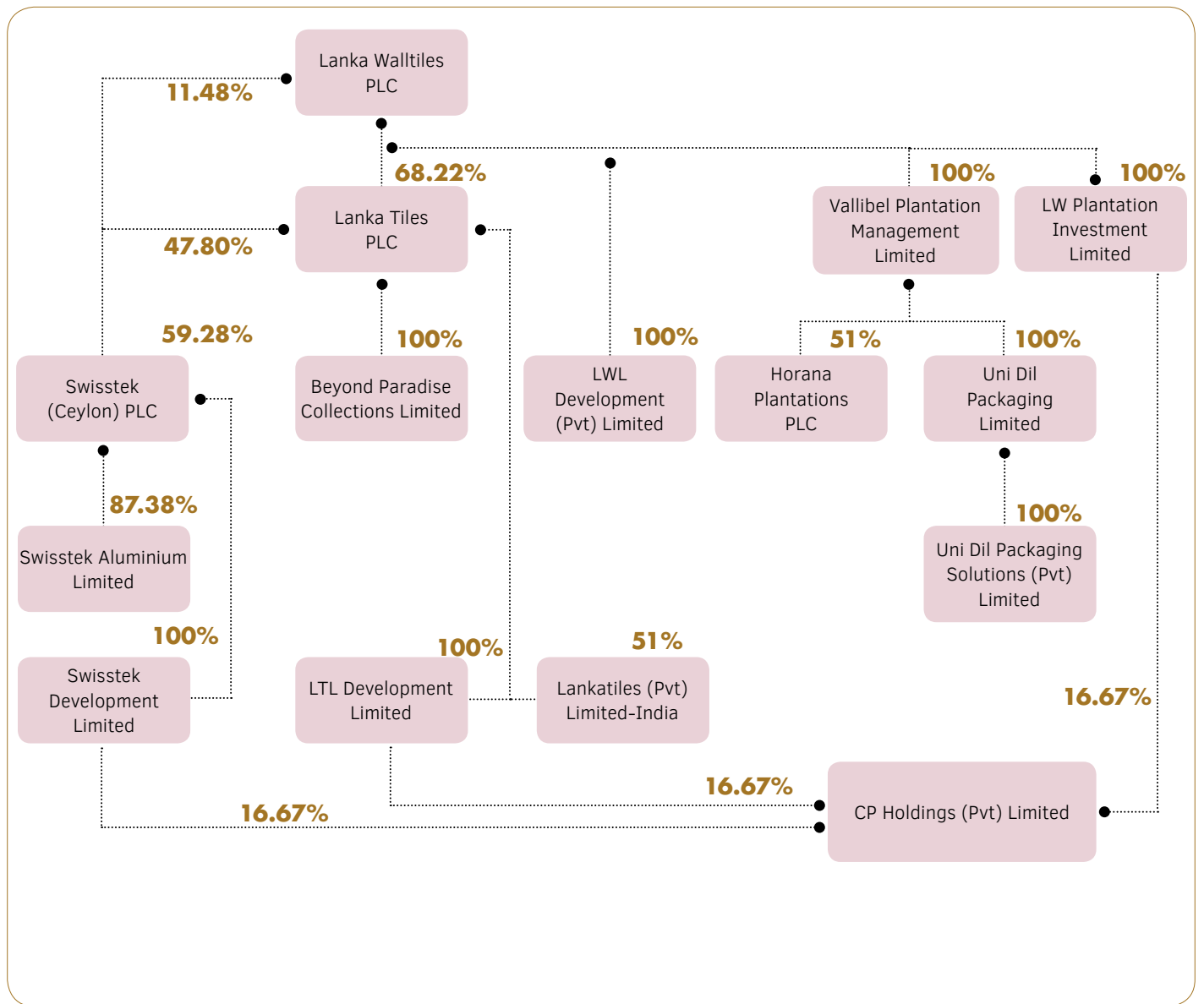
ISO 9001 for Quality Managements system

ISO 14000 for Environment Management Systems

OHSAS 18000 for Occupational Health and Safety

Green Label Certification

Group Structure



Our Economic Impact



Our Vision and Mission

► GRI - 102-16

Vision

Creating a fine art of living

Mission

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

Values

1. **Quality:** Every tile is manufactured to the highest quality standards and we can proudly claim that our products are second to none.
2. **Style:** Our portfolio features a wide range of tiles in a variety of colours, textures and sizes including special trim and decorated tiles.
3. **Elegance:** Classic style, innovative designs and simple elegance make all our products distinctive in local and international markets.
4. **Value:** Our stakeholders are diverse and demanding. Over the years we have delivered unmatched value to all of them.




About the report

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

This is the 4th Integrated Annual Report of Lanka Walltiles PLC which seeks to present a balanced performance of the Group during the financial year ended 31st March 2021 and its resources as at the same date. Our most recent report prior to this was the Annual Integrated Report for the year ending 31st March 2020 which was produced on time despite the lockdowns for nearly 2 months.

Frameworks Applied

Frameworks used in preparation of this report are set out below:

 Statutory Frameworks	 Voluntary Frameworks	 Assurance
<ul style="list-style-type: none"> • Companies Act No.7 of 2007 • Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka • Listing Rules of the Colombo Stock Exchange 	<ul style="list-style-type: none"> • Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka • IR Framework issued by the International Integrated Reporting Council • GRI Standards “In Accordance – Core” • Communicating Sustainability issued by the Colombo Stock Exchange 	<ul style="list-style-type: none"> • Assurance has been provided by Ernst & Young on the Financial Statements including the Notes to the Accounts.

In compiling this report we have adhered to the guiding principles set out in the IR Framework. The diversity of our operations spread across 14 companies operating in 4 sectors makes conciseness a challenge as we also need to maintain completeness of the report. The prevailing uncertainty necessitates disclosure of sufficient, relevant financial and non-financial information relating to the sectors as the impact of the pandemic and developments thereafter have a varied impact across the operating sectors.

Scope & Boundaries

Financial information is presented in accordance with regulatory requirements and present a view the entire Group including all subsidiaries. Non-financial

information present a view of the entire Group unless otherwise stated.

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.

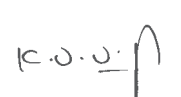
Guiding Principles of IR Framework

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability & Completeness
- Consistency & Comparability

Acknowledgement

The Annual Report of Lanka Walltiles PLC for the year ended 31st March 2021 has been prepared and reviewed by the Management of the Company who have recommended the same to the Group’s Board Audit Committee and Board for their approval.

The Board Acknowledges its responsibility to ensure the integrity of the Annual Report which provides a balanced view of the performance of the Group, addressing all material issues that may have an impact on the Group’s capacity to create value over the short term. The Board is of the opinion that the Integrated Annual Report of Lanka Walltiles PLC for the financial year ending 31st March 2021 is presented in accordance with the <IR> Framework 2021. The report was unanimously approved by the Board on 31st May 2021 and is signed on its behalf by.


Dhammika Perera
Chairman


J. D. N. Kekulawala
Audit Committee Chairman


J. A. P. M. Jayasekera
Managing Director

Performance highlights

Financial Performance	Unit	Group			Company		
		2021	2020	Variance (%)	2021	2020	Variance (%)
Revenue	Rs. '000	29,423,381	19,929,709	48	5,988,521	3,493,619	71
Gross Profits	Rs. '000	9,236,033	4,784,930	93	2,066,437	956,605	116
Earnings Before Interest and Tax (EBIT)	Rs. '000	5,331,516	1,973,221	170	1,886,469	279,201	576
Profit before tax (PBT)	Rs. '000	4,582,442	803,676	470	1,755,531	59,124	2,869
Profit after tax (PAT)	Rs. '000	4,013,420	414,649	868	1,617,518	38,026	4,154
Profits attributable to shareholders	Rs. '000	2,960,211	405,115	631	1,617,518	38,026	4,154
Gross profit margin	%	31	24	31	35	27	26
Net profit margin	%	14	2	556	27	1	2,382
Return on assets (ROA)	%	11.9	1.2	860	19.1	0.4	4,626
Return on equity (ROE)	%	20.7	2.7	676	24.9	0.7	3,420
Interest cover	No of times	7	2	298	14	1	1,036
Financial Position							
Total assets	Rs. '000	33,710,005	33,422,877	1	8,470,829	9,410,828	(10)
Capital expenditure	Rs. '000	1,443,890	1,222,880	18	219,239	184,394	19
Interest bearing liabilities	Rs. '000	6,541,664	11,408,192	(43)	236,109	2,287,347	(90)
Other liabilities	Rs. '000	7,773,522	6,457,033	20	1,744,009	1,752,935	(1)
Shareholders' equity	Rs. '000	14,571,216	11,621,070	25	6,490,712	5,370,546	21
Gearing: Debt/Equity	%	34	73	(54)	4	43	(91)
Net assets per share*	Rs./share	53.37	42.54	25	23.78	19.67	21
Current ratio	No of times	1.6	1.2	27	2.2	1.2	80
Quick assets ratio	No of times	0.9	0.4	125	1.0	0.3	262
Shareholder information							
No of shares in issue	No	273,000,000	54,600,000	-	273,000,000	54,600,000	-
Dividend per share*	Rs./share	2.72	-	-	2.72	-	-
Earnings per share*	Rs./share	10.84	1.48	632	5.92	0.14	4,129
Market capitalization	Rs. '000	10,292,100	2,244,060	359	10,292,100	2,244,060	359
Dividend payout ratio	%	25	-	-	46	-	-

*Net assets, Earnings and Dividends per share for the year 2020 is calculated by using the number of shares in issue adjusted for the sub-division of five shares for each ordinary share held.

48%



Top-line growth of Group Revenue

868%








The Group recorded its highest ever Profit after tax growth

632%



The Group Earnings per share growth

	Unit	Group			Company			
		2021	2020	Variance (%)	2021	2020	Variance (%)	
Human capital								
	Number of employees	No	7,109	7,424	(4)	537	521	3
	Female participation	No	3,177	3,293	(4)	61	60	2
	New recruits	No	849	1,405	(40)	83	122	(32)
	Investment in employee learning	Rs. '000	953	2,820	(100)	118	400	(71)
	Average training hours	Hours	3,447	9,421	(100)	620	3,890	(84)
	Employee retention rate	%	84	78	8	87	78	12
	Minor injury rate per 100 Workers	Rate	2	2	-	3	5	(40)
Manufactured and Intellectual capital								
	Value of PPE	Rs. '000	17,798,602	16,884,149	5	4,603,885	4,524,000	2
	Capital expenditure	Rs. '000	1,443,890	1,222,880	18	219,239	184,394	19
	Depreciation and amortization	Rs. '000	1,010,341	960,034	5	184,107	182,010	1
	New product designs	No	345	369	(7)	203	165	23
	Investment in R&D	Rs. '000	6,747	23,662	(71)	2,290	4,180	(45)
Social and Relationship capital								
	Dealers	No	333	297	12	38	34	12
	Distributors	No	57	55	4	30	30	-
	Member in Tilers clubs	No	4,104	3,885	6	4,104	3,885	6
	Franchises	No	72	67	7	47	46	2
	Number of suppliers	No	3,222	3,054	6	385	399	(4)
	SME suppliers	No	1,745	1,730	1	282	303	(7)
	Proportion of spending on local suppliers	Rs. '000	9,941,000	9,365,471	6	2,170,000	1,982,454	9
	Payments to suppliers	Rs. '000	16,357,000	16,590,083	(1)	3,020,000	3,202,322	(6)
	CSR	Rs. '000	9,883	6,023	(80)	373	684	(45)
	No of beneficiaries of CSR	Approx.	20,000	12,543	12	4,000	3,575	12
Natural Capital								
	Raw materials consumed	MT	213,990	208,271	3	34,952	37,748	(7)
	Aluminium Billets	MT	5,522	3,636	52	-	-	-
	Energy consumption	Litres	1,066,872	1,393,444	(23)	57,151	133,767	(57)
	LPG	Kg	14,551,597	15,001,372	(3)	5,241,154	5,495,872	(5)
	Firewood/Bio Mass	Kg	9,485,496	10,123,640	(6)	-	-	-
	Emission(Scope 1)	(Tco2)	32,828	34,885	(6)	10,809	9,339	16
	Electricity	Units	38,886,801	38,929,381	(0)	9,818,027	10,177,109	(4)
	Water withdrawn	M3	240,626	239,585	0	43,609	42,509	3
	Effluents discharges	M3	108,017	144,169	(25)	33,112	34,321	(4)



Delivering Quality



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Chairman's Message



“The launch of a range of collections and designs added to the vibrancy of the Company's portfolio by offering a multitude of special accessories, large format tiles and mosaics for elegant interiors.”

Dhammika Perera
Chairman

Dear Shareholders,

Lanka Walltiles PLC powered through the challenges of a global pandemic to deliver a stellar performance recording impressive earnings growth of 868% to record Rs.4,013 Mn as profit after tax for FY 2020/21. Timely investments in new technology, developing market infrastructure and capacity building of our people aligned with changes in the operating environment to provide conducive conditions for growth. Agile strategy enabled the Group to seize the unexpected opportunities and drive growth in this capital-intensive sector, leveraging its portfolio of contemporary designs and formats.

Poised for growth

Lanka Walltiles and Lanka Tiles launched over 27 new collections of tiles in the latter half of 2019/20 which gained traction during FY 2020/21. The launch of 345 collections/designs during the year added to the vibrancy of the portfolio which now offered special accessories, large format tiles and mosaics for elegant interiors. Collaboration with Italian designers elevated the concepts and designs to compete successfully in advanced economies in line with the Group's aspirations to grow exports. The interest has been encouraging with our tiles now listed on Amazon and Wayfair.

Subdued demand in global markets necessitated a change in strategy to focus on the domestic market. Import restrictions of non-essential items including tiles and favourable interest on housing loans combined to drive steady demand for tiles in the domestic market. We expanded our factory outlet network rapidly as budget conscious customers sought a "no frills" offering. The Group also expanded our showrooms with the full service offering for other customers which have been key to building the brand, with trained staff articulating the customer value proposition and consistent layouts reinforcing the messaging.

Headwinds and Tailwinds

Global output contracted by 3.3% during the year as curtailing the pandemic became a priority for countries around the world. Overnight lockdowns in countries saw a shift to working from home as social distancing became the norm. Business disruptions were widespread resulting in increased unemployment and economic hardship to many. World trade in goods and services declined by 8.5% as countries that engage in the manufacture of goods and delivery of services were subject to disruption.

Sri Lanka was on track for a faster than expected recovery after the April 2019 Easter Sunday terror attacks although there were stresses at the onset of the pandemic. The ensuing healthcare crisis and economic crisis gave rise to conflicting priorities and governments around the world struggled to find the right balance. Stringent measures adopted in the first wave led to a contraction of the economy in the first quarter but a successful outcome on the healthcare crisis. The second quarter saw positive economic growth as economic activity resumed from May 2020. The onset of the second wave in October 2020 saw a decline in economic activity again although its impact was less. These



Chairman's Message

two waves resulted in a contraction of the Sri Lankan economy by 3.6% with concerns raised on sustainability of debt servicing and the devaluation of the currency which were exacerbated by the downgrading of sovereign ratings.

The import restrictions imposed on non-essential items and the interest caps imposed on housing loans proved to be strong tailwinds that enabled us to accelerate sales as planned. Strong demand enabled us to maximise capacity utilisation which also increased cost efficiencies, facilitating an impressive performance.

An Agile Response

All sectors commenced operations during the lockdown with the Plantation sector starting work within a week and others following soon after. Safety was a key priority across all sectors and protocols were implemented throughout the Group which were adjusted in line with the advice of local health authorities to safeguard customers and employees. The Tiles sector focused on seizing the domestic market growth opportunity to deliver an impressive performance. Unidil packaging improved performance despite the challenges due to strong growth from their customers, investment in new technology and lower paper pulp prices. Plantations benefitted from an uptick in tea, rubber and palm oil prices although productivity and government policy on agriculture may hinder sustainable growth of this sector. Aluminium sector pursued a value addition strategy to drive top line growth while margin growth was driven through Aluminium recycling initiatives which minimised the impact of import restrictions.

The Group's investment portfolio is skewed to the Tile sector which accounts for an overwhelming majority of its assets (65%), liabilities (48%), and earnings (85%). Two household names, Lanka Walltiles and Lanka Tiles are the main players in



the sector with Swisstek Ceylon producing the mortar and grout required, which is an associated item, as the key players. Investments in the Aluminium sector skews the Group's exposure to the performance of the construction sector which declined by 13.2% during the year. Portfolio diversity is achieved through the investments in the Plantations and Packaging sectors which account for the 12% and 11% of consolidated assets respectively.

Performance

Top line growth of 48% driven mostly by the Tiles sector enabled the Group to record revenue of Rs.29,423 Mn which is the highest revenue recorded in the history of the Group. Capacity utilisation, cost efficiencies and lower finance costs underpinned the Group's phenomenal growth of earnings to Rs.4,013 Mn for the year ended 31st March 2021 which is also the highest profit achieved by the Group. These achievements reflect the professionalism of the team, a commitment to quality and innovation and an indomitable spirit that drives our growth.

Every sector has performed better than the previous year which is attributable to the detailed refinement of plans and oversight of performance throughout one of the most challenging years in recent times.

Balance sheet strength improved as net assets increased from Rs.15,557 Mn to Rs.19,395 Mn during the year as retained profits increased equity. Strong cash flows enabled repayment of Rs.4,866 Mn in interest bearing liabilities and strengthening of debt equity ratios from 73% in FY 2019/20 to 34% at the close of the year.

Value to Shareholders

The Group focused on unlocking value to shareholders as the Colombo Stock Exchange saw the ASPI increase by 55.77% from 4,571.63 to 7,121.28. The share price of Lanka Walltiles PLC increased from Rs.41.10 per share to Rs.188.50 providing shareholders a return of 358% for the financial year from capital appreciation.

Lanka Walltiles also paid out two cash dividends of Rs.3.60 per share and Rs.10.00 per share on November 2020 and February 2021 which is a return of a further 33% for shareholders based on the share price at the beginning of the year, creating 391% for shareholders for the financial year from both dividends and capital gains.

The sub-division of shares of 1:5 approved at the Extraordinary General Meeting has unlocked further value with increased liquidity of the share. At the time of writing, a sub-divided share was priced at Rs.52.90 which is an increase of 40% post sub-division.

Your Board recommends a dividend of Rs. 3.10 per share taking in to account the performance which amounts to Rs. 846 Mn as the 3rd and final dividend for the year ended 31st March 2021 giving shareholders a return of 8% for the financial year.

Rs. 29,423 Mn

REVENUE - GROUP

358%

SHAREHOLDERS RETURN FROM
CAPITAL APPRECIATION

Governance Matters

The Board sharpened focus with the onset of the pandemic as the risks and uncertainty escalated during the year. The Board maintained close communication with the leadership team, staying on top of developments in key areas of vulnerability. Performance and plans were reviewed frequently to assess the health and safety of our people, liquidity and availability of funds which were key priorities for the Board.

The Board endorsed the decision to maintain salaries of employees without resorting to pay cuts or retrenchments despite what appeared to be an extremely challenging year ahead with looming liquidity constraints. The reward has been the performance set out in the pages of this report which bear testimony to the inspired performance and loyalty of the team at Lanka Walltiles.

We expanded the Board as we welcomed Mr. Sanjeewa Jayaweera as a Non-Executive Director to the Board, increasing the breadth of skills and experience within the Board. Accordingly, we now have a significant majority of Non-Executive Directors of whom 5 are independent, enhancing the objectivity of the Board.

Integrating Sustainability

The Group has been an early champion of integrating Environment, Social & Governance principles into the decision making processes, promoting integrated thinking. This has supported increasing levels of awareness of sustainability principles supported by reliable metrics to enable objective analysis of impacts. All sectors of the Group nurture responsible cultures, minimising waste, optimising efficiencies and ensures health and safety of the people. Certifications endorse the sustainability of our operations, high standards of service and operational excellence that underpins our success. This has also unlocked savings throughout our processes proving our mantra that long term sustainability is synonymous with sustainable profitability.

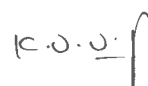
Outlook

The economic outlook remains uncertain as the pandemic emerges with new waves and strains resulting in border closures and disruptions to economic activity. In Sri Lanka too, we are in shut down for a third wave and the duration of the pandemic will be a key determinant of our economic recovery. The country's weakened economic conditions raise a number of concerns such as the exchange rate, pressure for upward movement of interest rates, extension of moratoria and sustainability of sovereign debt repayments. On a positive note, the financial services sector and the exports sector have performed well and lending to the construction industry increased in 2020. Interest rates remain low and inflation has also been kept in check. However, vaccinations remain below global averages, increasing our vulnerabilities.

Lanka Walltiles will continue to supply the domestic market through its network of showrooms, factory outlets and franchise partners. We will also pursue expansion of export markets as import restrictions are likely to be a temporary reprieve. We will also revisit our plans to create a one stop shop when import restrictions are eased in the future. These plans are subject to change as uncertainties remain elevated and the potential for converging challenges remain high. We will continue to maintain healthy funding and liquidity positions to enable us to steer through the uncertainty ahead.

Appreciation

I commend the leadership of Mr. Mahendra Jayasekera in inspiring his team to deliver the impressive performance set out in the annual report and thank our employees for their commitment and hard work during a difficult time for all. Our business partners have shared our journey and I thank them for their support. I thank the members of the Board who have provided invaluable insights in navigating a difficult year. I thank our shareholders for their confidence over the years and seek their continued support in the year ahead.



Dhammika Perera
Chairman

31st May 2021

Managing Director's Message

► GRI - 102-14



“The Group revenue increased by 48% to reach a phenomenal performance in the Tiles sector and positive contributions from all other sectors, in a year marked with business disruptions, uncertainty and volatility.”

J. A. P. M. Jayasekera
Managing Director

Dear Stakeholders,

Lanka Walltiles PLC delivered a stellar performance in FY 20/21 recording the highest profit in the history of the Group of Rs. 4,013 Mn as we aligned our strategies to operate in a post pandemic era with an absence of norms. Decisions taken in the early days of the lockdown to recommence production at our factories and to provide assurance to our staff that their jobs and salaries were safe were akin to a leap of faith. However, the results delivered validate these decisions that were taken primarily out of stakeholder concern and a determination to make our plans work.

Planning for the Abnormal

From the beginning of the lockdown in March 2020, there was a realisation that we needed to plan for an absence of norms. Despite the mountain of inventory that we had in our warehouses and a complete closure of showrooms, we decided to re-commence production without shutting down the kilns which was a costly task. Inventory was moved to showrooms in various provinces as they opened to ensure that customers had tiles and tilers were able to get work. Our plan was to accelerate sales and catch up for lost time as soon as we were able to open up.

Health and safety was the main priority as we needed to provide a safe work place for employees and we worked with local health authorities to implement strict health and safety protocols which were continuously reinforced. This enabled us to minimise preventable disruptions that supported continuous production throughout the year while ensuring the safety of our employees.

The government lowered interest rates and extended moratoria for affected businesses which enabled us to extend the cash runways. Wide-ranging import restrictions were also imposed to defend the currency and manage the trade and balance of payment deficits. This changed the supply demand dynamics in the domestic market over the first quarter of the financial year as domestic manufacturers were able to compete without the influx of cheap but low-quality tiles from countries with excess capacity. Export sales also recorded 39% growth year on year, passing the Rs.1 Bn milestone.

It is also noteworthy that the government also imposed interest rate caps on housing loans at 7% for the first 5 years and 1% above the AWPLR thereafter. This supported healthy growth of 12.6% for lending for construction with total lending reaching Rs.1.3 Tn to the sector. A corresponding

increase of 12.4% was observed in housing loans in commercial banking sector portfolios which is a sub-sector of the lending for construction. This also supported demand growth during the year as customers took advantage of the low interest rates to invest in housing.

With technical difficulties experienced in the mosaic plant behind us, we were ready to produce at maximum capacity supporting efficient absorption of overheads. This was key to increasing operating margins as we intended to maintain prices at current levels due to the negative market sentiments.

Customer Focused

Our new range of mosaic tiles and large format tiles added a vibrancy to our collections that appealed to the customers, supporting steep growth of the top line each quarter in line with our plans. With the gradual opening of our own showrooms and franchise showrooms, customer safety was added to our priorities and appropriate precautions were put in place to safeguard both customers and employees.

Our pricing remained constant throughout the year in view of lower disposable incomes in the country although costs increased during the year exerting pressure on margins towards the end of the year. Discounts were also offered during festive seasons, enabling customers to stretch their budgets. Volume growth of 74% supported movement of mortar and grout manufactured by Swisstek as customers opted to purchase both from our showrooms.

We also observed strong sales growth in our factory outlets as a segment of customers became more price conscious due to the prevailing uncertainties, seeking bargains. Consequently, we opened 04 new factory outlets during the year increasing the ability of customers to access our products.

We also opened 01 new showroom which provide a full service offering to customers including a design service for their bathrooms from our own interior designers who are familiar with our product range. We continued to engage customers via our digital platforms through our websites, social media and the 'LANKATILES' App which provided design ideas for the tiles. The 'LANKATILES' App also enabled customers to find tilers in their area.

A Portfolio View

Tiles & Associated items

The Tiles and Associated items sector recorded strong growth of 74% to reach Rs.19,330 Mn in revenues supported by a new tile formats, expansion of customer touchpoints, stable pricing and government policies to address compelling economic issues that proved favourable for domestic tile manufacturers. Initiatives to drive responsible consumption such as Total Productive Maintenance and increased scrutiny of costs supported improved gross margins from 34% in the previous year to 37% for the year under review. Operating margins improved significantly from 15% to 22% as increased sales supported cost efficiencies throughout the value chain. Accordingly, the sector recorded a phenomenal 382% increase in Profit After Tax which amounted to Rs. 3,421 Mn in FY 2020/21 compared to Rs.710 Mn in the previous year. The composition of segment assets changed as inventory decreased and receivables increased. We invested Rs.703 Mn in capex to extend kilns to meet the domestic demand which outpaced supply. Liabilities in the sector reduced by 34% or Rs.3,641 Mn as we repaid debt with strong cash flows.

Aluminium

Aluminium products also delivered top line growth of 20% with revenues of Rs.3,894 Mn. Gross profit margins improved significantly from 18% in the previous year

“ESG factors are integrated into the Group's decision making processes- which supported investments in resource efficient technologies that supported responsible consumption of raw materials, energy and water.”

to 28% in FY 2020/21 due to focused growth in value added products, increased cost efficiencies through use of recycled of raw materials and import restrictions which supported demand growth of our value-added products. These initiatives enabled the sector to turnaround from a loss of Rs. 40 Mn in the previous year to record a profit of Rs. 342 Mn for FY 2020/21 supported by improved operating margins. Segment assets increased by 4% as we increased capital expenditure by Rs.216 Mn to enhance our value added product range while segment liabilities were reduced by 4%.

Plantations

Top line growth of 21% in the Plantations sector was supported by upward movements tea, rubber and oil palm prices during the year. Tea prices were buoyed by Sri Lanka's positioning as a reliable supplier with the 150 year old tea auctions going live during the initial weeks of the lockdown while other tea exporting countries faced difficulties due to the pandemic. Rubber prices were supported by increased domestic demand which was also supported by import restrictions. The sector reduced losses from Rs. 535 Mn to Rs.74 Mn as favourable prices supported improved performance. The high cost of production in this sector remains a key concern as wage hikes mandated by the government without

links to productivity pose issues for the entire industry, resulting in a withdrawal by all regional plantation companies from the collective bargaining agreement with the matter being contested in courts at present. Regretfully, the Plantation company also witnessed violence against the Manager of Alton estate which resulted in its closure for over 40 days as the entire management of all regional plantation companies came out in support of the need to ensure a safe workplace for all.

Packaging

The Unidil Packaging Group increased revenue by 6% as revenue reached Rs. 4,074 Mn. The installation of a state of the art Printing facility together with a decrease in paper pulp prices supported improved profitability of the sector. Accordingly, the sector recorded Profit after tax of Rs.325 Mn, a 15% increase over the previous year as finance costs reduced considerably due to lower interest rates and decreased borrowings. The sector continued to operate throughout the lockdown, supporting their customers who were classified as essential sectors. Packaging contributed 8% to the Group bottom line and accounts for 11% of the Group's Total assets at the close of the year.

Performance

Group revenue increased by 48% to reach a historical high of Rs.29,423 Mn supported by the phenomenal performance of the Tiles sector and positive contributions from all other sectors in a year marked with business disruptions, uncertainty and volatility, tempered by policy changes that proved favourable to growth. Gross margins improved from 24% in the previous year to 31% for FY 2020/21 supported by higher capacity utilisation and production efficiencies driven by increased efficiencies in the new technology and awareness among all employees for responsible

consumption. Operating margins also improved from 10% to 18% enabling absorption of operating costs. Finance costs decreased as interest rates declined significantly and the Group consciously reduced debt levels further to gear for the uncertainty that prevails a year after the onset of the pandemic. The effective tax rate also declined from 28% to 18% as tax rates declined and capital allowances were claimed. Accordingly, the Group recorded its highest ever profit after tax of Rs.4,013 Mn for FY 2020/21 which is an impressive increase of 868% over the previous year's bottom line of Rs.414 Mn.

The Group's financial position strengthened with equity/net assets increasing by 25% from Rs.15,558 Mn to Rs.19,359 Mn. There was minimal expansion of the balance sheet with total assets remaining largely in line with the previous year although the composition changed with a 37% decrease in inventories and increases in Cash and Bank balances Property Plant and Machinery and trade receivables reflecting improved working capital management.



Interest bearing liabilities were reduced by Rs.4,866 Mn with the debt equity ratio moving from 73% in FY 2019/20 to a much more comfortable 34% at the close of FY 2020/21. This was an appropriate approach for a year in which there was an marked absence of norms, taking the company to a position of strength from which to consider its strategic options as a new norm emerges with the control of the pandemic at a future date.

Sustainability

Balancing stakeholder concerns was a key priority during the year to ensure that we were socially and environmentally responsible despite the health and economic crises that saw unemployment rise at record levels and daily hardship for many entities and people. We supported our franchise partners and distributors tide over the lockdown period by meeting the costs of the salaries of their staff for this period saving livelihoods of over 311 people during a time of hardship. This enabled them to resume activities as the country eased out of lockdown, accelerating sales to make up for lost time.

As stated above, ESG factors are integrated into the Group's decision making processes which supported investments in resource efficient technologies that supported responsible consumption of raw materials, energy and water. This was enhanced by initiatives such as Total Productive Maintenance which created a sustainability mindset throughout our processes, driving efficiencies throughout.

This report is an important link providing visibility into the integration of ESG factors into our operations upholding transparency and integrity in reporting as we provide a balanced review.

Outlook

The IMF forecast global growth of 6% for the world economy and 4% for Sri Lanka in April 2021. Weeks later we see the materialisation of downside risks as the country moved into lockdown with the third wave. We are cautiously optimistic about the upward revisions in the IMF forecasts over the past two quarters as vaccinations roll out, supportive government policies strengthen recovery and people adjust and adapt to working around the challenges. Learnings from the past year also show that hope and positivity are infectious and has the potential to change seemingly negative outlooks to positive outcomes as we address each concern. The import restriction was and remains a temporary reprieve as we eagerly look forward to the strengthening of the global and local economy supporting sustainable growth and profitability.

Upward movement in commodity prices will be a key concern for the packaging sector which will have a knock on effect for manufacturers of packaged products as paper pulp prices increased sharply during the year. The Aluminium sector will also be affected by the increased commodity prices. The exchange rate will also play a critical role as it will drive up costs for all imported inputs.

The Plantation sector continues to wrestle with the politicization of the sector which has been exacerbated by the ban on agrochemicals and the directive to uproot 10% of oil palm plantations each year moving forward.

For Lanka Tiles, exports will be a focus area and we will also monitor demand and supply factors to finalise expansion plans. We start from a position of strength with a strong balance sheet and low levels of debt with significant head room for our aspirations.

Acknowledgements

This was a year of working together to overcome challenges and I thank all the staff of the Lanka Walltiles Group for their commitment and hard work which enabled us to record an outstanding performance. I also thank our Board for their invaluable guidance in uncertain times which supported alignment of strategy to the fluid operating environment. Our franchise partners and distributors played a key role in moving inventory and strengthening the brand and we are deeply appreciative of their efforts. I thank our loyal customers for their patronage and feedback which shape our offering. I conclude by thanking our shareholders for their support during the year and look forward to continued trust and confidence.



J. A. P. M. Jayasekera
Managing Director

31st May 2021

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 Limited, 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 LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya 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 and Hospital Industry and a Landed Proprietor. He is the Chairman of Lanka Ceramics PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Weerasinghe Gems (Pvt) Ltd., and serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd.



MR. J A P M JAYASEKERA
Managing Director

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited. He is also the Chairman of Cost and Management Accounting Standard Board.

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



DR. S SELLIAH
Director

Dr. Selliah holds an MBBS Degree and a Master’s Degree (M Phill), and has over two decades of experience in diverse fields including Manufacturing, Healthcare, Insurance, Logistics and Packaging, Renewable Power , Plantation, Retail etc.

Dr. Selliah is currently the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd.

Dr. Selliah is the Chairman of JAT Holdings Ltd., Vydexa (Lanka) Power Corporation (Pvt) Ltd. and Cleanco Lanka (Pvt) Ltd. Dr. Selliah is also the Deputy Chairman of Evoke International Ltd.

He is a Director of Lanka Tiles PLC, HNB Assurance PLC, Softlogic Holdings PLC, Odel PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, ACL Cables PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium (Pvt) Ltd.

He has also served as a Senior Lecturer in the Medical Faculty for many years in the past. Currently he serves as a Council Member of the University of Colombo.

Dr.Selliah also serves on the following Board sub committees of some of the companies listed above as a member or Chairman: Human Resource and Remuneration committee, Related party Transaction committee, Audit committee, Investment committee and Strategic Planning committee.



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. R Nandajith Somarathe currently serves as a Director of Hayleys Fabrics PLC and currently working in the capacity of General Manager (Manufacturing) for Royal Ceramics Group which includes Lanka Tiles PLC and Lanka Walltiles PLC.

He has served in Ansell Lanka (Pvt) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr. Somaratne counts more than 28 years' experience in the manufacturing field.

Mr. Somaratne holds an MBA from the University of Colombo, Post Graduate Diploma in Industrial Engineering from NIBM and B.Sc. in Physical Science from the University of Peradeniya. He obtained 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 Corporate Leadership Management Program conducted by HIDA, Japan.



MR. J. D. NIHAL KEKULAWALA
Director

Mr. Kekulawala had held senior positions in the Hatton National Bank including Chief Financial Officer, Senior Deputy General Manager Strategy & 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 in 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



Mr. Mahendra Jayasekera

Managing Director



Mr. Nandajith Somaratne

Director/Group General Manager- Manufacturing



Mr. Shirley Mahendra

General Manager (Marketing)



Mr. Tyrell Roche

General Manager (Finance)



Mr. Nihal Kumarasinghe

Assistant General Manager (Technical)



Mr. Prasad Keerthiratna

Head of IT



Mr. Stanley Yalegama

Factory Manager



Ms. Sajeewani Amarasinghe

Group Finance Manager



Mr. Anura Ratnayake

Group Business Development Manager



Ms. Kaushalya Sudasinghe

Group Manager - Sales Administration



Mr. B A M Thilakasiri

Group Stores Manager



Mr. Athula Hewapathirana

Group HR Manager

Demonstrating Resilience



Our Focus and Strategy	27
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Our Focus and Strategy

Creating Value for Our Stakeholders

OUR VISION
Creating a fine art of living

OUR RESOURCES




Financial Capital




Human Capital



Manufactured and Intellectual Capital

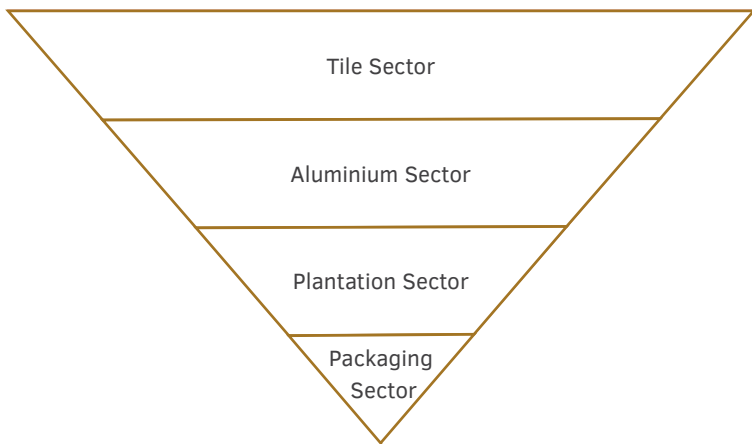


Social and Environmental Capital



Natural Capital

HOW WE CREATE VALUE




- ▶ Understand consumer trends
- ▶ Source finest ingredients
- ▶ Manufacture using latest technology
- ▶ Conform to certifications
- ▶ Ensure product quality
- ▶ Efficient distribution


VALUE DELIVERED

Revenue Growth, ROE - refer page 8	Training and Development, Retention ratio - page 60 to 64	Capital Expenditure - refer page 8 Certifications and Standards	Suppliers, Dealers, and franchise holders	Energy Savings
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Managing Our Strategic Investments other Sectors -
Plantation, Packaging, and Aluminium - refer pages 44 to 49



Risk Management
Refer page 35



Corporate Governance
Refer page 74

Creating Value for Our Stakeholders

GRI - 102-11

Our Capitals (Inputs) | Value Creating Processes

Human Capital



A team of 7,109 employees drive our performance

Manufactured Capital



Enables the manufacture of products using specialised machinery that is fit for purpose

Social & Relationship Capital



Customers, Franchisees, Distributors, Suppliers and the communities we operate in comprise the Group's Social & Relationship Capital.

Natural Capital



Raw Materials, energy and water, biological assets and other natural resources comprise this vital capital

Financial Capital



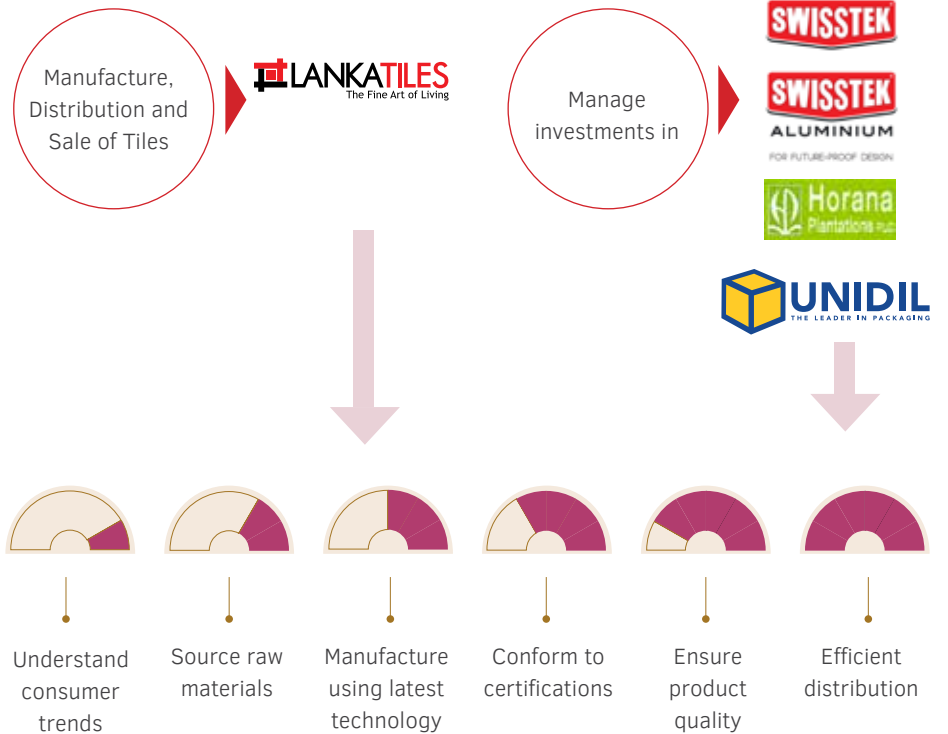
This comprises all monetised assets excluding manufactured capital. It also includes other funding sources which are reflected as liabilities on the balance sheet.









Intellectual Capital




A strong brand supported by certifications, well established systems and processes and tacit knowledge of our people comprise the Group's Intellectual Capital

Our Vision Creating a fine art of living



Value Created (Outputs)		Outcomes
Tiles  <p>9,233,184 Sqm of floor and wall tiles sales</p> <hr/> <p>225,917 Sqm of trim and mosaic tiles sales</p>		<ul style="list-style-type: none"> + Import substitution in both tiles and aluminium sectors, saving foreign exchange outflows for country + Supporting the construction industry of the country + Supporting livelihoods of tilers and Aluminium fabricators + Supporting business growth of franchisees and distributors + Recycling aluminium that would have gone to landfills - Mining of ball clay and Feldspar - Emissions from factories
Aluminium  <p>1,082 MT Aluminium Products supplied to fabricators and construction projects supporting their value creation processes</p> <hr/> <p>3,507 MT Aluminium Products supplied through a network of distributors to meet consumer needs in domestic market</p>		
Packaging  <p>23,292 MT of packaging sales of boxes</p> <hr/> <p>3,699 MT of packaging sales of sacks</p>		
Plantations  <p>2,469 MT of Tea sales</p> <hr/> <p>890 MT of Rubber sales</p> <hr/> <p>1,319 MT of Oil Palm sales</p>		
		
Employees		
Remuneration Rs. 3,625 Mn	Training 3,447 Hours	Recruitments 849
		
Business Partners		
Payments to Suppliers 16,357 Mn		
		
Governments		
Foreign Exchange Generation US\$ 5.2 Mn	Direct Taxes Paid Rs.406 Mn	Indirect Taxes Rs. 1,833 Mn
		
Communities		
Over 1,745 SME & Micro Suppliers	Investment in Social Welfare Rs. 9.9 Mn	Over 20,000 beneficiaries from CSR

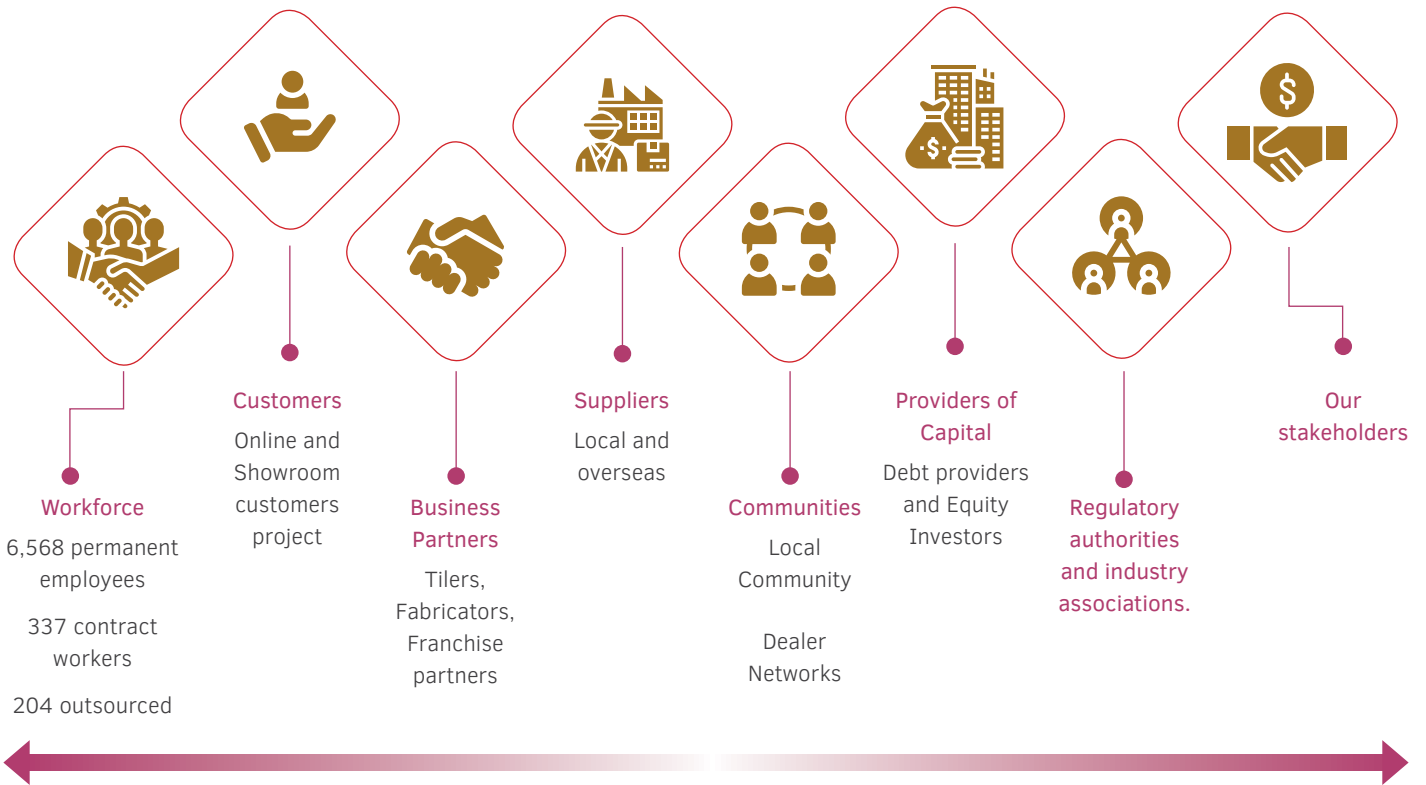
- Consumption
 - 213,990 MT Raw Material
 - 240,626 M3 Litres of Water withdrawal
 - 1,066,872 Litres of Energy
- Discharge of treated effluents 108,017 M3
- Waste to Landfills
- Total Direct Emissions 32,828 (Tco2)


Total Emission
 Reduce our Emission
2,956(Tco2)

How we Engage with Our Stakeholders

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

We value our sound reputation of doing business with integrity and our relationships with Stakeholders are maintained to build trust. We rely on many stakeholders - the following have been identified as key for the success of our business.



MATTERS IDENTIFIED	Competitive remuneration	Product quality.	Increasing earning capacities	Fair pricing	Harmonious relationships	Revenue growth	Renewal of licenses
	Talent and skills development	Reliable services	Skills development	Ensure high quality of raw materials	Environmental grievances	Profitability	Ethical business operations
	Career progression	Accessibility choices	Development of retail infrastructure	Foster long term relationships	Support in developing communities	Cash management	Compliance to regulations
	Health and safety	Innovative designs				Returns	
	Cordial relationships with Trade Unions	Competitive pricing.				Leverage	
						Repayment capacity	

PROCESSES IN PLACE

- Continuous engagement
- Evaluated compensation packages with industry trends.
- Training programs.
- Certifications and follow of all safety guidelines
- New product development.
- Continues research and development.
- Certifications.
- Product options and availability
- Measure customer satisfaction.
- Provide Trade commissions.
- Training programs for Tilers and franchisors.
- Improve collaboration by forming clubs such as Tilers clubs.
- Frequent engagement.
- Set up an index for distributors.
- Negotiate pricing revisions.
- Credit periods.
- Supplier skills development
- On site visits of ball clay sites to ensure environmental compliance.
- Provide indirect employment opportunities.
- Manage environmental concerns effectively.
- Drive revenue growth by adopting a sound strategy.
- Stringent cost management
- Managing leverage.
- Maintain adequate cash flows.
- Meet payment obligations.
- Ensure compliance to regulations and industry best practices.
- Propose industry recommendations

PROCESSES IN PLACE

- Meetings
- Performance appraisals.
- Training workshops
- Notice Boards
- Labour forums
- Welfare events
- Retail outlets.
- Dedicated hotlines.
- Monthly customer surveys.
- Introducing SMILEYS at showrooms for customer feedback.
- Customer satisfaction index.
- Reputed online platforms
- Training programs.
- Visits to franchise showrooms.
- Customer hotlines
- Rent payment for franchise showrooms
- Trained staff at franchise showrooms
- Visit supplier sites
- Meetings
- Industry forums
- Constant training programs.
- CSR
- Hotlines to address community complaints.
- Participation in social events.
- Annual general meetings and extra ordinary general meetings.
- Financial reports.
- Circulars
- Press releases
- Dividend announcements and payments.
- Payment of debt obligations.
- Contracts
- Monthly reporting framework.
- Regular monitoring and audits.
- Industry forums

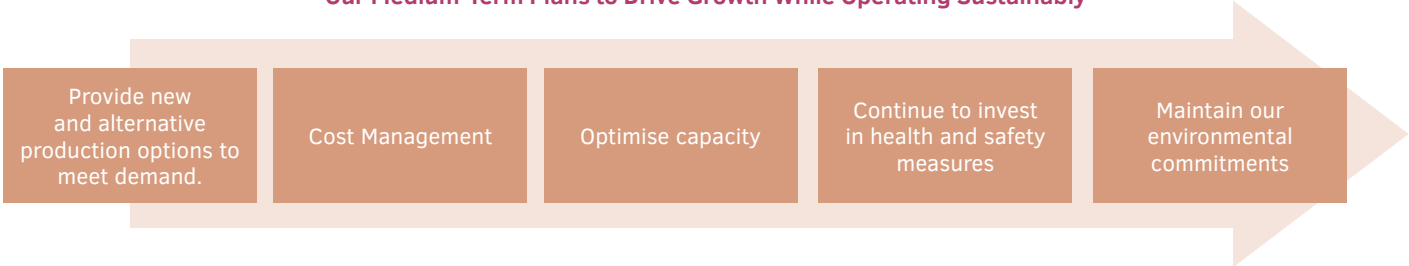
Our Strategy

The Group begun re-bounding from the impacts of the 2019 Easter Bombings when the Global Epidemic came about impacting Sri Lanka more significantly in the first and second quarter of the financial year. The Pandemic had severe implications on our operations and our strategies were re-assessed to face the situation under hand.

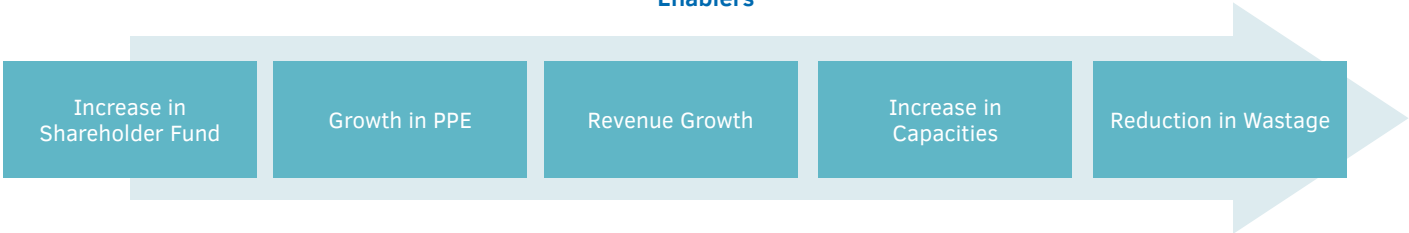
Our Strategy	Maintain Growth and Market Share	Improve efficiency	Develop manufacturing capacity	Increase Shareholder Returns
Initiatives	Maintain consistent Pricing even with the shortages of inventory in-order to build customer loyalty.	Complete implementation of the Total productive maintenance (TPM) program to drive process efficiencies.	Invest and provide financial support to franchise to over-come economic difficulties during the Pandemic period.	Manage leverage
	Expand manufacturing facilities.	Stringent COVID-19 prevention protocols implemented and monitored at factories, offices, franchises and outlets.	Upgrade production lines and install new high-tech machinery	Sustain profitability
	Innovate new designs and styles	Increase sourcing of raw materials from our group companies.	Developing local resources by providing training and exposure to new high-tech plants	Manage strategic investments.
	Maintain product quality.	Deliver our environmental commitments.		Optimize use of cash and liquid assets.
Indicators to measure performance	<ul style="list-style-type: none"> • Growth in Revenue 48% • Customer satisfaction at touch points • Expansions- mosaic factory 	<ul style="list-style-type: none"> • Rs.179 Mn Packing Material sourced From internal suppliers • Training and Development Rs. 0.9 Mn • Wastage % • Energy Saving 		
Outcomes	<ul style="list-style-type: none"> • Local sales Revenue increased by 48% • Export Revenue increased by 40% 	<ul style="list-style-type: none"> • Net profit Rs. 4,013 Mn compared to 415 Mn in 2020 	<ul style="list-style-type: none"> • Investment on Franchise outlets Rs. 72.9 • Investment in plant machinery Rs. 552 Mn • Research and development Rs. 7 Mn 	<ul style="list-style-type: none"> • Shareholder returns • ROE 21% • Dividend per share of Rs. 2.27.
Opportunities	<ul style="list-style-type: none"> • Restrictions in Imports provided opportunity to expand our market share and look into new growth opportunities. 	<ul style="list-style-type: none"> • Availability of high-quality clay locally. • Online sourcing opportunities 	<ul style="list-style-type: none"> • Opportunities to expand capacities. • New outlook on improving efficiencies • Increase in reliance on local expertise 	<ul style="list-style-type: none"> • Market leaders in the industry for the past 40 years • New investment opportunities

Our Strategy	Maintain Growth and Market Share	Improve efficiency	Develop manufacturing capacity	Increase Shareholder Returns
Challenges	<ul style="list-style-type: none"> Subdued economic growth. Shortage of Raw Materials due to restrictions on imports COVID-19 restrictions and economic impact effecting consumer buying. 	<ul style="list-style-type: none"> Increased costs on COVID-19 protocols and healthy safety measures. Currency depreciation. Increased inflation 	<ul style="list-style-type: none"> Restriction due to the Pandemic Limitations in resources and expertise 	<ul style="list-style-type: none"> Shortage of inventory Limitation on revenue avenues due to global pandemic Increase cost on health and safety measures

Our Medium-Term Plans to Drive Growth While Operating Sustainably



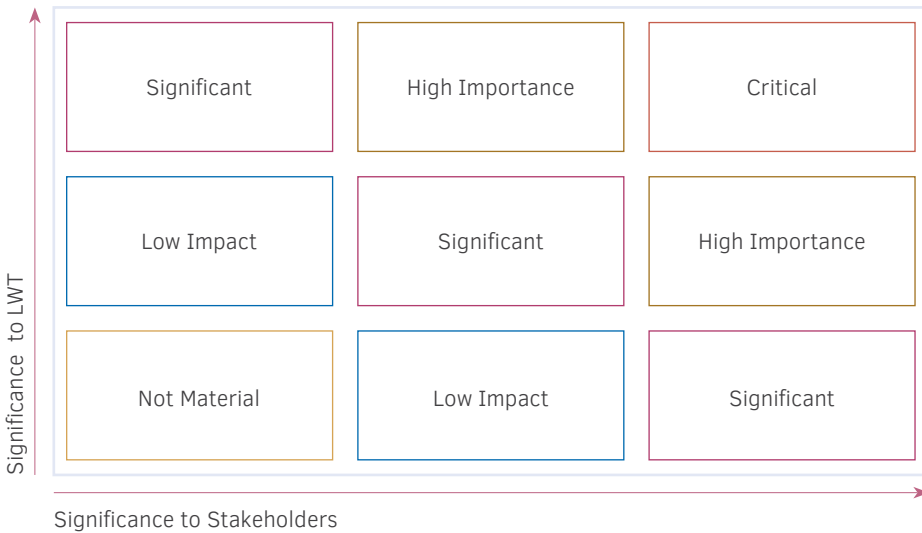
Enablers



Determining Material Issues

Continues assessment processes are in place to identify, assess and refine material risks in relation to our Stakeholders and performances of the Company and Group and the following highlighted areas in the materiality map are the focus areas of the Board of Directors that is used as a basis of our reporting throughout the year.

► GRI - 102-47



Material concerns			
Topics	Critical	High	Significant
Economic	<ul style="list-style-type: none"> Response to Global Pandemic Market presence Customer satisfaction Product pricing Market share Innovation Product quality Supply chain 	<ul style="list-style-type: none"> Product availability. Process efficiencies 	<ul style="list-style-type: none"> Capacity expansion Indirect economic impact.
Economic	<ul style="list-style-type: none"> Compliance Materials Energy Carbon emissions Effluents and waste 	<ul style="list-style-type: none"> Supplier environmental assessments Water 	
Employee	<ul style="list-style-type: none"> Employment Health and safety 	<ul style="list-style-type: none"> Training and development Productivity 	<ul style="list-style-type: none"> Employee relations Attrition
Social	<ul style="list-style-type: none"> Customer Health and safety Indirect employment 	<ul style="list-style-type: none"> Marketing communication Marketing and labelling 	<ul style="list-style-type: none"> Community relationships

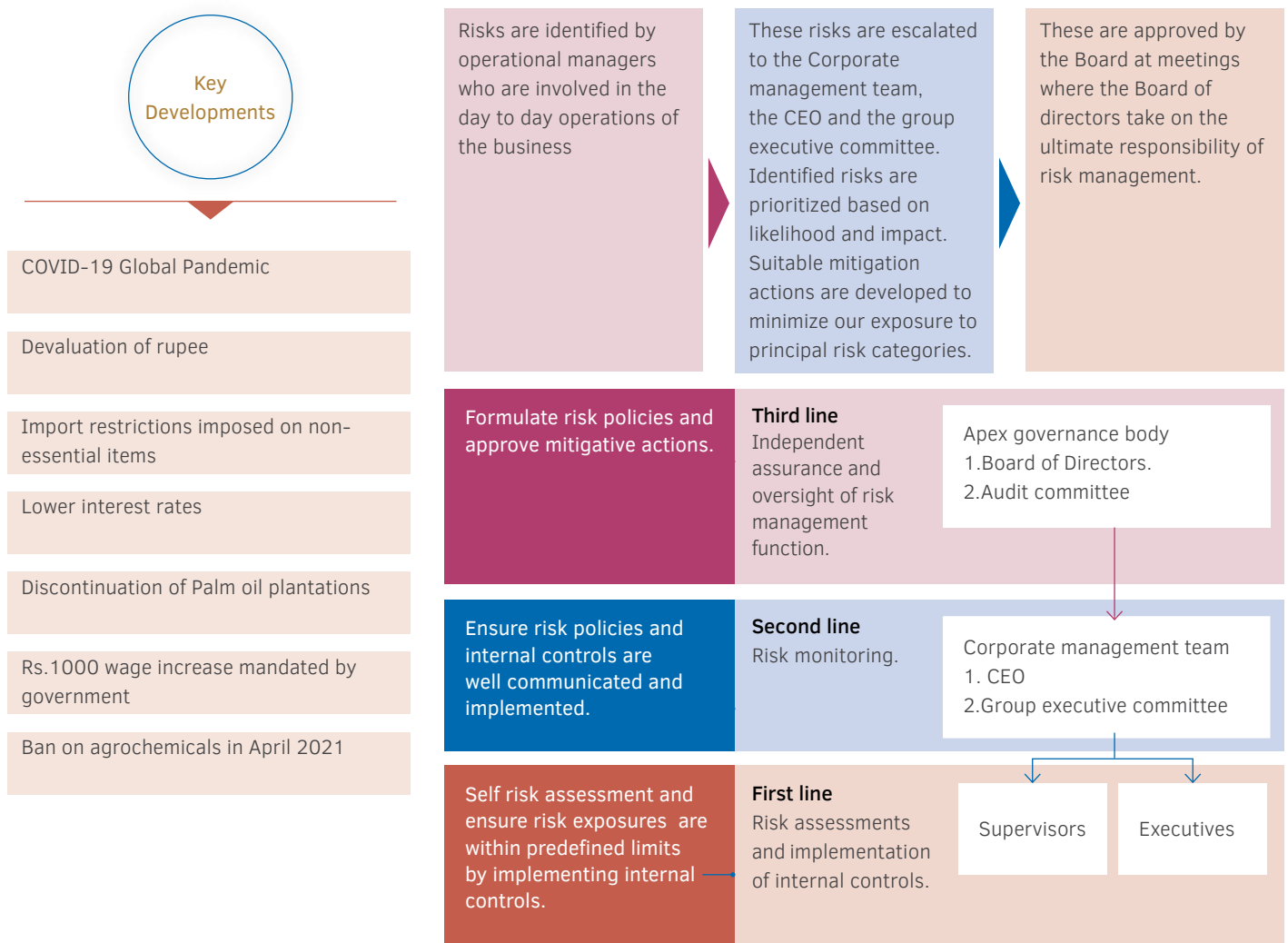


Risks & Opportunities

The Group’s approach to risk management enables it to identify both risks and opportunities as they are two sides of the same coin. Risk management is the process of identifying, assessing and managing threats to the Groups capital, earnings and reputation which is a structured process within the Group.

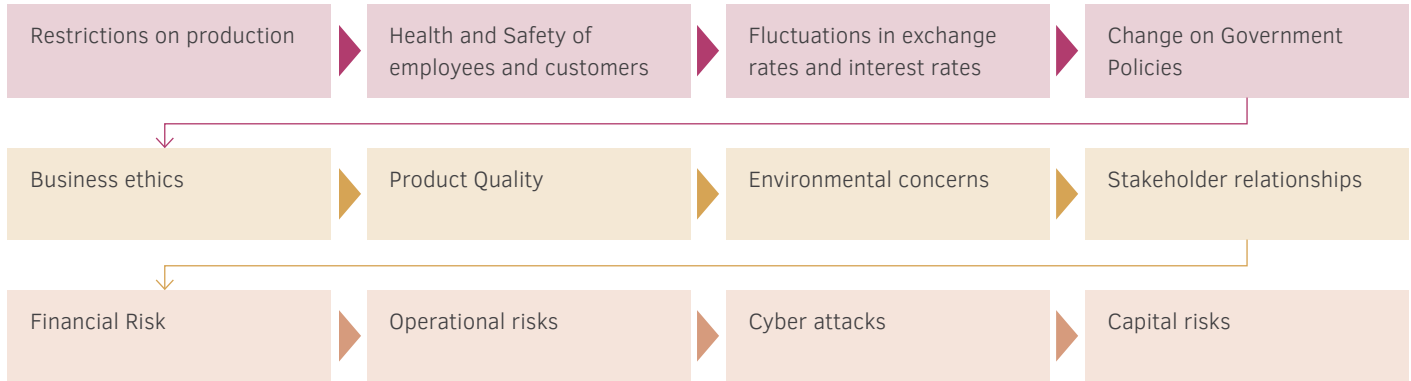
Governance

The Group adopts the Three Lines of Defense model with responsibilities for risk management allocated as follows:



Risks & Opportunities

Our principal risks in 2020/21



Principal risks indicators	Potential impact	Mitigation & Management	
Restrictions on Production			
<ul style="list-style-type: none"> Subdued economic and global growth due to the Global Pandemic COVID-19 and Lockdown restrictions Shortages of Raw Materials Declining construction of commercial and domestic buildings. 	<ul style="list-style-type: none"> Production capacity shortages 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 Invest Rs. 6.7 Mn on research and development. 	
Health and Safety of Employees and Customers			
<ul style="list-style-type: none"> COVID-19 infection rate COVID-19 and Lockdowns restrictions Employee capacities Declining in customers 	<ul style="list-style-type: none"> Labour shortages Inventory shortages Not being able to meet demands Increased cost of production. 	<ul style="list-style-type: none"> Stringent policies and procedures for COVID-19 prevention and monitoring. Adherence to Government and Health Ministry guidelines. Increased investment in Health and Safety Cost incurred on COVID-19 related expenses during the year Rs. 46 Mn Staff training. 	
Commodity Prices			
<ul style="list-style-type: none"> Prices for agricultural products such as tea and rubber are determined by the market forces of supply and demand. Price of paper pulp used by the Packaging sector is expected to increase significantly in 2021 	<ul style="list-style-type: none"> Revenue growth. Gross profit margins. <table border="1" style="width: 100%;"> <tr> <td style="text-align: center;"> Growth in Price of Rubber 21% Growth in Price of Tea 18% </td> </tr> </table> <p>Paper pulp increase in 2021</p>	Growth in Price of Rubber 21% Growth in Price of Tea 18%	<ul style="list-style-type: none"> Developed value added products for niche markets. Crop diversification. Expanded presence in export markets.
Growth in Price of Rubber 21% Growth in Price of Tea 18%			

Principal risks indicators	Potential impact	Mitigation & Management
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 <p>No. of illegal acts or frauds reported during the year -NIL</p>	<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 policies.
Change in Government Policies		
<ul style="list-style-type: none"> Increases in minimum wage of the plantation employees. Restrictions on Importation of Raw Materials 	<ul style="list-style-type: none"> Impact on Gross Profit margins Shortages of Raw Materials <p>Increase in GP margin 31%</p>	<ul style="list-style-type: none"> Maintained close relations with the government and industry associations. Assist in formulating industry best practices, laws and regulations. Look for alternative local raw materials
Product Quality		
<ul style="list-style-type: none"> Introduced new formats of tiles using the new production lines installed for manufacture of large format and mosaic tiles 	<ul style="list-style-type: none"> Brand reputation Revenue growth Market share Product returns Customer satisfaction <p>Customer Satisfaction rate 35%</p>	<ul style="list-style-type: none"> Conformed to certifications Stringent product testing at own laboratories. Continuous investments in research and development
Environmental Concerns		
<ul style="list-style-type: none"> Air pollution Waste disposal Compliance 	<ul style="list-style-type: none"> Brand image Community relationships. Fines and penalties License approvals. 	<ul style="list-style-type: none"> An environmental policy is in place ensuring stringent compliance to environmental regulations. Assess clay suppliers to ensure mines are adequately backfilled. Implement measures to reduce energy consumption. Ensure safe disposal of waste and minimized waste disposals.
Stakeholder Relationships		
<ul style="list-style-type: none"> Suppliers Distributors Customers such as Tilers, Fabricators, Tea brokers. 	<ul style="list-style-type: none"> Any unfavourable impacts on our stakeholder relationships could affect our supply chain, market presence and overall profitability. 	<ul style="list-style-type: none"> Continuous engagement Diverse supply chain Provide opportunities to develop skills through training programs for Tilers. Increase collaboration by forming clubs with market influencers such as Tilers.

Risks & Opportunities

Principal risks indicators	Potential impact	Mitigation & Management						
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>53,207</td> </tr> <tr> <td>Market interest rate</td> <td>32,708</td> </tr> </tbody> </table>	5% change in market variable	Impact on profit before tax (Rs. 000)	Exchange rate impact on translation	53,207	Market interest rate	32,708	<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	53,207							
Market interest rate	32,708							
Capital Risk								
<ul style="list-style-type: none"> • Gearing ratio was 34% compared to 74% last year. 	<ul style="list-style-type: none"> • Profitability • Returns to equity investors <table border="1"> <tbody> <tr> <td>ROE 21%</td> </tr> </tbody> </table>	ROE 21%	<ul style="list-style-type: none"> • Maintain a strong credit profile • Focus on managing cash 					
ROE 21%								
Operational Risk								
<ul style="list-style-type: none"> • Machine downtime • Health and safety related incidents • COVID-19 restrictions on operations. 	<ul style="list-style-type: none"> • Capacity utilization • 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 employee. • All plant and machinery are purchased from reliable suppliers. These are also periodically tested to ensure safety for use. 						
Cyber Attacks								
<ul style="list-style-type: none"> • Increased online activity due to work from home practices necessitated by the pandemic • Increased cyber attacks in 2020 	<ul style="list-style-type: none"> • Impaired functionality of security of systems • Threat to security of Group's information assets 	<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. 						
Availability of Raw Material								
<ul style="list-style-type: none"> • Potential shortage of ball clay used in manufacture of tiles in Sri Lanka 		<ul style="list-style-type: none"> • The Group has purchased land with deposits of ball clay for future use 						

Operating Environment

As Lanka Walltiles operates across diverse industry sectors and derives revenue from globally diverse markets, its performance is impacted by socio-economic conditions in both the domestic and global economy. Developments are closely monitored and considered in the Group’s strategic decision-making processes to identify potential opportunities and also to manage risks.

Domestic Economy

Sri Lanka’s economy contracted by 3.6% as the onset of the COVID-19 pandemic followed a difficult year for the country that was impacted by the Easter Bombings in 2019. The lockdown for nearly 2 months from March to May led to a contraction in the 2nd quarter of 2020 as economic activity was at a minimal level with only essential services in operation. Unemployment rate increased from 4.8% in 2019 to 5.5% in 2020 and household income declined to Rs.43,511 in 2020.

Inflation declined from 4.8% at end of 2019 to 4.2% by end 2020, remaining within the target policy range of 4-6%. Policy interest rates were lower by 250 basis points in 2020 as the government adopted an accommodative stance on monetary policy. The pandemic accelerated the devaluation of the rupee which depreciated from Rs.178.98 against the US dollar in 2019 to Rs.185.52 by end 2020. Wide ranging import restrictions were imposed to defend the currency and manage the trade and balance of payment deficits.

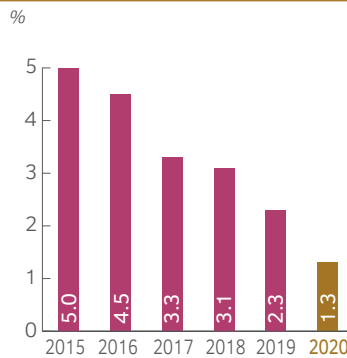
The government introduced wide ranging moratoria to support businesses affected by the pandemic at concessionary rates. Additionally, housing loan interest rates were capped at 7% for 5 years with the rate thereafter being 1% over AWPR which supported growth in commercial bank portfolio for the construction industry and for housing.

Imports declined by 20% due to import restrictions on non-essential items and reduced fuel prices which fell sharply with the onset of the pandemic in the 2nd quarter of 2020. Exports declined due to subdued demand in key export markets although there was an uptick in exports thereafter reflecting a recovery. Narrowing of the trade deficit during the year is largely attributable to the import restrictions.

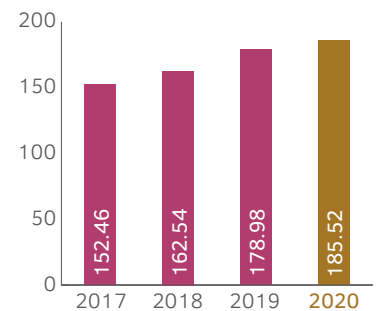
Global Economy

The COVID-19 pandemic also impacted global economy from a positive growth of 2.8% in 2019 to a decline of 3.3% in 2020. Border closures by 76% of the countries led to the collapse in the tourism industry while the lockdowns in many countries led to a 17% decrease in world trade.

GDP Growth

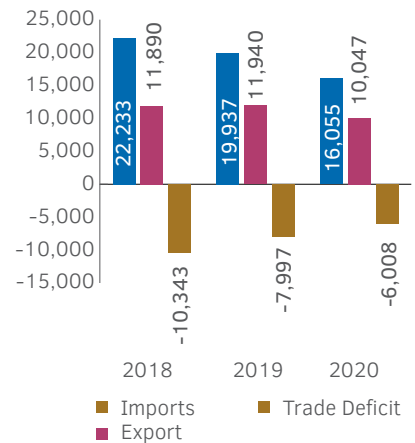


Exchange Rate Rs./USD



External trade

US \$ Mn



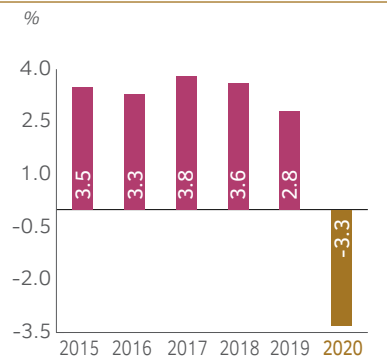
Source: CBSL Annual Report 2019 and 2020

Operating Environment

Global Economy

The COVID-19 pandemic also impacted global economy from a positive growth of 2.8% in 2019 to a decline of 3.3% in 2020. Border closures by 76% of the countries led to the collapse in the tourism industry while the lockdowns in many countries led to a 17% decrease in world trade.

Global Economy Growth



Source: World Economic Outlook

Rs. Mn.	Our Exposure as a % of Revenue	Sector Growth 2020 As per CBSL Annual Report 2020	Sector Growth 2019 As per CBSL Annual Report 2020
Total GDP Growth		-3.6%	2.3%
- Agriculture Sector	5 %	-2.4%	1.0%
- Industries	95%	-6.9%	2.6%
- Services	N/A	-1.5%	2.2%

Tiles and accessories

The lockdowns and restricted operations impacted negatively, slowing down the construction industry resulting in a decline in the Tile demand compared to previous year. However, the restrictions imposed on importation of tiles compensated providing opportunity to penetrate into the import market share of 47%. The depreciation of rupee increased the cost of imported raw materials on one hand while making a positive impact on the book value of export revenue. The Sector was benefited by the lowered interest rates in financing its operations.

Plantation sector

Plantation sector experienced a significant decline in production volumes, supply and demand caused mainly by the disruptions to the operations from COVID-19 Pandemic.

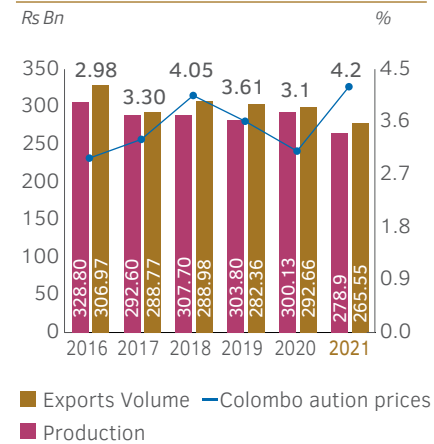
Tea industry

During the year tea exports contracted to 265.6 Mn/kg and export earnings declined to USD1.24 Bn from USD1.35 Bn in 2019 even after recording the highest ever FOB value of USD4.71/kg. During the year, Sri Lankan tea exports to Russia and China increased while exports to Turkey, Iraq and Iran declined marginally. The Global tea production fell in 2020 reflecting a drop-in production largely from Sri Lanka and India. Kenya would be the only country where production increased during the year.

The rubber industry

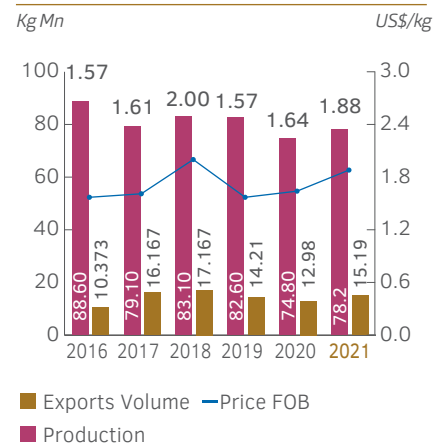
Challenges in recent years, such as demand fluctuations, high cost of production and shortage of rubber tappers have weighed heavily on the rubber industry. However, during

Tea Output



Source: CBSL Annual Report 2019 and 2020

Rubber



Source: CBSL Annual Report 2019 and 2020

the latter part of the year favourable weather conditions pushed the production marginally upwards. Sheet rubber production grew by 4.6% while crepe rubber production declined by 10.2% during the year. The increase in natural rubber prices in the global market led to a surge in rubber prices at the Colombo Rubber Auction towards the end of the year.

Oil palm cultivation

Oil palm cultivation that was started in the 1960's in the Galle district has extended to the Kalutara and Matara districts owing to the increasing global demand for palm oil which is around 70 Mn tones per year. However, uncertain government policies have a negative impact on the industry. A total ban on cultivation was imposed in 2020 and a directive was issued in April 2021, requiring the uprooting of 10% of oil palm cultivation.

The government decision to ban agrochemicals will also have a negative impact on the plantation sector and the plantation companies are raising awareness on the issue with the government at present.

Aluminium

The contraction of the construction sector by 13.2% resulted in a decline in demand for Aluminium. However, the ban on import of aluminium by the Government of Sri Lanka created a lacuna in the market for value added aluminium products. Additionally, billet prices declined which provided much needed relief to local manufacturers.

Globally, aluminium usage declined by 4.1% in 2020 impacted by the COVID 19 outbreak. Despite the lower demand production increased by over 65 Mn tones, resulting in increased inventories due to the supply-demand gap. However, outlook for 2021 forecasts a 7.5% rise in the demand

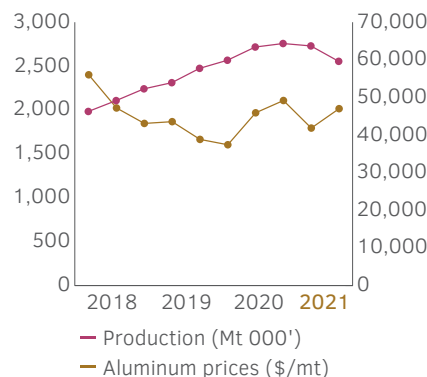
for aluminium on predictions of rebound in major markets across the world and a high growth rate in China.

Packaging

The highly competitive Packaging industry in Sri Lanka held by a handful of manufacturers who share 70% of the market share. The market is largely dependent on the export sector - mainly garment, tea and rubber and the FMCG sector. Therefore, the Packaging industry was also identified to be an essential service during the Pandemic lockdowns to cater to the relevant sectors enabling uninterrupted operations.

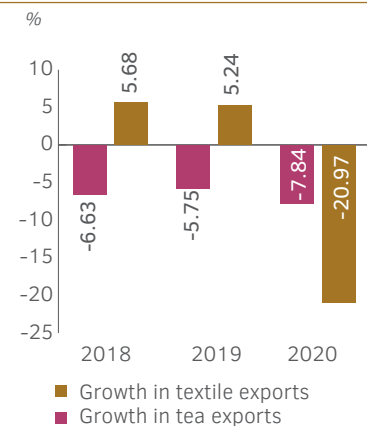
The devaluation of the rupee impacted the profit margins of the sector due to increasing cost of imported raw materials. This negative impact was offset to a greater extent by the lower material prices during the beginning of the year. However, the escalating price of pulp and other chemicals used in paper production is on a rising trend towards the end of the year impacting margins going forward.

Aluminium



The local packing industry was also impacted by fluctuating paper prices and a depreciating rupee. During the year, global paper prices increased significantly by 55% to USD 479/MT as supply tightened with China's ban on paper production.




Tea Textile








Source: CBSL Annual Report 2019 and 2020

Business line reviews

A roller coaster financial year impacting all business sectors both positively and negatively with an exceptional overall performance overcoming the challenges through adoption proactive business decisions and measures. In all our efforts we have kept in mind our core values and managed our affairs in an honourable and ethical manner.

 <p>Brands and Certifications</p> <p>LANKA TILES COLOMA SWISSTEK</p> <p>ISO 9001:2015 ISO 14001:2015</p>	 <p>Market Share</p> <p>Domestic Market Share Floor Tiles-41% Wall Tiles 71%</p> <p>International Markets USA, Australia, Maldives, Netherlands, Canada</p>	 <p>Contribution to Group Revenue</p> <p>Rs. 19.3 Bn 66%</p>
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Tiles and Associated Products

 <p>Financial Capital</p> <p>Revenue Growth 74%</p> <p>Asset Turnover 81%</p> <p>ROA 14%</p>	 <p>Human Capital</p> <p>Training Hours 986</p> <p>Training and Development Rs. 0.3 Mn</p> <p>New recruitments 326</p>	 <p>Social and Relationship Capital</p> <p>High Customer Satisfaction</p> <p>New Suppliers 49</p> <p>Added 219 Tilers and 2 Franchise showrooms</p>	 <p>Intellectual and Manufactured Capital</p> <p>CAPEX Added Facilities Rs. 703 Mn</p> <p>335 New Designs</p> <p>Investment made to develop brand & market Rs. 227.3 Mn</p>	 <p>Natural Capital</p> <p>Low wastage Effluents discharges 73,288 M3</p> <p>Compliance and Certifications</p> <p>Recycling of products</p>
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Performance

Rs. Mn.	2021	2020	Growth	Contribution to Group
Revenue	19,330	11,078	74%	66%
Gross profit	7,233	3,774	92%	78%
GP margins	37%	34%	10%	78%
Operating profits	4,247	1,627	161%	80%
Profit after tax	3,421	710	382%	85%
Assets	23,996	24,342	-1%	65%
Liabilities	6,936	10,577	-34%	48%

Overall the Tile sector performed outstandingly well overcoming each of its challenges with Revenue growth magnifying by 74% (2020: 1%). The shortages in the market and the ability to provide for the shortages in a timely, efficient manner cushioned the decline in demand contributing to the growth in Revenue.

“We are proud to note that even with the shortages in the market the price of our products was not increased keeping to our reputation of ethical business practices”

Adopting to the changes in operating environment, the Walltiles sub-sector converted a large part of its plant to floor tiles by introducing a floor tile raw material mix and manufactured new sizes of tiles to meet customer demand. Stringent COVID prevention health and safely controls resulted in factories and outlets being able to operate with minimum breakdowns. Further the financial support and guidance and training given to our franchise business assisted in them to keep their business running during restricted operating environment. All of these proactive initiatives have contributed to the growth of Revenue.

Even with a dipped global economic growth Export Revenue further contributed to the growth in Revenue, increasing sales by 40%

compared to 12% in 2020. Certification for mosaic tiles to enter US and Mexico markets, the increase demand in mosaic tiles and widening our distributor networks have contributed to the growth.

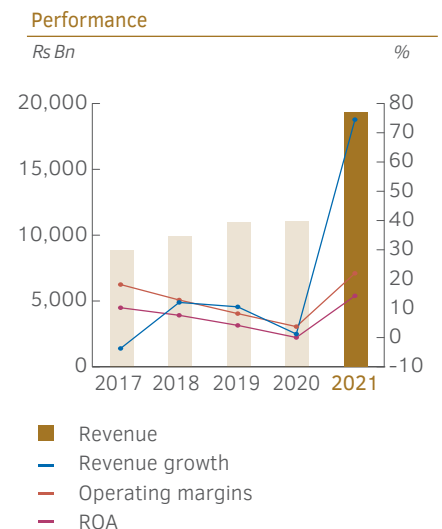
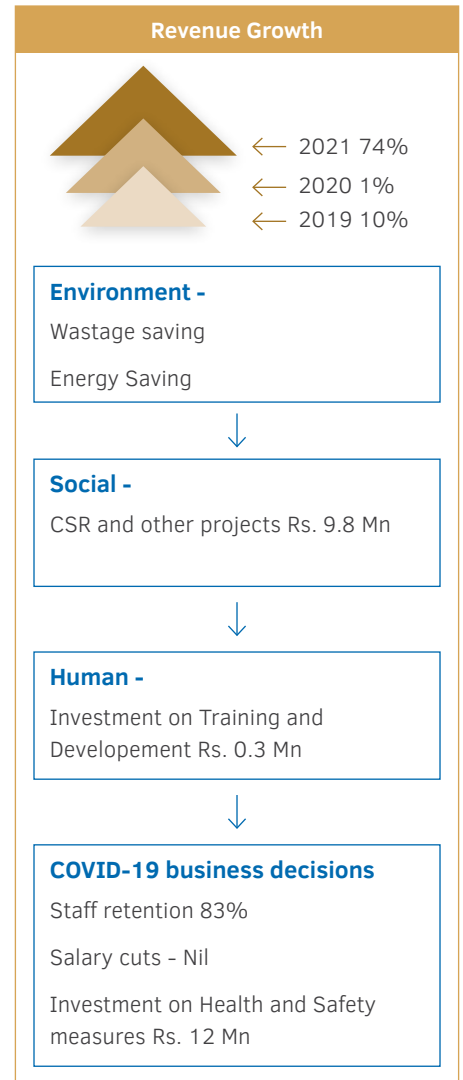
The gross profit margins were maintained at 32% to 33% consistent from previous year through our processes for reduction of wastage compensating the high cost of energy and raw materials. Groups’ focus on higher margin products further contributed towards the gross profit.

Operating profit for the year was recorded at Rs. 4,247 Mn compared to Rs. 1,627 Mn in 2020, a commendable growth of 92%. The growth in gross profit and curtailment of operating expenses in line with the inflation rates and increase in other operating income due to exchange gain on foreign currency earning have resulted in the growth.

The Sector ended with a healthy balance sheet with asset ratio and quick asset ratio recoding at 2.0 and 1.2 extents well above the industry average. Total Assets of the sector decrease by 1% to Rs. 23.99 Bn. The shortages in market the Sector made way to dispose most of the inventory holding to two months inventory compared to ten months of previous year and the increase in Debtors by 7% is in line with the increase in Revenue. Total Liabilities reduced by 48% mainly due to the settlement of overdraft facilities previously obtained contributing to the healthy asset ratios.

Outlook

We believe that the year 2021/22 is a year to stabilize operations, by being optimistically cautious about the fiscal policy framework. We hope to expand our export markets by renewing our relationships with China and India and expanding our distributor network through collaborative partnerships. Investments to expand our product portfolio and to increase production capacities are also in our planned outlook.



Business line reviews

Plantations

The Sector planted native trees along waterways of the Plantations, supported leopard protection in the Plantations, and created a route for leopard migration.



Brands and Certifications

Horana Plantations PLC
ISO 9001:2015
ISO 14001:2015
ISO 22000:2018



Market Share

15 Estates
(6,519 hectares)
Tea 1%
Rubber 1%



Contribution to Group Revenue

Rs. 2.1 Bn
7%



Financial Capital

Revenue Growth
21%

Asset Turnover
51%

ROA (2%)



Human Capital

Training Hours 191

Training and Development Rs.
0.2 Mn

New Recruitments
260



Social and Relationship Capital

No. of suppliers
1,025

High Quality Agricultural
Projection

174 SME Suppliers



Intellectual and Manufactured Capital

CAPEX
Expenditure Rs.178
Mn

Cultivated 3,750
Hectares

Consumable
Biological Assets
Rs.631 Mn



Natural Capital

Wastage
Energy Savings

Compliance and
Certifications

Recycling of
products

Performance

Rs. Mn.	2021	2020	Growth	Contribution to Group
Revenue	2,125	1,762	21%	7%
Gross profit	200	(218)	192%	2%
GP margins	9%	-12%	176%	2%
Operating profits	56	(306)	118%	1%
Profit after tax	(74)	(535)	86%	-2%
Assets	4,145	4,071	2%	12%
Liabilities	3,051	2,925	4%	21%

The Plantation sector was once again directly impacted by the economic conditions and changes in regulations. Overcoming the challenges, the sector recorded an Turnover of Rs. 2,125 Mn at the end of the financial year a 21% growth compared to previous year. The highest contributor to Revenue the Tea sub-sector recorded a growth of 12% compared to previous year mainly due to the increase in Tea prices and the depreciation of the rupees. The shortages in the market due to the COVID-19 impacts further strengthen the demand also contributing to the growth. The Rubber sub-sector contributing 19% to the Sector Revenue increased its Revenue by 21% compared to previous year ending at Rs. 399.5 Mn (2020: Rs. 265.1 Mn). The steady increase in rubber prices from USD 1.63 in 2020 to USD 1.89 in 2021 was the main contributing factor for the growth. Limited operations in the Oil Palm sub-sector contributed 3% to total revenue with a growth rate of 1% compared to 2020 and other minor crops contributed Rs. 20 Mn, 4% to the sector Revenue.

The growth of Revenue was over-powered by the constant increases in direct costs. Increases in minimum wages, scarcity of

manure, shortages in packing material and relational increase in these costs and the devaluation of rupee impacting cost of fuel and other costs. Gross profit of the sector ending at Rs. 200 Mn compared to Rs. 218 Mn in 2020 a 192% growth well below the growth rate in Revenue.

“Further to government legislations, the write off of the oil palm nursery amounting to Rs. 17 Mn has heavily impacted the bottom line of the sector”

During the year the Sector contributed to Society by supporting the NGO - Save the Children to increase awareness on children’s rights. Other initiatives included planting of native trees along waterways of the Plantations and putting up signs on the need for protecting the leopard in the Plantations a route for leopard migration. Plans are also underway for the population surveys of flora and fauna done every two years which will include extending of scope for restoration work of microsystems.

Outlook
Mixed signals surrounding subsidies relating to manure are expected to affect upcoming yields and further increases in direct costs are expected due to the depreciation of the rupee and import restrictions. The Price of Tea is expected the decline due to the excess stocks in the Kenyan market. These factors and the impact of COVID-19 Global Pandemic management will have a bearing on the outlook of the Sector.

Revenue Growth

- ← 2021 21%
- ← 2020 (11%)
- ← 2019 (10%)

Environment -
Wastage saving
Energy Saving

↓

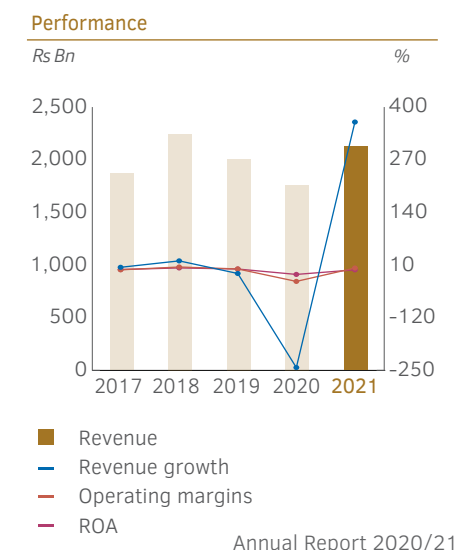
Social -
CSR and other projects amounting to Rs.12.8 Mn

↓

Human -
Investment on Training and Development Rs. 0.2 Mn

↓

COVID-19 business decisions
Staff retention 86%
Salary cuts - Nil
Investment on Health and Safety measures Rs. 4.3 Mn



Business line reviews

Aluminium

Amplifying consistency in product quality and services was a key factor to overcome turbulent economic conditions and restricted operating environments.



Brands and Certifications

SWISSTEK ALUMINIUM
QUALICOAT
Certifications



Market Share

Domestic Market 30%



Contribution to Group Revenue

Rs. 3.9 Bn
13%



Financial Capital

Revenue Growth
20%

Asset Turnover
97%

ROA 8%



Human Capital

Employee Retention
67%

Training and
Development Rs.
0.4 Mn

New Recruitments
161



Social and Relationship Capital

High Customer
Satisfaction

Payment to
Suppliers Rs.2,196
Mn

No. of New Dealers
39



Intellectual and Manufactured Capital

CAPEX Expenditure
Rs.149 Mn

New Product
Designs 10

Complied with 03
Certifications



Natural Capital

Energy Savings Rs.
13.2 Mn

Compliance and
Certifications

Recycling of
products

Performance

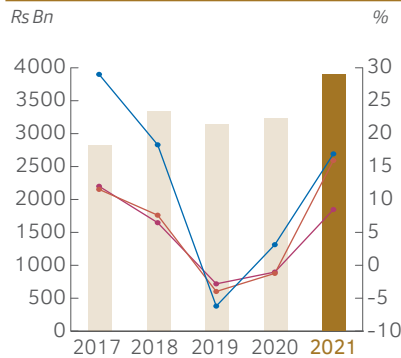
Rs. Mn.	2021	2020	Growth	Contribution to Group
Revenue	3,894	3,235	20%	13%
Gross profit	1,075	577	87%	12%
GP margins	28%	18%	55%	12%
Operating profits	620	255	143%	12%
Profit after tax	342	(40)	957%	9%
Assets	4,034	3,884	4%	12%
Liabilities	2,589	2,710	-4%	18%

Revenue of the Aluminium sector increased by 20% to Rs. 3,894 Mn (2020: Rs. 3,234 Mn) amplifying consistency in product quality and services – the key factor to be able to overcome the dampened economic conditions and restricted operating environment.

The high-end construction project the Water Front project by Cinnamon Life and many other large-scale apartment and infrastructure projects choosing Swisstek Aluminium as the preferred supplier continued to contribute towards the growth in revenue. Further, the fabrications and finished products line expanded improving revenue growth and profit margins.

Swisstek Aluminium Ltd is the first Sri Lankan Aluminium extrusion company to claim Qualicoat sea Side certificate

Performance



- Revenue
- Revenue growth
- Operating margins
- ROA

CERTIFICATE

for a **COATING APPLICATOR**

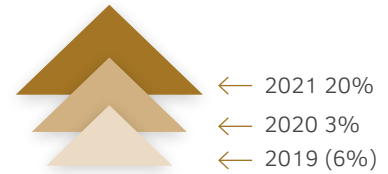


SEASIDE

hereby authorises

Swisstek Aluminium Limited
 No. 76/7, Pahala Dompe
 11680 Dompe
 Sri Lanka

Revenue Growth



Environment -

Wastage saving
 Energy Saving



Social -

CSR and other projects amounting to Rs. 0.8 Mn



Human -

Investment on Training and Development Rs. 0.4 Mn



COVID-19 business decisions

Staff retention 67%
 Salary cuts - Nil
 Investment on Health and Safety measures Rs. 2.9 Mn

Business line reviews

Packaging

Strategic sourcing of raw materials enabled the Company to minimise waste, improve productivity, efficiency and wastage.



Brands and Certifications

UNI-DIL Packaging



Market Share

Domestic Market 19%



Contribution to Group Revenue

Rs. 4.1 Bn
14%



Financial Capital

Revenue Growth
6%

Asset Turnover
115%

ROA 9%



Human Capital

Employee Retention
82%

Training Hours 185

New Recruitments
103



Social and Relationship Capital

Higher customer
satisfaction

SME Suppliers 647

Payments to
Suppliers
Rs. 3,926 Mn



Intellectual and Manufactured Capital

CAPEX Expenditure
Rs.176 Mn

Capacity Utilization
71%

Complied with 6
Certifications



Natural Capital

Low wastage
Energy Savings

Reduce Direct
emission 207(Tco2)

Recycling of
products

Performance

Rs. Mn.	2021	2020	Growth	Contribution to Group
Revenue	4,074	3,855	6%	14%
Gross profit	728	652	12%	8%
GP margins	18%	17%	6%	8%
Operating profits	408	397	3%	8%
Profit after tax	325	283	15%	8%
Assets	3,545	3,137	13%	11%
Liabilities	1,808	1,647	10%	13%

A focus and proactive strategy has proven to overcome many challenges such as having to close down production facilities due to COVID-19 threats, lockdown restrictions and increase in raw material costs due to rupee depreciation and restrictions in imports. The Sector witnessed a topline growth of 6% (2020: 9%) and the highest ever recorded net profit in history of the Company of Rs. 325 Mn a 15% year on year growth. The strategic sourcing of raw materials at its low price points compensating the increase in exchange rate, technology introduced to minimize waste, expansion of mechanization and automation substituting the labour shortages, improved productivity, efficiency and wastage, stringent controls of overheads and the reduction of income taxes were key contributors to the growth in bottom-line.

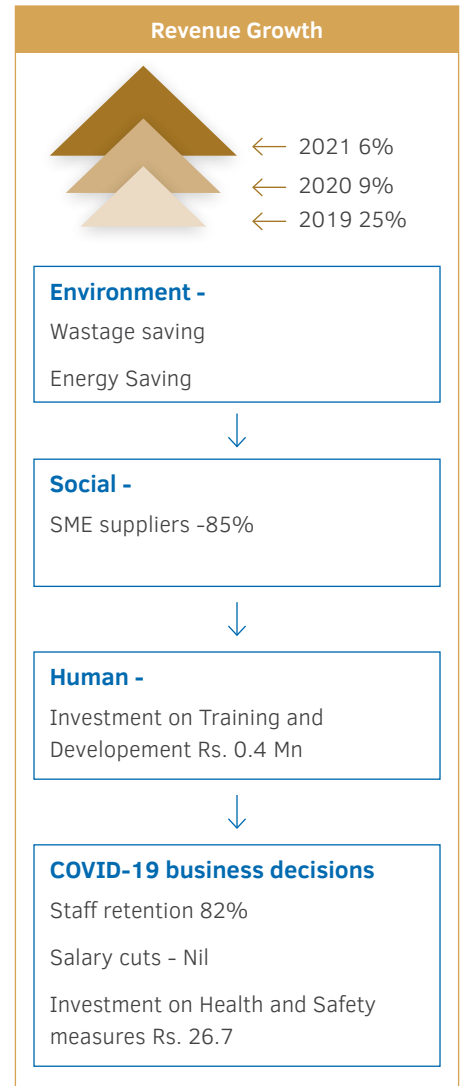
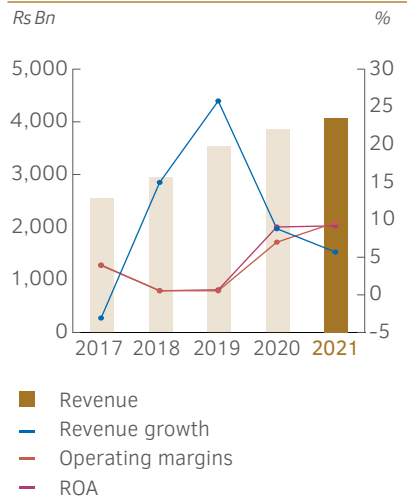
The Sector continued its CSR projects during the year at Dompe Base Hospital's by supplying of nutritious food, TV, cupboards and other items and support. The area community was aided by funding the building of two bus halts and naming of roads in collaboration with local social organisations.

Outlook

Seventy percent of our cost of sales is the cost of raw materials and its price is heavily dependent on the fluctuations of the rupee – having to manage the possibilities of severe impacts of such is considered to be our biggest challenge ahead. Plans for market expansion is under way with new and enhanced technology to be introduced for improved efficiencies and to meet customer demands and providing value through high-levels of visibility.

Plans for market expansion is under way with new and enhanced technologies to be introduced for improved efficiencies.

Performance





Our Stakeholders and Capital



Financial Capital and Our Performance in 2021

Lanka Walltiles Group demonstrated its resilience as it delivered a strong performance during the financial year 2020/21 to record a profit after tax of Rs. 4,013 Mn, overcoming the challenges stemming from the COVID-19 pandemic. A stakeholder-focused approach coupled with an agile strategy enabled us to seize opportunities that arose amidst the crisis to unlock value for our shareholders.



EARNINGS

Group Revenue
Rs. 29,423 Mn



GROWTH

Growth 48%
PAT Growth 868%



STABILITY

Net Assets Rs. 14,571 Mn
Market Share
Wall Tiles - 71%
Floor Tile-41%

1.61

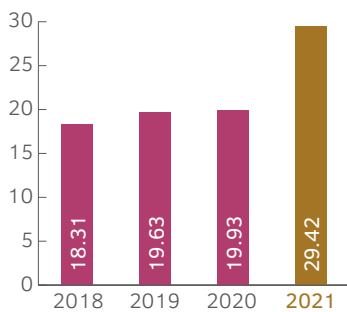
GROUP LIQUIDITY RATIO

34%

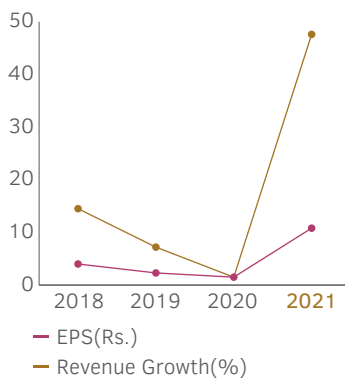
DEBT: EQUITY RATIO GROUP

Revenue

Rs Bn

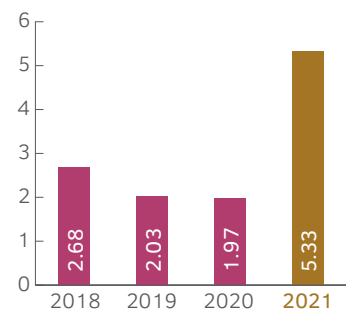


EPS & Revenue Growth



EBIT

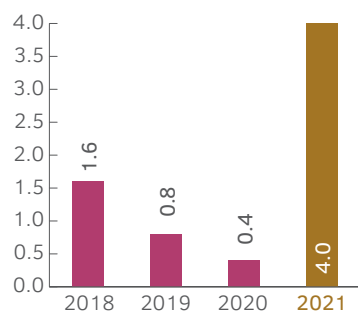
Rs Bn



Our Stakeholders and Capital

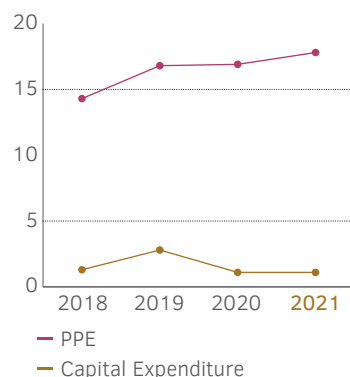
PAT

Rs Bn



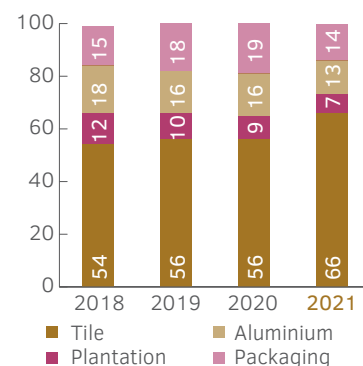
PPE & Capital Expenditure

Rs Bn



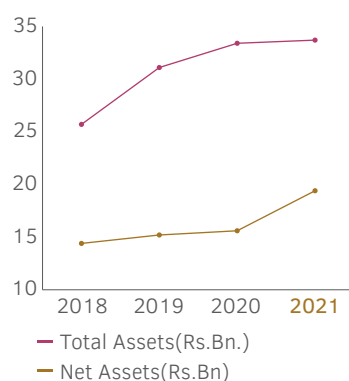
Revenue Analysis by Sector

%



Total Assets & Net Assets

Rs Bn



Revenue

Rs. 29,42 Bn

REVENUE 2021

48% Growth

Highest contributor - Tile Sector

0.86

GROUP QUICK ASSET RATIO

The Group delivered a highly commendable financial performance achieving revenue growth of 48% to record its highest consolidated revenue in its history of Rs.29,423 Bn. Revenue growth was largely driven by the Tiles sector which recorded strong growth of 74% with all other sectors also recording top line growth. With the onset of the pandemic in March and the country in lockdown at the beginning of the financial year, all Group entities reviewed plans for the year and aligned them to accelerate growth when the country opened for business with a determination to reach targets. A wider portfolio including the new mosaic range and the large format tiles enhanced the customer appeal and was in line with contemporary design trends enabling sales teams to move inventory. We also took precautions to minimise disruptions due to COVID-19 by implementing stringent health and safety protocols at all production facilities, warehouses, showrooms and other business locations. These measures aligned our teams to drive to the key strategic priorities for the Group with a positive message that we planned to overcome the challenges that lay ahead.

Income Statement Highlights

Rs. Mn.	2021	2020	CHANGE
Revenue (Rs. Mn)	29,423	19,930	9,493
Revenue Growth	48%	1%	47%
Gross Profit	9,236	4,784	4,452
Gross Profit Margin	31%	24%	7%
Operating Profit	5,332	1,973	3,359
Net Finance Costs	(749)	(1,170)	421
Profit Before Tax	4,582	804	470
Profit After Tax	4,013	415	868
EPS	10.8	1.5	632

Revenue by Sector	2021	2020	Growth %
Tile	19,330	11,078	74%
Plantation	2,125	1,762	21%
Aluminium	3,894	3,235	20%
Packaging	4,074	3,855	6%

Tiles

LW focused on driving revenue growth to with uninterrupted production and distribution flows that supported availability throughout our growing network of customer touchpoints. The opening of four factory outlets increased our reach with the price conscious customers who wanted a no frills approach while the opening of one Franchise showrooms and digital engagement platforms supported the needs of customers who wanted a full service value proposition. Wide-ranging import restrictions imposed by the government on non-essential to defend the currency and stabilise the balance of payments and trade deficits in May 2020 changed the supply demand dynamics in the domestic market. Imported tiles had a 47% share of the domestic tile market and there was an influx of cheap imports as countries with excess tile manufacturing capacity supplied the domestic market at unrealistic prices. Tariff protection for domestic manufacturers had also been gradually eased over the years, leaving room for dumping. Over the next few months, the demand for tiles was met by the domestic manufacturers of tiles, saving significant foreign exchange for the country as the pressure on the currency increased. We refrained from increasing the prices of tiles despite the cost increases and demand exceeding supply which provided a rationale and clear opportunity to do so due to the prevailing economic conditions in the country. Exports also increased by 39% to surpass the Rs.1 bn mark, accounting for 3.5% of sales. Overall, the Tiles sector contributed to 51% of Group revenues compared to 56% in the previous year.

Aluminium

The Aluminium sector recorded 20% top line growth with revenue of Rs.3,894 Mn for 2020/21 despite a 13.2% decrease in the Construction sector. A strong project pipeline supported the earnings as well as an increased focus on value added

products. The sector contributed 7% to consolidated revenues compared to 16% in FY 2020/21.

Plantations

The Plantation sector revenues increased by 21% tea and rubber prices moved up as Sri Lanka maintained a steady supply of tea despite the disruptions due to COVID-19 and domestic demand for rubber increased due to import restrictions. This sector contributed 7% to revenue compared to 9% in the previous year.

Please refer the Business review on page 46 for further analysis of revenue of each sector.

Cost of Sales and Gross Profits

Gross Profit of the Group increased by 93% during the year contributing Rs. 9,263 Mn (2020: Rs.4,788 Mn) to the Group. This was supported by Total Productive Maintenance initiatives which supported efficiencies and minimising of rejects. Packaging and Aluminium sectors benefited from lower prices in the early half of the year with margins narrowing toward the end of the year as prices increased. Devaluation of the currency also added to the margin pressure in the 4th quarter as the rupee devalued by 6.5%.

Timely decisions to purchase raw materials at favourable points and introductions of new technologies to improve efficiencies assisted in managing overall costs of raw material and energy. The increase in minimum wage has further impacted the direct cost in the Plantation sector. The introduction of higher profit margin products contributed to growth in profit margins and the growth in Revenue has been the main contributor to the growth in Gross Profit.

Gross Profit Margin	2021	2020
Tile	37%	33%
Plantation	28%	- 12%
Aluminium	9%	18%
Packaging	17%	16%

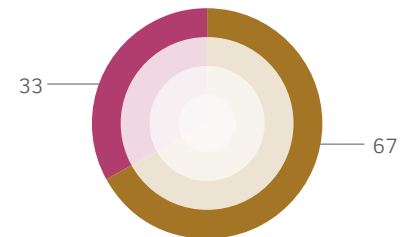
Operating Expenses

Increase in Expenses	2021	% Change
Tile	3,084	43%
Plantation	192	12%
Aluminium	465	20%
Packaging	394	21%

Operating expenses increased by 39% to Rs. Rs.4,133 Mn reflecting the increase in the level of operations as revenue grew at 48%. Close attention to cost control within the Group curtailed the expansion of operating expenses.

Operating Expenses

%



■ Distribution Costs
■ Administrative Expenses

Finance Costs & Profits

Earning before interest and taxation amounted to Rs.5,332 Mn which is an increase of 170% over Rs.1,973 Mn in the previous year. Strong revenue growth, improved gross margins and a lower rate of growth in operating, administration and selling expenses supported the increase in Earnings before Interest and Taxation.

With the growth in Revenue the Group was able to settle most of its overdraft

Our Stakeholders and Capital

facilities saving on interest on short term facilities. The reduction in interest rates by the regulatory bodies also contributed to the savings on financial cost Rs. 770 Mn in 2021 compared to Rs. 1, 171 in 2020. The Group obtained Rs. 650 Mn as Long Term Borrowings taking advantage of the low interest rates for its strategic investments. The effective tax rate declined from 48% in 2019/20 to 12% in 2020/21 due to revised tax rates, increased capital allowances and a deferred tax reversals. Consequently,

Profit after tax amounted to Rs.4,013 Mn which is a phenomenal increase of 868% over the previous year's PAT of Rs.415 Mn. Earnings per share increased by 632% to Rs.10.84 compared to Rs.1.48 per share in 2020.

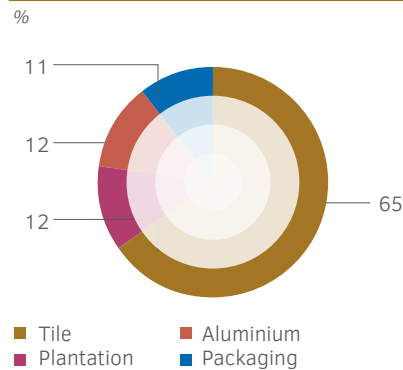
Balance Sheet Highlights

Rs. Mn.	2019/20	2019/20	CHANGE
Total Assets	33,710	33,423	1%
Property Plant and Equipment	17,798	16,884	5%
Cash And Cash Equivalents	3,034	413	635%
Equity	19,395	15,558	25%
Long Term Liabilities	5,643	6,285	(10%)
Current Liabilities	8,672	11,580	(25%)
Debt to Equity Ratio	43%	73%	(40%)
Current Ratio	1.61	1.26	28%
Quick Asset Ratio	0.86	0.38	126%

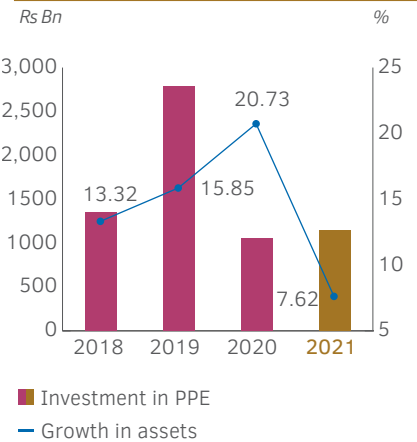
Total Assets

Group's Total Assets increased by 1% (2020:8%) to Rs.33.71Bn. (2020: Rs.33.42Bn). The marginal increase is mainly due to the increase in PPE by Rs. 914 Mn contributed mainly by the Packaging Sector and the net effects of the decrease of Inventory on hand and the increase of Debtors resultant of in-line growth of revenue.

Total Assets



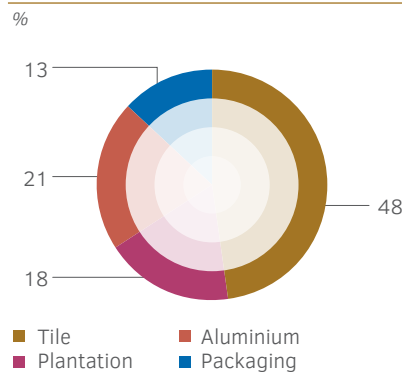
Investment in PPE and Growth in assets



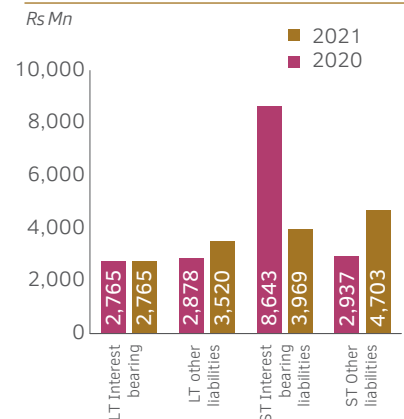
Total Liabilities

Total Liabilities of the Group declined by 20% (2020: +17%) to Rs.14,315 Mn (2020: Rs.17,865 Mn) compared to previous year. The healthy cash flow abled the settlement of overdraft facilities and timely repayments of short and long-term loans has brought down the total liabilities.

Total Liabilities



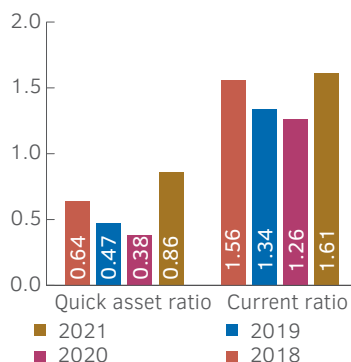
Group Liabilities



Liquidity Ratio

Group liquidity position improved from the previous year indicating a healthy balance sheet mainly due to the reduction in Total Liabilities. The Current Ratio and Quick Asset Ratio of 1.61 and 0.86 respectively is an improvement of 1.26 and 0.38 compared to previous year is commendable considering the sunk domestic and global economic growths impacted by the Global Pandemic.

Group Liabilities



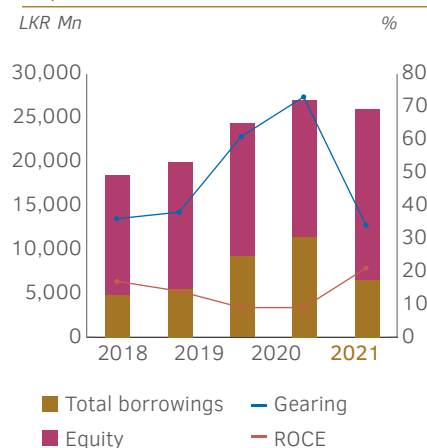
Rs. 10.8
EPS
Rs. 4013 Mn
PAT

Capital expenditure

The Group continued with its long-term investment plans even with dampened economic conditions having confidence of its carefully predetermined strategic plans. During the year, the Group invested Rs. 1,149 Mn (2020: Rs. 1,054 Mn) on property, plant and equipment of which Rs.552 Mn of investments were on plant and machinery of the Packaging Sector and Tiles Sector implementing state of the art technologies improving efficiencies, wastage and customer visibility. Further, the Plantation Sector invested Rs. 123 Mn in upgrading their factories to substitute labour shortages.

Cash flow and working capital management

Capital Structure



Cash and cash equivalents of the Group at financial year end bounced-back from a negative of Rs. 2,395 Mn in 2020 to a surplus of Rs. 2,270 in 2021. Elevated Growth in Revenues by 48% and effective cash-flow management - settlement of overdraft facilities and timely repayment of loans, a reduction of Rs. 4,866 Mn compared to previous years, strategic inventory management and close review of debtors has contributed to the surplus. During the year the Group Invested Rs. 1,149 Mn in property plant and equipment which is elaborated under capital expenditure. Cash flows from Financing Activities amounted to Rs. 14,049 Mn in new borrowings and Rs.16,849 Mn in repayments of borrowings.

Capital structure

A turnaround from a high gearing ratio of 73% in 2020 to 34% in 2021 indicating a healthy balance sheet as at March 31st, 2021.

Return to Shareholders

Outlook

Our overall strategy for 2022 is to stabilize operations in the domestic market while increasing focus on export markets as the advanced economies recover from the pandemic. We will continue to invest to obtain latest technological support to improve efficiencies, wastage management and for continuous improvements in customer service in-order to gain market share and new markets. Tightening of variable costs and close monitoring of direct cost to take advantage of market pricing is considered key to meet our strategic objective. The import restrictions maybe lifted in the future if the currency stabilises which will increase the competition in the domestic market. However, we are very well positioned for growth in the year ahead as well.

Rs. Mn.	2021	2020	Improvement %
ROE (%)	20.6	2.7	662
Adjusted Net Assets per Share(Rs.)	53.37	42.57	25
Adjusted Earnings per share(Rs.)	10.84	1.48	632
Market Price per share(before Sub Division)-(Rs.)	188.50	41.10	358
Market capitalization(Rs.000)	10,292,100	2,244,060	358
Adjusted Dividend per share (Rs.)	2.72	-	-



Social and Relationship Capital

Long standing relationships with our customers, suppliers and communities are a key strength for us to overcome an extraordinarily challenging year and we in turn have continued to nurture our relationships in the same manner, upholding their trust. During the year we have implemented several measures at a cost to us to assist them to get through the difficult times.



Fostering our Supplier relationships

- Maintaining fair pricing in product purchase and paying supplier dues on a timely manner.
- Continued to purchase the same volumes of raw materials enabling suppliers to stay afloat even during the periods of plant closure as well.
- Continuous supplier training and development, supplier product quality and health and safety measures monitoring and monitoring of adherence to related laws and regulations by suppliers through routine visits to clay mines.

Uplifting relationships with our Communities

- Providing direct and indirect employment opportunities.
- Increased dealers during the past two years by 27%. New hires during the year 849.
- CSR projects
- Mother and Children friendly plantation programme certified by a globally recognised initiative; "Save the Children".

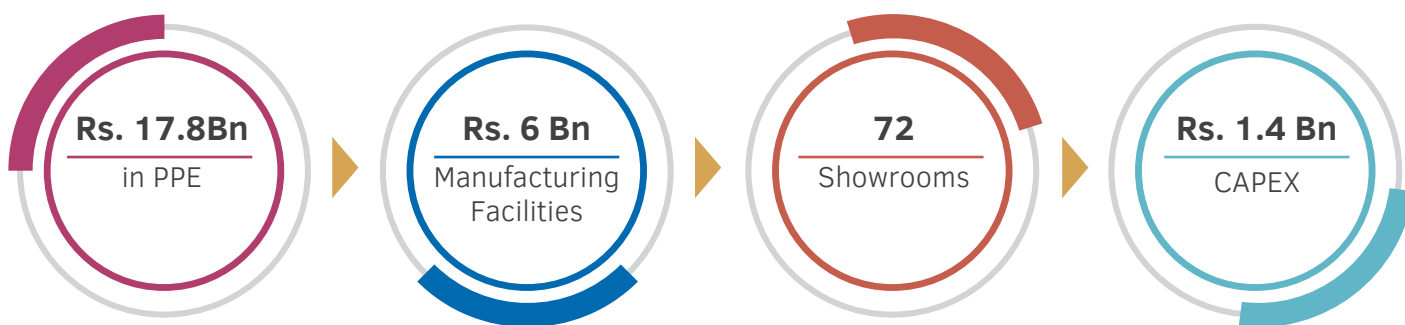
Naturing relationships with our Customers

- Following stringent COVID-19 prevention health guidelines to ensure Customer safety and improving customer experience at stores.
- Providing product choices and product availability at a reasonable price even during market shortages.
- Maintaining product quality and standards.
- Providing delivery efficiencies by meeting customer needs on a timely manner.
- Enhancing relationships with customers by forming customer communities such as Tile Club
- Providing infrastructure facilities and financial assistance to dealers and franchise owners such as rent fee retail outlets, trained staff, credit periods and COVID-19 relief financial assistance.
- Training and development on the job as well as off site including methods on doing business in a socially and environmentally responsible manner.
- Commenced a website for Tilers to showcase their work and be connected to customers.

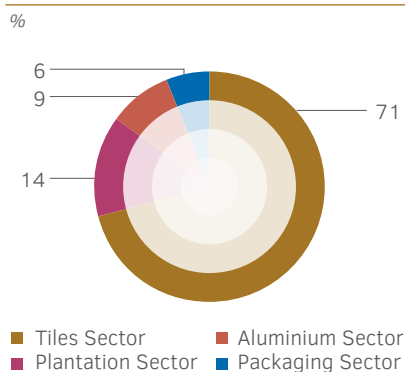


Manufactured Capital

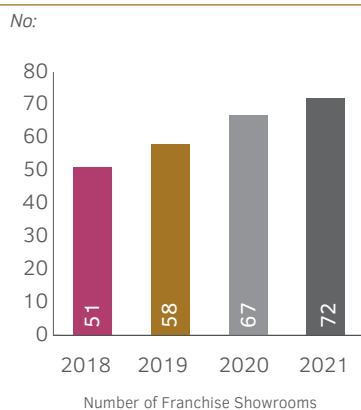
Manufactured Capital is a critical part of the Group's value creation process enabling manufacture and delivery of our products efficiently and responsibly, strengthening the brand. We have invested in state-of-the-art manufacturing facilities that are operated under stringent controls to optimize capacity and to maintain consistency in product quality.



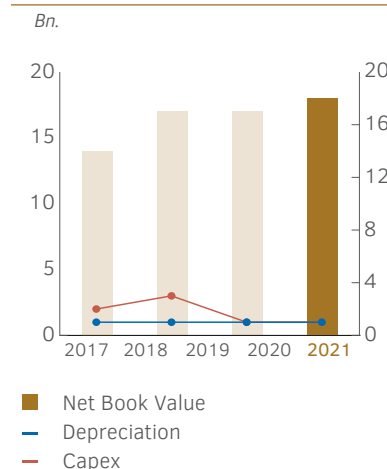
PPE By sector



Franchise Showrooms

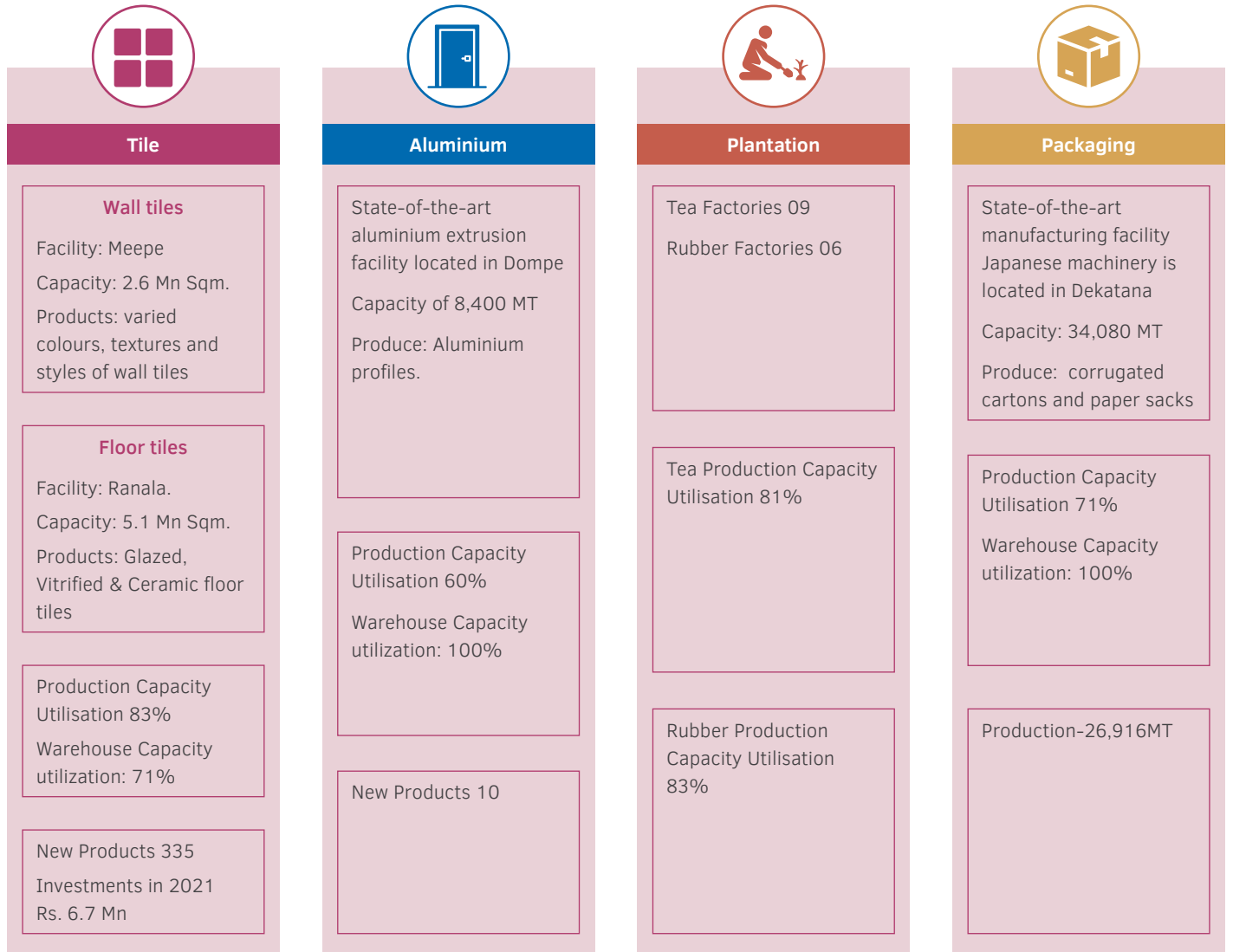


Investment in PPE



Our Stakeholders and Capital

Our Manufacturing facilities



6,115,836 sqm

TILE PRODUCTION

40,161 MT

GROUT & MORTAR PRODUCTION

4,591 MT

QUALITY ALUMINIUM EXTRUSIONS

26,916 MT

PACKAGING PRODUCTION

2,52 MT

TEA PRODUCTION

873 MT

RUBBER PRODUCTION

Investing in technologies, state of the art facilities and resources immensely contributed towards sustaining the quality of our products throughout the year.

Outlook for 2021/22

The year 2020 has been an extraordinarily challenging year that has put to test our strong business progressions. We have always believed in the need to invest in technology and this vision has assisted us during these challenging years.

We will continue to invest in high-tech, state-of-the-art facilities and resources and as at year end the following initiatives have been taken:



Tile sector	Tile sector	Tile sector
<ul style="list-style-type: none"> Invest in expansion of normal production capacities by lengthening a kiln in both the floor tile and walltile sub-sectors. 	<ul style="list-style-type: none"> Automate the Bambarakelle tea factory; the largest factory for better efficiencies. Installation of Solar power for five factories for better cost efficiencies 	<ul style="list-style-type: none"> Investment in new machinery with high-end technology for improved efficiencies. Enhancement of the automation processes to provide higher levels of visibility on the progress of orders through the system. This minimizes anxiety about delivery timings, adding value to our customers.

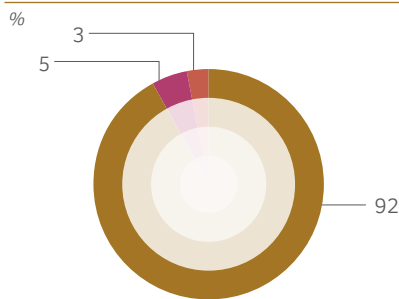


Human Capital

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

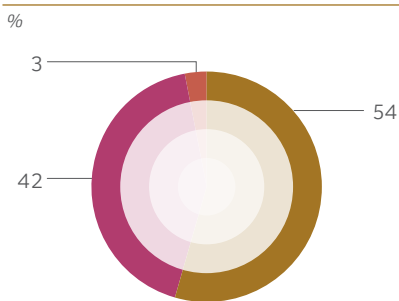
Even with the pandemic affecting all of us in different ways, the efforts of our people empowered us to be proactive and work efficiently and safely, uninterrupted, whether on the factory floor, at retail outlets, on plantations or from a home office. The Health and Safety including the mental well-being of our team was given highest priority in our strategising process and have proven to be worth of an investment. As at 31st March 2021 the Group had 7,109 employees working, as classified below.

Type of Employment Contract



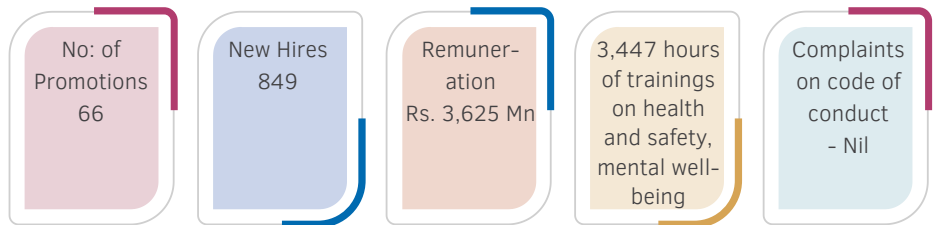
■ Permanent ■ Outsourced
■ Contract/ Temporary

Employee analysis by province

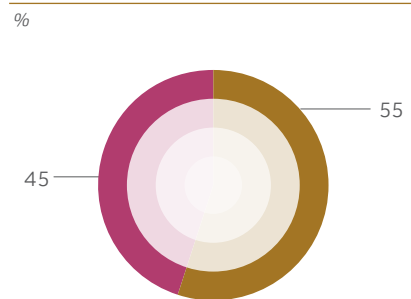


■ Central ■ Other
■ Western

A significant part of our cadre is male due to the nature of our manufacturing activities and cultural norms.



Group total employees by gender



■ Male
■ Female

“ We are proud to note that we have not retrenched any of our staff or implemented pay-cuts to overcome the challenging circumstances faced during the year. We believe these investments will have a positive impact on the long term of our business. ”

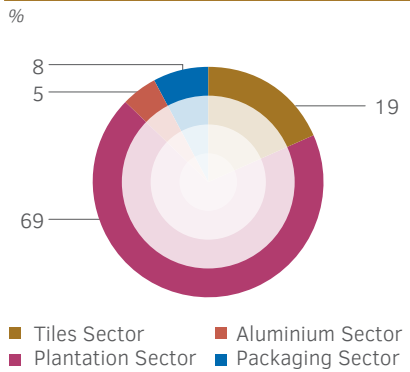
7,109

NO. OF EMPLOYEES

Employees by Sector	2021	2020	2019	2018
Tiles and Accessories	1,323	1,205	1,376	1,257
Plantation	4,895	5,399	5,769	5,825
Aluminium	349	282	448	388
Packaging	542	538	408	376
Total	7,109	7,424	8,001	7,846

	Under 30 years	30-50 years	Over 50 years	Male	Female
Employee Turnover	305	628	232	854	311
New Recruitments	470	311	68	707	142

By sector



66

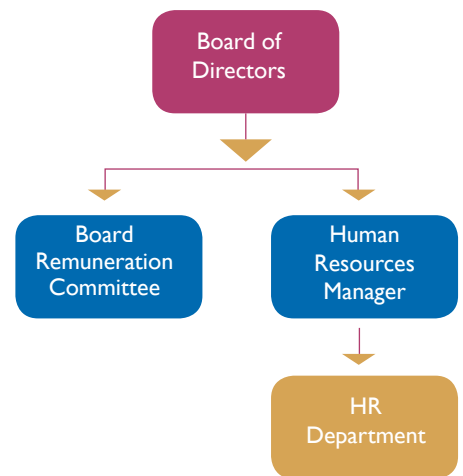
NO. OF PROMOTIONS

140

NO. OF MINOR INJURIES

Structured Reporting

Lines are in place to monitor and make progressions on matters related to Human Resource management. Monthly meetings with the Board of Directors include a report from the human resource department where matters arising are discussed. Our open-door policy is strongly inbuilt in our culture ensuring open communication channels.



Nurturing Our Culture - governance and policies

Our work culture is based on sound governance and policies to ensure a conducive working environment for our employees covering the following key areas:

Equal Opportunity and Human Rights	Managing Talent	Training and Development
<ul style="list-style-type: none"> Structured Reporting Channels Equal Opportunities and Human Rights Code of Conduct Work balance Child labour policy 	<ul style="list-style-type: none"> Structured remuneration policy based on performance Adherence to labour laws 	<ul style="list-style-type: none"> Training on mental health development Training on skills development
Safety at Work	Retention	<p>849</p> <p>NEW HIRES</p>
<ul style="list-style-type: none"> Investment in COVID prevention and detection Training on health and safety Continuous monitory procedures Health and safety certifications 	<ul style="list-style-type: none"> Grievances reporting Communication channels with unions Open door policy 	

Equal Opportunity and Human Rights

- Employee relationships are maintained through guidance from the Code of Conduct established within the Group which is widely circulated to instil our work culture.
- Our Group prohibits employment of anyone under 18 years of age and precludes use of compulsory or forced labour
- We strictly adhere to all labour laws of Sri Lanka including the Shop and Office Employees' Act, Factories Ordinance and Gratuity Act and confirm that there are no penalties for non-compliance of the said laws.
- All employment undertaken by Group falls within the nationally established institutional and legal frameworks, and all statutorily required payments towards provident funds are made on behalf of staff.

Our Stakeholders and Capital

- 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.

Freedom of Association

Most of our workforce are members of trade unions established within the Group. We have continued to maintain harmonious relationships with them and there have been no significant trade union disputes during the year that require reporting.

Remunerations and Benefits

The Group remuneration and benefits for the year amounted to Rs. 3625 Mn compared to Rs. 3,117 Mn in 2020. During the year Rs. 46 Mn was invested for the health and safety of our employees mainly for COVID-19 related training, prevention and detection.

We take the extra effort to care of our people extending our support beyond their basic remuneration and following are some of the main benefits provided by each sector:

Plantation	This should be in one sentence Aluminium Sector	Packaging
<ul style="list-style-type: none"> Housing facilities to 90% of cadre Improving livelihoods and sanitation facilities of employees and their families. Financial support for the higher education of employees' children Loan facilities to estate workers by collaborating with the Estate worker housing co-operatives. 	<ul style="list-style-type: none"> COVID testing and medical reimbursements Financial assistance for higher education. Launch of sleeping bags to create a relaxed work environment. Foreign tours Staff outings Staff discounts Medical Insurance 	<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

Employee remuneration and benefits	2021 Rs. '000	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000
Staff cost	3,139,476	2,667,349	2,497,026	2,664,405
Define contribution schemes EPF and ETF	295,117	279,831	251,464	237,674
Defined benefit plans - Gratuity	190,630	169,765	126,289	135,738

Parental leave taken during the year	2021	2020
Employees entitled to parental leave	6,308	12,942
Employees who utilized parental leave	48	136
Employees who returned to work after parental leave	29	71
Employees who are still in employment 12 months after returning from parental leave	44	139

Training and Development and Retention

The restricted operating environment curtailed our training programmes which would have taken place otherwise. However, the change in environment made us re-assess our capabilities to identify the need for furthering our technological and expert knowledge. On the job training on virtual technology were done throughout the Group with the support of the IT departments and in-house knowledge on hi-tech needed to be enhanced to manage the operations of the factories which would have been outsourced otherwise.



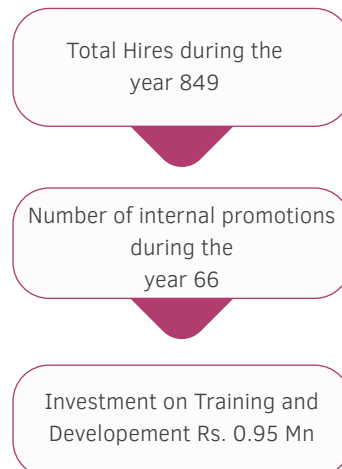
Health and Safety

Ensuring a safe working environment with effective COVID-19 prevention measures and other health and safety guidelines to create a safe work-place at our factories, plantations, retail outlets and offices continued to be a priority. During the year Rs. 46 Mn was invested for health guidelines to curtail COVID -19 spread in workplaces and employee well-being programmes including COVID-19 prevention. In addition, we continue comply with internationally recognized safety standards such as OHSAS 18001 at our Lanka Walltiles factories and showrooms and a Safety Committee is in operation to monitor occupational health and safety.

Average Training hours per employee	2021	2020
By Category		
Senior management and above	25	86
Executive staff	408	921
Non-Executive staff	3,014	7,927
Other	-	487
By Gender		
Male	3,150	8,355
Female	297	1,066

Employee Retention and Career progression

The Group policy is such that it encourages internal promotion. Annual performance reviews are in place to assess, identify and provide training wherever necessary for career progression.



Health and safety Measures
<ul style="list-style-type: none"> • Stringent COVID supervision and prevention protocols, training and monitoring processes being implemented has ensured negligible down-time due to infections. • Regular awareness sessions and display signs and other safety information throughout the factory, retail outlets and office premises. • At factories, Health and safety topics are covered under collective bargaining agreements • Adequate protective gear such as goggles, helmets, gloves and industrial standard boots are provided and made compulsory that employees wear the protective gear.

Safety measures adopted in machinery
<ul style="list-style-type: none"> • Our procurement processes ensure that machinery, equipment and tools are only purchased from creditable suppliers, after extensive evaluation, meticulous tested prior to and after implementation. • Routine maintenance checks are performed to assess the safety of machinery and equipment. • During the year under review there have not been any major accidents due to negligence.

Employee Engagement and Grievance Mechanisms






An open-door policy to is maintained for continuous engagement with employees. Both formal and informal mechanisms such as regular staff and team meetings and social and welfare events are held throughout the year to provide channels of communication.

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.



Natural Capital

The Group's natural capital comprises of its' land, raw materials such as ball clay, feldspar, silica sand, aluminium and paper which are vital for the sustainability of our business. Accordingly the Group has in place policies to ensure compliance with environmental regulations, responsible consumption of natural resources, disposal of waste, effluents and emissions and rejuvenation of the environment.

<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> <div style="text-align: center;">  <p>15 LIFE ON LAND</p> </div> </div> <div style="background-color: #f4a460; padding: 5px; text-align: center; border-radius: 5px;"> <p>Raw material and Waste Management</p> </div> <ul style="list-style-type: none"> Recycle and reuse materials. Visit supplier mines to ensure environmental compliance 	<div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="background-color: #f4a460; padding: 5px; text-align: center; border-radius: 5px;"> <p>Energy Consumption</p> </div> <ul style="list-style-type: none"> Monitor energy intensity. Energy consumption was decreased (electricity) by 5% and (LPG) by 3% compared to last year 	<div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> <div style="background-color: #f4a460; padding: 5px; text-align: center; border-radius: 5px;"> <p>Minimizing Emissions</p> </div> <ul style="list-style-type: none"> Managing air and sound pollution. Minimizing Carbon emissions. Testing air quality. 	<div style="text-align: center;">  <p>6 CLEAN WATER AND SANITATION</p> </div> <div style="background-color: #f4a460; padding: 5px; text-align: center; border-radius: 5px;"> <p>Manage Water Consumption</p> </div> <ul style="list-style-type: none"> Measure water consumption. Increasing employee awareness on using water sparingly.
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Goals for 2020/21	Highlights for the year	Goals for 2021/22
<ul style="list-style-type: none"> Successful implementation of waste heat recovery project in Horana factory Encourage reusing and recycling 	<ul style="list-style-type: none"> Energy savings of 1 19,634 Kwh through varied energy saving initiatives Reduction in GHG Emission by 2,956(Tco2) 	<ul style="list-style-type: none"> Implementing heat recovery projects in Ranala and Eheliyagoda factories

Our Environmental Policy

- Comply with all legislation, standards and codes of practice which are relevant to our business activities.
- Committed to improve our environment by preventing pollution and conserving natural resources.
- Implement a framework to set and review environmental objectives periodically.
- Communicate the environmental management process to all relevant persons.
- Our environmental policy is displayed on our company website to be viewed by our stakeholders.

Natural Capital	2021	2020
Total extent of Land	221A	220A
Total Raw Material Consumption (MT)	219,512	211,908
Recycle	9,619	12,562
Recycled materials as a % of Raw Materials consumed	4%	6%
Water withdrawal (M3)	240,626	239,586
Water withdrawal (M3)/ Rs. Mn revenue	8	12

Land

During the year, group of companies purchased 292 acres of land for mining and agricultural purposes. The land bank was valued at Rs. 5 Bn in 2020/21 and account for 15% of our asset portfolio.

Mining of clay results in a depletion of natural resources and quarries need rehabilitation after extraction. We ensure that all our mines including that of our suppliers are backfilled in compliance to the environmental laws.

Bearer Biological assets

Group assets include Rs. 2,155 Mn in biological assets through Horana Plantations PLC located in the Central and Western. A total of 3,750 Hectares are cultivated with Tea, rubber and other crops such oil palm, coconuts, cinnamon, coffee pepper, fruits & vegetables etc. This includes our 15 estates located in 03 prime areas.

Materials

Manufacture of tiles requires resources such as ball clay, feldspar and kaolin which are finite. The Lanka Walltiles Group is conscious about this need and have in place a number of initiatives to minimize wastage and reuse these resources. Effective implementation of TPM and other initiatives supported a decrease in wastage and an increase in reused material. We consumed 140,253MT of non-renewable material including clay, silica sand and cement. Most minerals used in tile manufacturing are recycled while the balance is used to refill the clay mines. During the year Group reused 9619MT of materials.

Material Consumption by Type (MT)

Type	2021	2020
Renewable		
Billet	5,522	4,943
Chemicals	379	305
Cornstarch	485	460
Dolomite	347	769
Field Latex Rubber	3,925	2,118
Green Leaf	12,319	18,499
Ink	95	82
Paper	26,796	26,084
Powder	29,391	123
Non – Renewable		
Ball Clay	37,777	44,763
Feldspar A	58,761	62,730
Frit c/0107161	197	292
Grey Cement	15,623	13,005
Kaolin	4,377	5,378
Silica Sand Dark	22,638	31,647
White Cement	880	710
	219,512	211,908

Material Consumed By Segment

Material change chart heading	2021	2020
Tile	140,601	159,294
Packaging	27,374	26,626
Aluminium	35,292	5,371
Plantation	16,245	20,617
Total	219,512	211,908

Energy

Energy consumption is a key area of focus as it is a significant cost. The Plantations sector has in place a number of initiatives for renewable energy such as firewood, biomass and hydro power. However, the Tiles, Aluminium and Packaging sectors are heavily reliant of non-renewable energy for their operations. Consumption of energy decreased during the year compared to previous year due to the decreased production. However, the energy intensity ratios declined for the Tiles, across the sectors driven by higher capacity utilisation. The Group was able to save 119,634Kwh of electricity through various energy saving initiatives during the year. These initiatives include,

- Successful implementation of waste heat recovery project in the Horana factory.
- Shifting to renewable energy sources wherever possible. Our corrugated packaging plant have replaced furnace oil with firewood.
- Planting of trees for fire wood by Horana Plantation.
- Installation of capacitor banks.
- Encourage off peak electricity usage and reduce usage during peak hours.
- Using energy saving LED lights in showrooms and replacing air conditioners to inverter type.
- Installation of skylights to save electricity consumption during day time.

Energy Consumed By Segment (Kwh)

Segment	2021	2020
Tile	29,095,561	29,235,986
Packaging	2,196,631	2,200,161
Aluminium	5,276,028	4,775,926
Plantation	2,318,581	2,717,308
Total	38,886,801	38,929,381

Energy Consumption by Type

Energy Consumption by Type		2021	2020
Renewable			
Firewood/Biomass	Kg	9,485,497	10,123,640
Hydro Power	Kwh	2,318,581	532,077
Non Renewable			
Diesel	Litre	808,320	972,470
Furnance Oil	Litre	255,619	329,044
LPG	Kg	14,551,597	15,001,372
Electricity	Kwh	36,568,220	38,397,304
Kerosene	Litre	2,942	91,926

Water

Tiles and associated segments accounts for 30% of the Group's total water consumption while the rest is consumed by the rest of the Group for various other operational needs. 62% of the water consumed is sourced through ground water withdrawals.

Water Consumed by Segment (Litres)

Segment	2021	2020
Tile	73,288,449	79,417,484
Packaging	29,158,679	34,269,748
Aluminium	25,717,398	26,000,000
Plantation	112,461,339	99,898,498
Total	240,625,865	239,585,730

Water consumption by source (Litres)

Type of Source	2021	2020
Ground water	151,260,241	155,467,957
Municipal Water	27,935,967	27,422,276
Rainwater Harvested	2,310,670	1,993,617
Surface water	59,118,987	54,701,880
Total	240,625,865	239,585,730

Effluents & Waste

Effluent discharge is managed within the parameters specified in the respective Environment Protection Licenses issued by the Central Environment Authority. Our goal is to improve beyond regulatory requirements. The main source of waste are paper, Aluminium billets and solid waste. Periodic internal audits are carried out to ensure conformity to guidelines stipulated by the Central Environmental Authority (CEA).

Disposal of solid waste is done only after segregation to minimise waste to landfill. Total solid waste discharged during the year was 19,601 MT with Tiles and Associated products segment accounting for 6.6% of it.

Hazardous waste is given to a third party specializing in disposal of hazardous waste while waste such as, paper waste, organic waste and waste material were sold to third parties or reused in the manufacturing process. During the year 9,977MT 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)

Waste Discharged by segment(MT)	2021	2020
Tile	19,601	22,928
Packaging	5,304	408
Aluminium	85	-
Plantation	40	27
Total	25,030	23,363

Disposal of solid waste (MT)

Segment	2021	2020
Composting	24	14
Inclination	72	57
Landfill	5,963	6,116
On site Storage	1,097	1,444
Other	23	34
Recycled	7,874	5,361
Reused	9,977	10,337
Total	25,030	23,363

Waste water(Mn Litres)

Segment	2021	2020
Municipality sewerage	3,632,000	4,261,000
Recycled	53,616,489	79,293,744
Soakage Pits	20,985,675	30,939,065
River,lakes & waterland	29,782,850	29,675,800
Total	108,017,014	144,169,609

Emissions & Noise

The quality of air and level of noise within factory doors and outdoors impact our environment. We focus on reducing our carbon footprint and containing air and noise pollution. The main forms of emissions in tile manufacturing include Greenhouse gas (GHG) emissions, tile dust and other types of air emissions.

Ongoing initiatives include:

- **Minimizing emissions:**
 - Using cleaner production methods and machinery with eco-friendly features
 - Ensure Kiln chimneys are at a height that allows for the evaporation of any released vapours without harming the environment.
 - Programs to improve fuel efficiency in manufacturing.
 - Installed dust collectors to minimize dust emissions. The dust collected was reused in the production process.
 - Improved internal control systems to measure and manage sound pollution. The crushing process continued to be outsourced to a third party located within the factory radius. In addition, certain production areas were sound proofed due to high level of sound in production processors. We also purchased land surrounding our
- **Testing air quality and monitoring emissions**
 - Ensured factory emissions are below the permissible levels set by the CEA.
 - Monitor air emissions for ensure Sulphur dioxides and nitrogen dioxides are maintained below regulatory level.
 - The air quality around the Meepe factory was well within the regulatory permissible level of 100 Micrograms.
 - All vapours and air emissions are non-toxic and regularly monitored to measure any changes in the level of toxicity.
 - Dust emissions of the company are well below the maximum permissible levels of the CEA.

Environmental Compliance

Environmental compliance is primarily focused on the parameters set out in the Environmental Protection License and the requirements of environmental certifications obtained which benchmark the Group's practices with international best practice. We also ensure that our suppliers for clay and other mined products have in place valid licenses and that they comply with the requirements of the licenses including rehabilitation of the same in line with the license.



Intellectual Capital

These intangible capitals of the Group are critical for differentiation of our unique value proposition and products and play a key role in shaping our performance and reputation. In this section, we explore the components of this non-monetised capital that underpins our value creation process.



Trusted brands



Lanka Tiles brand valued at

Rs. 1,409 Mn

by Brand Finance Sri Lanka in 2021

The Lanka Tiles Group has three well recognised brands. Lanka Tiles, the brand under which both Lanka Tiles and Lanka Walltiles tiles are made is a household name and the #1 tile brand in Sri Lanka. Synonymous with quality, this brand was valued at Rs. 1,409 Mn by brand finance Sri Lanka in 2021. Swisstek is the brand for grout and the Aluminium profiles and a range of value added products that are also household names. Unidil is the brand of the Group's packaging sector which is a trusted brand by corporates to meet their packaging needs.

Highlights	Outlook
<ul style="list-style-type: none"> • Addition of large format tiles • Addition of mosaic tiles • Launch of 345 new collections • Increase in brand value by Rs. 296 • Efficiencies from Total Productive Maintenance • Consistent brand messaging • Compliance with certification requirements 	<ul style="list-style-type: none"> • Continuing innovation • Continuing TPM and other productivity and efficiency programs • Additional certifications required for entry to markets • Strengthening internal controls and systems • Retention of our team

Our Stakeholders and Capital

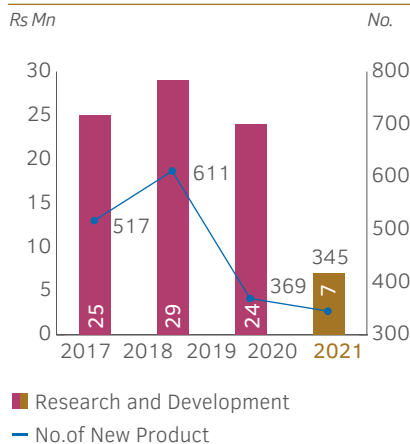
Our brands are built on a reputation of superior quality, the aesthetic appeal of our products and a comprehensive product range add lustre to the brand. Continuous reinforcement of brand messaging through our customer touchpoints strengthen the brand. As home grown brands, we have been able to maintain our competitive edge in the local market while making steady progress in establishing as a leading contender in the export market.

Skills and expertise

The skills, expertise and tacit knowledge of our teams are a key source of differentiation and competitive advantage. Many of our employees join at entry levels and their skills are nurtured through structured training programmes and on the job training in the Group. All sectors require specialised skills at various levels and we work with a number of organisations that develop talent pools to recruit suitable candidates.

As we need to retain employees to develop their skills, retention of employees plays a key role in building sustainable competitive advantage. The adjacent chart reflects our ability to retain employees across all sectors. A coaching and mentoring culture nurtured over the years supports knowledge transfer among the employees, nurturing the Group's tacit knowledge.

Investment on New Product Designs



Innovation

The Group has nurtured a culture of innovation supporting continuous product innovation and process improvement across all sectors. This is vital to ensure our products are relevant to customer needs, driving demand creation. Innovation in processes support operational excellence, improvement in turnaround times, minimisation of waste and reduced consumption driving margin growth. It also supports disruption of the business from within, ensuring that we remain competitive.

Product innovation - A strong pipeline of products supports continued innovation ensuring that the portfolio remains future forward and on trend.

The Lanka Tiles Research and Development team is responsible for analysing market trends and customer preferences while

a dedicated business development team identifies potential areas for market and product development. Innovation is also used in managing resources more efficiently and minimizing any negative impact to the environment. R&D personnel closely work with the production team to assist them in increasing efficiency and effectiveness in the manufacturing process.

Operational Excellence

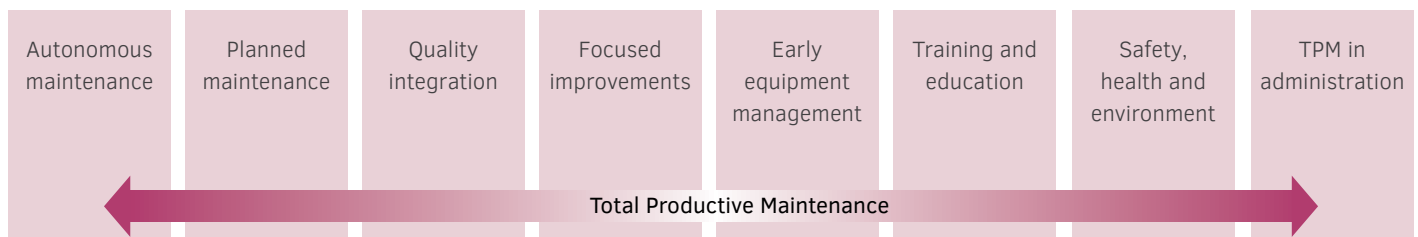
Phase I of Total Productive Maintenance has been successfully rolled out and completed in all tile and Aluminium factories resulting in significant resource, time and cost efficiencies. The Group is now moving to Phase II of TPM which is expected to further streamline operations.

The year also saw automation and digitalisation of a number of processes at the factories and offices. Digitalisation was key supporting working from home during the year. These initiatives included the following;

- Provide VPN facility to work from home
- Internet facility
- Budgeted to provide Laptop & desktop facilities to employees

Certifications

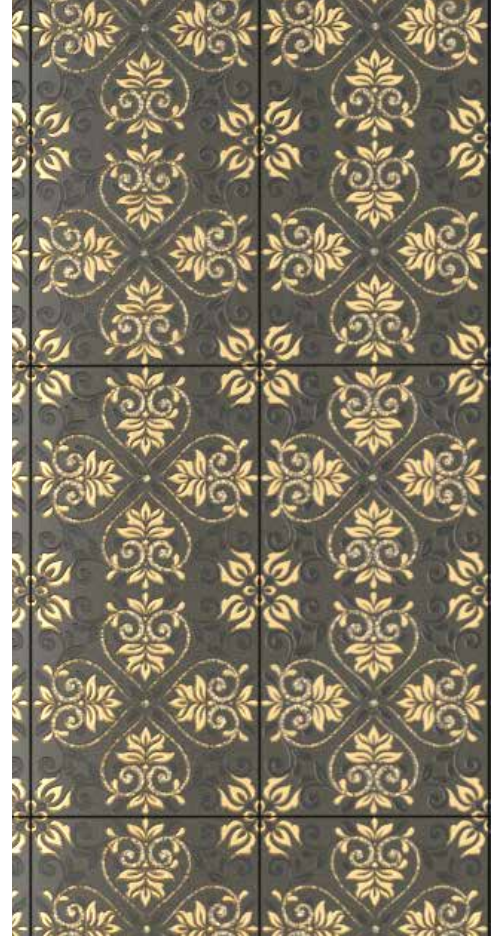
Certifications play a key role as it provides assurance to business partners and customers about our policies and processes. It also provides access to export markets and ensures that our processes are benchmarked to international best practice in key areas of operations.



Certification	Description	Sectors Certified
ISO 9001 : 2015 Certification	Quality management system	Tile
ISO 14001 : 2015 Certification	Minimize how their operations negatively affect the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and continually improve in the above.	Tile
CE Mark Product Certification	Mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area.	Tile
Green Label Certification	Product is less damaging to the environment or to the people making it more safer and environmentally friendlier than other similar products.	Tile
SLS 1181 Product Certification	Manage their risks from fire by reducing the losses associated with property damage and business interruption	Tile
OHSAS 18001 : 2009 Certification	Occupational health and safety	Tile
ISO 9001: 2015 Certification	Quality management system	Plantation
ISO 22000: 2018 Food Safety Management Systems and HACCP Certification	Minimum permitted levels of agro-chemicals, heavy metals and micro biological content.	Plantation
Forest Stewardship Council Certification (Rubber)	Certifies that the rubber plantations is consistent with parameters of environmentally sound management	Plantation
Ethical Tea Partnership (ETP) Certification	The impacts of climate change, safe usage of agrochemicals and initiatives on water management.	Plantation
Rainforest Alliance Certification	Promotes efficient agriculture, biodiversity conservation and sustainable community development.	Plantation
ISO 14001 :2015 Certification	Environmental policy and requirements.	Plantation
Fair Trade Certification	Product certification within the market-based movement fair trade.	Plantation
Green House Gas Inventor Verification Certification	Reduce GHG emissions.	Plantation
FSSC-ISO 2200:2018 Certification	Food safety related risk	Packaging
SLS 1474 Certification	Food safety related risk	Packaging
SLS 1492 Certification	Food safety related risk	Packaging
FSC Certification	Forest Stewardship Council certification	Packaging
ISO 9001:2015 Certification	Quality management system	Packaging
ISO 14001:2015 Certification	Organization whose processes impact the environment	Packaging
Qualicoat Certification	Quality Label for Liquid and Powder Organic Coatings on Aluminium for Architectural Applications.	Aluminium
ISO 9001:2015 Certification	Quality management system	Aluminium
SLAS1410:2011 Certification	Extruded aluminium alloy products for Architectural applications Certification	Aluminium



Inspiring Growth

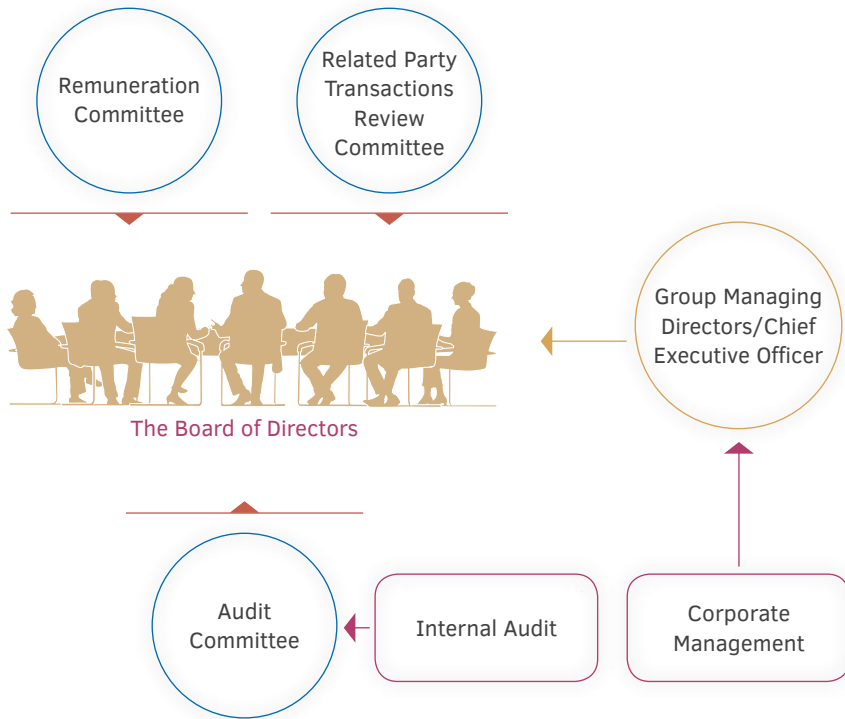


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Stewardship

Corporate Governance

The Board of Directors have established a corporate governance framework that seeks to uphold sound business ethics across the Group and nurture a environmentally and socially responsible culture within the Group. A comprehensive policy framework and internal controls support integration of environment and social concerns linked by stakeholder engagement. The governance framework also seeks to ensure integrity in financial reporting and ESG reporting supporting accountability to stakeholders.



Functions of the Board

- Provide guidance for strategy formulation
- Ensure compliance with legal and regulatory requirements
- Establish a comprehensive system of internal controls
- Establish a corporate governance framework integrating ESG principles
- Establish a Risk Management Framework.
- Ensure integrity of financial and ESG reporting

Compliance Framework
Mandatory
<ul style="list-style-type: none"> • Companies Act No.7 of 2007 • Sri Lanka Financial Reporting Standards • Articles of Association • Listing Rules of the Colombo Stock Exchange • Central Depository System Rules
Voluntary
<ul style="list-style-type: none"> • Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka • Group Code of Ethics • GRI Standards • Integrated Reporting Framework • Social and Environmental Regulatory and Certification requirements

Board composition

1

Executive Directors

5

Non-Executive Directors

5

Independent Non-Executive Directors

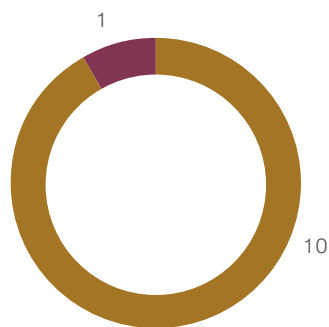
Corporate Governance 2020/21

- Disclosure to Colombo Stock Exchange on COVID-19 impacts
- 1st Virtual Annual General Meeting of shareholders
- Appointment of Mr.Sanjeewa Jayaweera to the Board of Lanka Walltiles PLC
- Approval of first interim dividend of Rs.3.60 per share in November 2020
- Approval of second interim dividend of Rs. 10 per share in February 2021
- Extraordinary General Meeting of shareholders to approve sub-division of share with a 1:5 ratio

The Board Composition

The Board of Directors comprises 1 executive director and 10 Non-Executive Directors of whom 5 are independent. Collectively the Board has financial acumen, industry knowledge, marketing and technical knowledge necessary to provide strategic direction, ensure compliance and manage foreseeable risks.

Gender



- Male
- Female

As at 31st March 2021 the Board of Directors were as follows:

Director	Status
Dharmika Perera	Non- Executive
A M Weerasinghe	Non- Executive
J A P M Jayasekera	Executive
Dr. S Selliah	Non-Executive - Independent
T G Thoradeniya	Non- Executive
R N Somaratne	Non- Executive
K D G Gunaratne	Non- Executive - Independent
A M L Page	Non- Executive - Independent
J D N Kekulawala	Non- Executive - Independent
S M Liyanage	Non- Executive
S R Jayaweera (Appointed w.e.f 09.10.2020)	Non- Executive- independent

Dr. S Selliah, Mr. K D G Gunaratne, Ms. A M L Page and Mr. S R Jayaweera are Directors of Lanka Tiles PLC. However, they are considered independent directors as:

- They are not involved actively in the management of Lanka Walltiles.
- They do not hold a significant percentage of share on Lanka Tiles.

Accordingly, the directors were considered independent in compliance to criteria set out in the Listing Rules of the Colombo Stock Exchange.

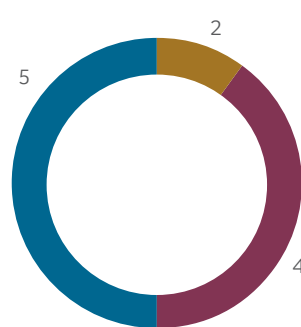
Chairman & Managing Director

The Chairman's and Managing Director's roles are segregated, facilitating a balance of power. The Managing Director is appointed by the Board and is responsible for implementing strategic plans of the Group and driving performance within a defined framework and is a member of the Board. The Board receives quarterly reports from the Managing Director confirming compliance with regulatory requirements.

Board Committees

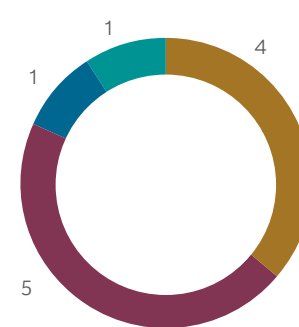
Four main sub-committees appointed by the Board take on the responsibilities for management of affairs of the Group. These committees are as follows:

Age

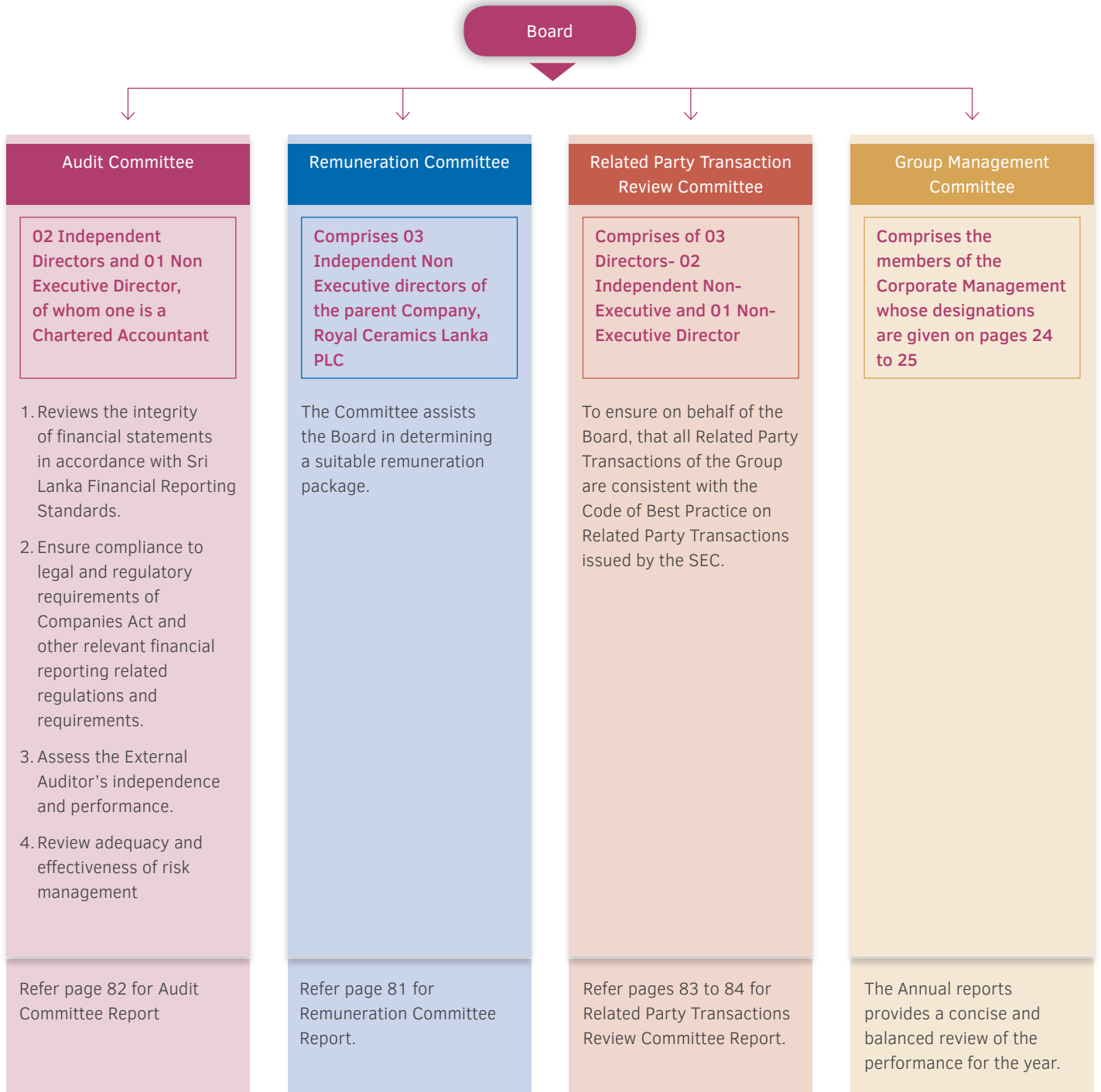


- 30-45
- 46-60
- 61-70

Tenure of Service



- <5 Year
- 5 - 10 Year
- 10 - 20 Year
- >20 Year



Meetings and attendance

Director	Board Meetings	Audit Committee	Remuneration Committee	Attendance
				Related Party Transactions Review Committee
Dharmika Perera (Chairman)	6/12			
A M Weerasinghe (Deputy Chairman)	12/12			
J A P M Jayasekera (Managing Director)	12/12			
Dr. S Selliah (Director)	12/12	5/5		4/4
T G Thoradeniya (Director)	11/12	4/5		4/4
K D G Gunaratne (Director)	9/12			
A M L Page (Director)	10/12			
R N Somaratne (Director)	11/12			4/4
J D N Kekulawala (Director)	12/12	5/5		
S M Liyanage (Director)	12/12			
S R Jayaweera (Director) (appointed on 9.10.2020)	6/12			
S H Amarasekara (Director of Royal Ceramics Lanka PLC)			1/1	
R N Asirwatham (Director of Royal Ceramics Lanka PLC)			1/1	
L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)			1/1	

Compliance to corporate governance rules of CSE

Corporate Governance Principal	CSE Rule Reference	Compliance Status	Description
Non- Executive Directors	7.10.1	✓	Lanka Walltiles has ten Non-Executive directors out of eleven directors.
Independent Directors	7.10.2 (a)	✓	The Company has five independent directors out of eleven which is above the minimum requirement.
	7.10.2 (b)	✓	The Boards determines the independence of each individual Director on an Annual basis.
Disclosures relating to Directors	7.10.3	✓	Refer Director's Profiles in pages 20 to 23
Remuneration Committee	7.10.5 (a)	✓	The Group remuneration committee comprises of three independent non-executive directors of Royal Ceramics Lanka PLC.
	7.10.5 (b)	✓	The committee met once a year and report is published on page 81.
	7.10.5 (c)	✓	The remuneration paid to all directors is given on page 169.
Audit Committee	7.10.6 (a)	✓	The Audit committee consists of three non-executive directors and two of whom are independent.
	7.10.6 (b)	✓	Refer Report of the Audit Committee in page 82.
	7.10.6 (c)	✓	
Related Party Transactions Review Committee	9.2.2	✓	The committee consists of three non-executive directors of which two are independent.
	9.3.2	✓	Refer Report of the Related Party Transactions Review Committee in pages 83 to 84

Compliance to the code of best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Guidelines	Status of Compliance	
The Board		A.1
Frequency of Board Meetings	<ul style="list-style-type: none"> • Meetings of the Board was held every month. • The attendance of Board meetings is described in the table above. 	
Role and responsibility of the Board	<p>The main roles of the Board were:</p> <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. 	
Compliance with applicable law	The Board ensured the Group is compliant with all applicable, rules, laws and regulations.	
Company Secretary	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.	
Other	<ul style="list-style-type: none"> • The Board of Directors are committed in providing independent judgment in the decision- making process. • The Directors attended all Board meetings in person and allocate adequate time and effort in managing the affairs of the group. • 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. 	
<ul style="list-style-type: none"> • Independent judgement • Dedication of adequate time and effort • Training of directors. 		
Chairman and CEO		
Division of responsibilities between the Chairman and CEO	<ul style="list-style-type: none"> • The Chairman holds the responsibility of overseeing the activities the Board. • The executive responsibility of overseeing the business of the company is held by the Managing director. • There is a clear distinction of responsibilities within the Board. 	A.2
Prepare good corporate governance and facilitate effective discharge of Board functions	During the year, the Chairman conducted 12 Board meetings to maintain close contact with the directors. In addition, informal meetings were with non- executive directors whenever necessary.	A.3
Financial Acumen		
Availability of sufficient financial acumen and knowledge.	The Managing Director is a Fellow Chartered Accountant and possess the necessary financial knowledge and expertise to assist the Board in managing the financial matters of the company.	A.4
Board Balance		A.5
The Board should have an adequate number of Directors with a balance of Executive and Non-Executive Directors of sufficient calibre along with independent Directors.	The Board comprises of eleven Executive and Non-Executive Directors.	

Guidelines	Status of Compliance	
Supply of information		
Relevant information and agenda to be circulated in a timely manner to the Board.	The Board papers are circulated a week prior to Board meetings to provide an adequate briefing on relevant information.	A.6
Changes to the Board		
Procedure for appointing the Board of directors.	<ul style="list-style-type: none"> All new appointments are informed to the SEC as per existing regulations. Appointments are undertaken by the Board of directors. 	A.7
Re-election	As per the Articles of Association one third of the Directors are required to retire from office and apply for re-election every year by shareholders.	A.8
Information disclosure to shareholders	All Directors have declared their details on pages 20 to 23 as Director profiles.	A.10
Appraisal of the Board		
Boards should periodically appraise their own performance in order to ensure that responsibilities are discharged in a satisfactory manner	<p>The Board evaluates performance by:</p> <ul style="list-style-type: none"> Assessing the achievement of corporate goals. Evaluating the effectiveness of strategy. Adherence to laws and regulations. Managing stakeholder requirements. 	A.9
The Board is required to assess the performance of the CEO annually.	The CEO is reviewed annually by the Board based on the strategic targets set for the year.	A.11
Directors Remuneration		
Formal and transparent procedure for developing policies on remuneration.	The remuneration committee assists the Board of directors in matters concerning the remuneration of directors and employees of the organization.	B.1
Levels of remuneration	The remuneration levels are aligned to industry standards and comply with statutory labour laws and regulations. We offer an attractive remuneration to motivate and retain Directors, senior management and the employees of the Group.	B.2
Disclosure of Remuneration	<p>The remuneration report can be found in page 81 of the report which explains the adherence to the remuneration policy of the group.</p> <p>The aggregate remuneration paid to Executive and Non executive Directors are disclosed on Page 169.</p>	B.3
Relations with stakeholders		
Constructive use of the Annual General Meeting and conduct of General Meetings	The board encourages the active participation of the shareholders at the Annual general meeting (AGM).	C.1
Communication with shareholders	The company secretary is considered the official contact person for shareholders. However, other processors are also in place to contact the company.	C.2
Major and Material Transactions	There were no transactions during the period under review which are considered as material/ Major as per the companies Act. The report of the Related Party Transactions Review Committee is on the pages 83 to 84.	C.3
Accountability and Audit		
Financial and Business Reporting	The annual reports present a balanced and concise overview of the activities of the Group. It also includes the financial accounts, management reviews and Director reports.	D.1
Risk Management and Internal Control	A sound risk management framework is adopted by the group consisting of policies, internal controls and periodic monitoring. These are described in the risk management section of the report.	D.2

Stewardship

Guidelines	Status of Compliance	
Audit Committee	The activities of the Audit committee are described in page 82	D.3
Related Party Transactions Review Committee	Related Party Transactions Review Committee report on Pages 83 to 84. In addition, the details of related party transactions are described in line with LKAS 24.	D.4
Code of Business Conduct and Ethics	The Board of directors have adopted the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission	D.5
Corporate Governance Disclosures	Adheres to established principles and practices of good Corporate Governance. These are described in the Corporate governance report in page 74.	D.6
Shareholders – Institutional Investors		
Shareholder Voting	All institutional shareholders are encouraged to participate at shareholder meetings and their views are communicated to all concerned.	E.1
Evaluation of Governance Disclosures	The Annual report describes the corporate governance process.	E.2
Investing / Divesting Decision	The Annual report provides all information to support informed decision making. The Annual and quarterly reports are published in the Colombo stock exchange website.	F.1
Shareholder participation in meetings	All shareholders are encouraged to participate at the Annual General Meeting / Extraordinary General Meeting and cast their votes. AGMs are noticed in advance as per Companies Act.	F.2
Internet of Things and Cybersecurity		
The Board should have a process to manage the cyber risks and how the IT devices within and outside the group connect to the organization network.	Designated Chief Information Security Officer (CISO) to manage the IT operations of the group. Cybersecurity risks are managed through a cyber security policy and a robust cyber security risk management process. Further details are described in the risk management report.	G.1
ESG reporting		
The Board is responsible on providing an adequate disclosure of the ESG performance of the group to stakeholders	The Annual reports provides a holistic review of performance. The performance of the various capitals used by the group are described in separate sections of the report.	H.1
ESG governance	Refer page 65 of the report.	H.1

Statement of compliance

The Company has complied with the requirements of the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Section 7: Continuing Listing Rules and Section 9: Related Party Transactions issued by the 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.



Dhammika Perera
Chairman



J A P M Jayasekera
Managing Director

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 149 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.



Mr. S H Amarasekera
Chairman

Remuneration Committee
31st May 2021

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 05 times during the year. The attendance of the members at the meeting is as follows.

Mr. J. D. N. Kekulawala	-	5/5
Dr. S. Selliah	-	5/5
Mr. T. G. Thoradeniya	-	4/5

Functions performed by the Audit Committee

- a. The Committee reviewed the provisional financial statements that were published for financial year 2020/21 and the audited financial statements of financial year 2020/21. 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 2021

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 four meetings during the year the attendance of the members at the meeting is as follows.

- | | |
|------------------------------|-----|
| 1. Dr. S. Selliah - Chairman | 4/4 |
| 2. Mr. J. D. N. Kekulawala | 4/4 |
| 3. Mr. T. G. Thoradeniya | 4/4 |

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 2020/21. 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 2021, 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 164 to 169 of this Annual Report.

Related party Transactions Review Committee 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 2021

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 2021.

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

	2021	2020
	Rs.'000	Rs.'000
Revenue	29,423,381	19,929,709
Profit for the year	4,013,420	414,649

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 101 to 118. 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

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

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

(Appointed w.e.f. 09.10.2020)

Mr. A M Weerasinghe, Dr. S Selliah and Mr. T G Thoradeniya 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.

Mr. S R Jayaweera who was appointed to the Board on 9th October 2020, retires under Article 110 of the Articles of Association, and being eligible, is recommended by the Board of Directors for election.

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 Adhietty

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. S S Sirisena

Mr. Lalit de S Wijeyeratne

Mr. S M Liyanage

Uni Dil Packaging Limited

Mr. Dhammika Perera

Mr. D B Gamalath

Mr. J A P M Jayasekera

Mr. T G Thoradeniya

Mr. S Rajapakshe

Mr. H Somashantha

Dr. N T Bogahalanda

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 H Perera

Mr. J A P M Jayasekera

LWL Development (Pvt) Ltd

Mr. K D A Perera

Mr. J A P M Jayasekera

Swisstek 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 2021 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 169.

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. 1.68 Mn .is payable by the Company to the Auditors for the year under review comprising Rs. 1.39 Mn as audit fees and Rs. 0,29 Mn for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 17th May 2021 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/-.

On 26th March 2021 the Shareholders approved the sub-division of every one (01) Ordinary Share held by a Shareholder in to five (05) Ordinary Shares thereby increasing the total number of issued shares of the Company 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 2021 and 31st March 2020 are as follows.

	Shareholding as at 31/03/2021	Shareholding as at 31/03/2020
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekera	995	199
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	-	-
Mr. M W R N Somaratne	55,000	11,000
Mr. J D N Kekulawala	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-
(Appointed w.e.f 09th October 2020)	-	-

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

Shareholders

There were 12,278 shareholders registered as at 31st March 2021 (11,330 shareholders as at 31st March 2020). The details of distribution are given on page 189 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 188 to 190 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 2021 - 537 persons were in employment (521 persons as at 31st March 2020).

Reserves

The reserves of the Company with the movements during the year are given in Note 13 to the Financial Statements on page 141.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 4,603,885.

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
	31/03/2021	A	R	P	
Head Office	1	1	1	2.1	1,550,310
Meepe Factory	29	25	1	37.2	1,916,307
Total	30	26	2	39.3	3,446,617

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

Dividends

An interim dividend of Rs. 3.60 per share for the year ending 31st March 2021 was paid on 9th December 2020.

A second interim dividend of Rs. 10/- per share for the year ending 31st March 2021 was paid on 17th March 2021.

A third interim dividend of Rs. 3.10 per share for the year ended 31st March 2021 will be paid on 29th June 2021.

Substantial Shareholdings

The Company is controlled by Royal Ceramics Lanka PLC which holds 54.55% (2020 - 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 2021 are given in Notes 5 to the Financial Statements on pages 136 to 137.

Donations

The Company made donations amounting to Rs. 65,790/- in total, during the year under review. (2020 Rs. 885,185/-).

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 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 to the Financial Statements on page 170, 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 171 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 2021.

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 80 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on page 56 of this Report.

Environmental Protection

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

Going Concern

In determining the basis of preparing the financial statements for the year ended 31st March 2021, 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 Fourth (44th) Annual General Meeting appears on page 194.

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 2021
Colombo

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

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

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and 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

recognized in weighing the assurances provided by any system of internal controls and accounting.

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

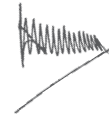
The Audit Committee of your Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the 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 2021

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 2020/21, 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 2021



Securing Value



FINANCIAL STATEMENTS

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Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
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Sri Lanka

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eysl@lk.ey.com
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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 2021, 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 2021, 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
<p>Measurement of the carrying values of Land and Buildings</p> <p>Included within Property, Plant and Equipment and Investment Property are Land and Buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 8,816 Mn and Rs. 814 Mn respectively. The fair values of such land and buildings were determined using independent external valuers engaged by the Group.</p> <p>Fair valuation of Land and Buildings was a key audit matter due to:</p> <ul style="list-style-type: none"> the degree of significant assumptions, judgements and estimation uncertainties associated with such fair valuations which included consideration of the impacts of COVID-19. The fair valuation this year contains higher estimation uncertainties as there were fewer market transactions (as a consequence of the prevailing pandemic), which are ordinarily a strong source of evidence regarding fair value. <p>Key areas of significant assumptions, judgments, and estimates included the estimate of per perch value of land and per square foot value of buildings.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> We evaluated the competence, capability and objectivity of the external valuers engaged by the Group; We read the external valuers' reports and understood the key assumptions, judgments and estimates made and the approach taken by the valuers in determining the valuation; We engaged our internal specialized resources to assist us in assessing the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions, judgements and estimates such as per perch price of Land and per square foot value of Buildings used by the valuers; We discussed with the external valuers and those charged with governance, the external valuers' assumptions, judgments and estimates used by the external valuers and compared the same with relevant published data; and We assessed the adequacy of the disclosures made in Notes 3.1 and 3.8 in the financial statements.

Other information included in the Group's 2021 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.

INDEPENDENT AUDITOR'S REPORT



As part of an audit in accordance with SLAuSS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

31 May 2021
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	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3.1	17,798,601	16,884,149	4,603,885	4,524,000
Consumable biological assets	3.1	630,578	632,177	-	-
Investment Properties	3.8	813,619	816,805	-	-
Intangible assets	4	35,814	37,113	-	-
Investments in subsidiaries	5	-	-	1,276,096	1,276,096
Investments in associates	7	170,000	-	-	-
Long term receivables	6	-	27,285	-	-
Right of use assets	3.9	338,971	389,880	33,785	57,885
		19,787,583	18,787,409	5,913,766	5,857,981
Current assets					
Inventories	8	6,484,986	10,226,419	1,410,768	2,762,580
Trade and other receivables	9	4,246,624	3,875,187	792,031	673,756
Contract Assets	18.3	40,164	38,079	-	-
Amounts due from related parties	10	63,324	48,450	70,690	64,981
Income tax receivable		49,231	30,336	-	-
Short term investments	11	3,877	3,754	3,877	3,754
Cash and cash equivalents	28	3,034,216	413,243	279,697	47,776
		13,922,422	14,635,468	2,557,063	3,552,847
Total assets		33,710,005	33,422,877	8,470,829	9,410,828
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	787,765	787,765	787,765	787,765
Reserves	13	3,541,400	2,850,974	2,057,891	1,812,082
Retained earnings		10,242,050	7,982,331	3,645,057	2,770,701
Shareholders' funds		14,571,215	11,621,070	6,490,713	5,370,548
Non controlling interest		4,823,606	3,936,582	-	-
Total equity		19,394,821	15,557,652	6,490,713	5,370,548
Non-current liabilities					
Interest bearing liabilities	14	2,572,712	2,765,040	39,922	72,735
Deferred tax liabilities	15	1,879,638	2,421,476	623,783	967,884
Retirement benefit liability	16	1,071,475	975,933	173,041	142,902
Deferred income & Capital grants	17	118,995	122,832	-	-
		5,642,820	6,285,281	836,746	1,183,521
Current liabilities					
Trade and other payables	18	4,034,728	2,785,122	635,763	483,266
Contract liability	18.3	85,407	14,843	30,350	-
Income tax liabilities		497,320	45,924	201,192	12,839
Amounts due to related parties	19	85,957	90,903	79,878	146,043
Current portion of interest bearing liabilities	14	3,968,952	8,643,152	196,187	2,214,611
		8,672,364	11,579,944	1,143,370	2,856,759
Total equity and liabilities		33,710,005	33,422,877	8,470,829	9,410,828

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. Jayasekera
Managing Director

Dhammika Perera
Chairman

The accounting policies and notes on pages 101 to 180 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 March	Note	Group		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Revenue from contracts with customers	20	29,423,381	19,929,709	5,988,521	3,493,619
Cost of Sales		(20,187,348)	(15,144,779)	(3,922,084)	(2,537,014)
Gross Profit		9,236,033	4,784,930	2,066,437	956,605
Other Income	21	231,906	165,489	823,986	36,823
Change in fair value of investment property	3.8	(3,186)	-	-	-
Distribution Costs		(2,700,250)	(1,921,242)	(751,723)	(528,567)
Administrative Expenses		(1,332,036)	(1,055,957)	(211,242)	(185,660)
Other Operating Expenses		(100,951)	-	(40,989)	-
Finance Cost	22	(769,888)	(1,171,381)	(130,938)	(220,077)
Finance Income	23	20,814	1,837	-	-
Profit Before Tax	24	4,582,442	803,676	1,755,531	59,124
Income Tax Expense	25	(569,022)	(389,027)	(138,013)	(21,099)
Profit for the Year		4,013,420	414,649	1,617,518	38,026
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	(29,951)	(35,285)	(10,305)	(9,970)
Deferred tax on components of other comprehensive income	25	234,531	6,801	197,882	2,792
"Net Other Comprehensive Income/ (Loss) that will not be reclassified to profit or loss in subsequent periods"		910,974	(28,484)	237,388	(7,178)
Net Other Comprehensive Income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Foreign currency translation differences of foreign operations		618	(305)	-	-
Net Other Comprehensive Income/ (Loss) that may be reclassified to profit or loss in subsequent periods		618	(305)	-	-
Other Comprehensive Income/(Loss) for the Year, net of tax		911,592	(28,789)	237,388	(7,178)
Total Comprehensive Income for the Year, net of tax		4,925,012	385,860	1,854,906	30,848
Profit attributable to :					
Equity holders of the parent		2,960,211	405,115	1,617,518	38,026
Non controlling interest		1,053,209	9,534	-	-
Profit for the year		4,013,420	414,649	1,617,518	38,026
Total comprehensive income attributable to :					
Equity holders of the parent		3,628,176	386,307	1,854,906	30,848
Non controlling interest		1,296,836	(447)	-	-
Total Comprehensive Income for the Year		4,925,012	385,860	1,854,906	30,848
Adjusted Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	26	10.84	1.48	5.92	0.14

The accounting policies and notes on pages 101 to 180 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

	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 2019	787,765	2,850,974	7,602,815	11,241,554	3,943,553	15,185,107
Adjustments on initial application of SLFRS - 16			(6,791)	(6,791)	(6,524)	(13,315)
Profit for the Year	-	-	405,115	405,115	9,534	414,649
Other Comprehensive Income	-	-	(18,808)	(18,808)	(9,981)	(28,789)
Total Comprehensive Income	-	-	386,307	386,307	(447)	385,860
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 31 March 2021	787,765	3,541,400	10,242,050	14,571,215	4,823,606	19,394,821
COMPANY						
Balance as at 01 April 2019			787,765	1,812,082	2,739,853	5,339,700
Profit for the Year			-	-	38,026	38,026
Other Comprehensive Income			-	-	(7,178)	(7,178)
Total Comprehensive Income			-	-	30,848	30,848
Balance as at 1st 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 31 March 2021			787,765	2,057,891	3,645,057	6,490,713

The accounting policies and notes on pages 101 to 180 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	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		4,582,442	803,677	1,755,531	59,124
Depreciation & amortisation	24	1,010,341	960,034	184,107	182,010
Amortisation of right of use Lease Assets	3.9	93,354	66,250	24,100	19,967
Income from investments		-	-	(747,572)	-
Profit/ (loss) on sale of property, plant & equipment	21	(7,668)	197	(763)	51
Finance income	23	(20,814)	(1,837)	-	-
Finance costs	22	769,888	1,171,381	130,938	220,077
Provision for retirement benefit obligations	16	177,947	167,210	26,551	23,113
Capital expenditure written off		43,145	14,878	-	-
Allowance/ (reversal) for obsolete and slow moving inventories	8	72,134	27,723	8,100	-
Allowance for impairment of trade receivable	9	47,319	23,581	5,000	1,300
Deferred income / capital grants amortisation	17	(7,386)	(6,800)	-	-
Changing in fair value of biological assets		(75)	(39,824)	-	-
Fair value in investment property	3.8	3,186	-	-	-
Foreign exchange (gain)/ loss		(17,960)	(3,766)	-	-
Write off/(Write back) of inventories	8	(21,542)	8,831	(5,368)	3,459
Operating profit/(loss) before working capital changes		6,724,311	3,191,535	1,380,624	509,101
Working capital adjustments:					
(Increase)/decrease in inventories		3,695,479	(1,946,054)	1,349,084	(541,432)
(Increase)/decrease in trade and other receivables		(420,842)	(41,495)	(123,275)	139,833
(Increase)/decrease in due from related parties		(14,874)	(11,434)	(5,709)	7,775
Increase/(decrease) in due to related parties		(4,946)	(9,710)	(66,164)	(45,334)
Increase /(decrease) in trade and other payables		1,317,232	(423,119)	182,846	(183,466)
Increase/(decrease) in investments		(123)	(254)	(123)	(254)
Cash generated from/(used in) operations		11,296,237	759,469	2,717,283	(113,777)
Interest received		20,814	1,837	-	-
Finance costs paid		(753,037)	(1,131,143)	(130,938)	(220,077)
Retirement benefit plan costs paid	16	(113,724)	(111,839)	(6,717)	(8,926)
Income tax paid		(406,035)	(171,791)	(95,882)	(35,426)
Net cash flows from/(used in) operating activities		10,044,255	(653,467)	2,483,746	(378,206)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	3	(1,149,262)	(1,054,219)	(219,239)	(184,394)
Acquisition of Intangible assets	4.2	(1,527)	(13,673)	-	-
Acquisition of plantation assets	3	(123,101)	(154,988)	-	-
Investment in Associate	7	(170,000)	-	-	-
Proceeds from sale of property, plant & equipment		14,995	4,914	5,822	2,932
Dividend Income		-	-	747,572	-
Net cash flows from/(used in) investing activities		(1,428,895)	(1,217,966)	534,155	(181,462)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained	14	14,048,935	12,825,892	1,871,175	2,449,348
Repayment of interest bearing borrowings	14	(16,848,633)	(11,944,667)	(3,138,018)	(2,186,449)
Repayment of Lease liability		(66,543)	(52,323)	(23,508)	(17,915)
Dividends paid - on Ordinary Shares	25	(742,560)	-	(742,560)	-
Dividend paid to non controlling interest		(356,373)	-	-	-
Dividend write back		11,090	-	7,819	-
Capital grants received	17	3,550	3,904	-	-
Net cash flows from/(used in) financing activities		(3,950,534)	832,806	(2,025,092)	244,984
Net increase/(decrease) in cash and cash equivalents		4,664,826	(1,038,626)	992,809	(314,683)
Foreign exchange difference arising on translation of foreign operation		618	(305)	-	-
Cash and cash equivalents at the beginning of the year	28	(2,394,967)	(1,356,035)	(769,298)	(454,614)
Cash and cash equivalents at the end of the year	28	2,270,477	(2,394,967)	223,511	(769,298)

The accounting policies and notes on pages 101 to 180 form an integral part of the 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 authorization for issue

The Financial Statement of Lanka Walltiles PLC and its Subsidiaries for year ended 31 March 2021 was authorized for issue in accordance with a resolution of the Board of Directors.

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.

The Board is confident that the Group has the resources and capability to withstand the negative effects and uncertainties created by the Covid-19 Pandemic. The Group Management is closely monitoring and taking the necessary steps to manage and minimize the potential downside risks to the operation due to the COVID – 19 pandemic

2.1.4 Changes in accounting policies and disclosure

New and amended standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a) Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future

periods should the Company enter into any business combinations.

b) Amendments to LKAS 1 and LKAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Group.

c) Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship,

prudence and measurement uncertainty in financial reporting.

These amendments had no impact on the financial statements of the Group.

2.1.5 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.

2.1.6 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021.

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

2.1.6.1 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.

2.1.6.2 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.

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

c) Fair value of Freehold Land and Buildings 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 recognized 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 summarized 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 9.2)

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 (f) 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 summarized in the Note 3.1(g) and 13.1 to the financial statements.

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for

identical assets or liabilities

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

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

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

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

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

2.3.3 Taxation

Current taxes

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

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

Deferred taxation

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination

and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and the carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

Sales tax

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

2.3.4 Borrowing costs

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

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

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

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

2.3.5 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost 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, Swisstek Aluminium Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

Goods in transit

At actual cost

Harvest Crops – Refer note 2.4.4

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.

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

Derecognition

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

2.3.7 Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the 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 are 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;
 - I. The Group has right to operate the asset ; or
 - II. 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.

a) Group as the Lessee

The Group applies a single recognition and measurement

approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right 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 different 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 recognized if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at

the date when the construction or development is complete.

Subsequent measurement

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

Investment properties are derecognized 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 recognized 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 recognized in profit or loss and actuarial gain or loss is recognized in other comprehensive income.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2021.

Funding Arrangements

The Gratuity liability is not externally funded.

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

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the statement of income as incurred.

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

2.3.12 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 recognize 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.

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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 recognized 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 the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods.

c) Sale of timber with installation services

The supply of timber is recognised at the point of deliver 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 recognized 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.

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 3.1.(d) and (e).
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per

LKAS 41 - Agriculture.

- Liability for Retirement Benefit Obligation is recognized 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 capitalized and amortized 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

NOTES TO THE FINANCIAL STATEMENTS

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 fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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.

The main variables in DCF model concerns

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

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 capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized 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 capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

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

Produce on Bearer Biological Asset

The Company recognizes 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 recognized 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."

Non-Harvested Produce on Bearer Biological Asset

The Company recognizes 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 recognized 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, amortization 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 realizable value, after making due allowance for obsolete and slow moving items. Net realizable 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, Meserss. Actuarial Management Consultants (Private) Limited as at 31.03.2021.

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 recognized 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 recognized 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 recognized in the Statement of comprehensive Income in the year which it is receivable.

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

2.4.7 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 2021

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.

a) Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

b) Amendments to SLFRS 16 – COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

c) Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

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

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

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

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

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

In March 2021, the ICASL adopted amendments to LKAS 16–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.

f) Amendments to SLFRS 3:

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.

3. PROPERTY, PLANT & EQUIPMENT

3.1 GROUP

	Balance as at 01.04.2020	Revaluations	Additions	Disposals/ Transfers	Balance as at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

a) Gross Carrying Amounts

At Cost					
Buildings on leasehold Land	363,505	-	8,017	-	371,522
Plant and Machinery	10,110,827	-	551,562	1,664	10,664,053
Water Supply, Electricity Distribution Scheme	624,974	-	24,031	-	649,005
Tools, Implements, Furniture & Fittings and Electrical Appliances	895,035	-	212,128	(3,344)	1,103,819
Transport & Communication Equipment	608,793	-	24,401	(16,918)	616,276
Total	12,603,134	-	820,139	(18,598)	13,404,675

	Balance as at 01.04.2020	Revaluations	Additions	Disposals/ Transfers	Balance as at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

At Valuation

Freehold Land	4,811,265	174,929	11,097	-	4,997,291
Buildings	3,513,053	531,465	110,018	(336,127)	3,818,409
Total	8,324,318	706,394	121,115	(336,127)	8,815,700

	Balance as at 01.04.2020	Additions	Disposals/ Transfers	Balance as at 31.03.2021	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
In the Course of Construction					
Capital Work In Progress - Buildings & Others	375,717	-	552,564	(347,826)	580,455
	375,717	-	552,564	(347,826)	580,455
Total	21,303,169	706,394	1,493,818	(702,551)	22,800,830

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3. PROPERTY, PLANT & EQUIPMENT CONTD.

b) Depreciation

	Balance as at 01.04.2020 Rs.'000	Revaluations Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2021 Rs.'000
At Cost					
Buildings on leasehold Land	131,311	-	11,801	-	143,112
Plant and Machinery	4,824,247	-	608,345	(12,647)	5,419,945
Water Supply, Electricity Distribution Scheme	344,507	-	41,400	-	385,907
Tools, Implements, Furniture & Fittings and Electrical Appliances	646,587	-	93,155	(3,082)	736,660
Transport & Communication Equipment	438,982	-	29,136	4,450	472,568
Total	6,385,634	-	783,837	(11,279)	7,158,192
At Valuation					
Buildings	242,327	-	93,800	(336,127)	-
	242,327	-	93,800	(336,127)	-
Total	6,627,961	-	877,637	(347,406)	7,158,192

c) Net book value of assets

	31.03.2021 Rs.'000	31.03.2020 Rs.'000
At Valuation		
Freehold Land	4,997,291	4,811,265
Buildings	3,818,409	3,270,726
At Cost		
Buildings on leasehold Land	228,410	232,194
Plant and Machinery	5,244,108	5,286,581
Water Supply, Electricity Distribution Scheme	263,098	280,467
Tools, Implements, Furniture & Fittings and Electrical Appliances	367,159	248,448
Transport & Communication Equipment	143,708	169,811
	15,062,183	14,299,491
Capital Work in Progress	580,455	375,717
Net Book Value	15,642,638	14,675,208

(d) Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversification	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	31.03.2021	31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Immature Plantations						
Cost or Valuation :						
Opening Balance	97,210	180,563	122,290	122,993	523,056	519,828
Additions	17,477	26,527	34,602	35,763	114,369	145,175
Transfers from Immature	(27,000)	(81,436)	(75,471)	(23,336)	(207,243)	(128,124)
Write off during the year	-	(11,618)	(17,028)	(7,519)	(36,165)	(13,823)
At the end of the year	87,687	114,036	64,393	127,901	394,017	523,056
Mature Plantations						
Cost or Valuation :						
Opening Balance	841,897	1,462,470	116,537	95,622	2,516,527	2,401,741
Transfers from Immature	27,000	81,436	75,471	23,336	207,243	128,124
Disposal during the year	-	(19,759)	-	-	(19,759)	(6,436)
Write off during the year	-	-	-	-	-	(6,902)
At the end of the year	868,897	1,524,147	192,008	118,958	2,704,011	2,516,527
Amortisation :						
At the beginning of the year	239,700	555,002	14,491	21,448	830,642	714,641
Charge for the year	30,830	81,237	5,827	11,985	129,879	128,503
Disposal during the year	-	(18,449)	-	(7)	(18,456)	(6,313)
Write off during the year	-	-	-	-	-	(6,189)
At the end of the year	270,530	617,790	20,318	33,426	942,065	830,642
Carrying Amount	5,98,367	906,357	171,690	85,532	1,761,946	1,685,885
Total Bearer Biological Assets	686,054	1,020,393	236,083	213,433	2,155,963	2,208,941

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

	31.03.2021	31.03.2020
	Rs.'000	Rs.'000
Immature Plantations		
Cost :		
At the beginning of the year	44,273	36,211
Additions	8,730	9,814
Transfers to Mature Plantations	(1,135)	(1,734)
Transferred to Statement of Profit or Loss	(2,404)	(19)
At the end of the year	49,464	44,272
Mature Plantations		
Cost :		
At the beginning of the year	587,904	549,707
Decrease due to Harvest	(40,015)	(16,867)
Increase due to new plantations	1,135	1,734
Change in Fair Value less costs to sell	32,090	53,331
At the end of the year	581,114	587,905
Total Bearer Biological Assets	630,578	632,177

(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 2021 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs.49.464 Million as at 31st March 2021. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.A.A.M.Fathihu-proprietor of FM Valuers for 2020/21 using Discounted Cash Flow (DFC) method. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure

Discounted rates used by the Valuer are within the range of 14%-16%.

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.

		-5%		5%
Managed Timber	2021	Rs. 552.05 Mn	Rs. 581.11 Mn	Rs. 610.17 Mn

Sensitivity Variation on Discount Rate

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

		-1%		1%
Managed Timber	2021	Rs. 604.49 Mn	Rs. 581.11 Mn	Rs. 560.33 Mn

(g) Capitalisation of borrowing cost

Borrowing costs amounting to Rs.41.390 Million (Rs.59.732 Million in 2019/20) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 9.15% (12.72% in 2019/20).

(h) Net book value of assets

	2021	2020
	Rs.'000	Rs.'000
Property, plant and equipment [3.1 (c)]	15,642,638	14,675,208
Bearer Biological Assets [3.1 (d)]	2,155,963	2,208,941
Total	17,798,601	16,884,149

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

- (i) Fixed assets include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 2,667.23 Mn (2020- Rs. 2,620.01 Mn)
- (j) During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs. 1,273.78 Mn (2020- Rs. 1,222.68 Mn). Cash payments amounting to Rs. 1,273.78 Mn (2020 - Rs. 1,222.68 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 asset 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 Tiles PLC	Factory Premises , Jaltara , Ranala	28A-02R-32.69P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 50,000/- to 120,000/- per perch	517,878
	Factory Premises , Jaltara , Ranala	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 approach	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
	Ball Clay Land Kalutara'	5A-01R-0.83P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 10,000/- per acre	53
	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
	Bare Land Henpola road Madampe	13A-00R-02P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 3,300,000/- per acre	42,900
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

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
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
	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., Weliweriya	84.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 525,000/- 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., Weliweriya	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	A.11 - R.1-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 sq.ft	559,398

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

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

	2021 Years	2020 Years
Non plantation assets		
Buildings	25-50	25-50
Plant and machinery	08-20	08-20
Permanent Land Development Cost	40	40
Tools, implements, furniture, fittings and electrical appliances	2-10	2-10
Transport & 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

No depreciation is provided for immature plantations.

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

	Group				Company			
	Cost	Accumulated	Net	Net	Cost	Accumulated	Net	Net
	2021 Rs. 000	2021 Rs. 000	Carrying Amount 2021 Rs. 000	Carrying Amount 2020 Rs. 000	2021 Rs. 000	2021 Rs. 000	Carrying Amount 2021 Rs. 000	Carrying Amount 2020 Rs. 000
Freehold Land	2,056,753	-	2,056,753	2,045,656	459,928	-	459,928	448,831
Building	3,576,710	(648,404)	2,928,306	2,947,850	683,317	(235,195)	448,122	432,070
Total	5,633,463	(648,404)	4,985,059	4,993,506	1,143,245	(235,195)	908,050	880,901

3. PROPERTY, PLANT & EQUIPMENT CONTD.

3.3 Property, Plant & Equipment

COMPANY	Balance as at 01.04.2020	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2021
Gross Carrying Amounts	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Plant and Machinery	2,154,887	111,372	-	14,329	2,280,588
Water Supply, Electricity Distribution Scheme	149,987	2,171	-	-	152,158
Tools, Implements, Furniture & Fittings and Electrical Appliances	209,921	25,021	-	(2,315)	232,627
Transport & Communication Equipment	172,541	-	-	(26,128)	146,413
Total	2,687,336	138,564	-	(14,114)	2,811,786
	Balance as at 01.04.2020	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2021
At Valuation	Rs.'000	Rs.'000		Rs.'000	Rs.'000
Freehold Land	2,567,804	11,097	(144,912)	-	2,433,989
Buildings	861,719	37,318	194,723	(61,133)	1,032,627
Total	3,429,523	48,415	49,811	(61,133)	3,466,616
In the Course of Construction	Balance as at 01.04.2020	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capital Work In Progress Plant & Machinery and Building	47,570	158,693	-	(126,433)	79,830
	47,570	158,693	-	(126,433)	79,830
Total	6,164,429	345,672	49,811	(201,680)	6,358,232

NOTES TO THE FINANCIAL STATEMENTS

	Balance as at 01.04.2020	Addition	Revaluations	Disposals/ Transfers/ Write-off	Balance as at 31.03.2021
	Rs.'000	Rs.'000	Rs.000	Rs.'000	Rs.'000
Depreciation					
At Cost					
Plant and Machinery	1,234,165	130,768	-	(2,060)	1,362,872
Water Supply, Electricity Distribution Scheme	100,805	6,502	-	-	107,307
Tools, Implements, Furniture & Fittings and Electrical Appliances	158,236	19,286	-	(2,235)	175,287
Transport & Communication Equipment	107,355	6,286	-	(4,760)	108,881
Total	1,600,561	162,841	-	(9,055)	1,754,347
At Valuation					
Buildings	39,867	21,266	-	(61,133)	-
	39,867	21,266	-	(61,133)	-
Total	1,640,428	184,107	-	(70,188)	1,754,347

3.4 Net Book Value of Assets

	2021 Rs.'000	2020 Rs.'000
At Valuation		
Freehold Land	2,433,989	2,567,804
Buildings	1,032,627	821,852
At Cost		
Plant and Machinery	917,716	920,721
Water Supply, Electricity Distribution Scheme	44,851	49,181
Tools, Implements, Furniture & Fittings and Electrical Appliances	57,340	51,686
Transport & Communication Equipment	37,532	65,186
	4,524,055	4,476,430
Capital Work in Progress	79,830	47,570
Total	4,603,885	4,524,000

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 at Mawathgama and Galagedara Village	A25-R1-P37.16	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	Rs. 250,000/- per perch	1,019,290
	A23-R1-P24.16	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. which is disclosed in Note 3.10 under Right of use Assets.

3.6 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 219.24 Mn (2020 - Rs.184.4 Mn). Cash payments amounting to Rs.219.24 Mn (2020 - Rs.184.4 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. 907.19 Mn (2020 - Rs.841.90 Mn) which are still in use.

NOTES TO THE FINANCIAL STATEMENTS

3.8 Investment property

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Opening balance	816,805	816,805	-	-
Addition	-	-	-	-
Net fair value gain recognised in profit or loss	(3,186)	-	-	-
Closing balance	813,619	816,805	-	-

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 2020/21 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 2021	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 2021	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 2021	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 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.70,000/- per Perch	475
	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.5,000,000/- per Acre	21,746
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-45 P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.200,000/- per Perch	9,000
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.50,000/- per Perch	345
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	House	981.sq.ft	31 March 2021	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.4,000/- per sq.ft	3,924
	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	House	981.sq.ft	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.4,000/- per sq.ft	3,924

Significant increases/(decreases) in estimated price per perch/price per square foot 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 Group's right if use assets and liabilities and the movements during the period.

	Land Rs. 000	Building Rs. 000	Total Rs. 000
Right of Use Asset			
As at 1 April 2019	11,681	34,702	46,383
Additions	-	31,469	31,469
Less: Amortization Expense	(487)	(19,480)	(19,967)
As at 31 March 2020	11,194	46,691	57,885
As at 1 April 2020	11,194	46,691	57,885
Additions	-	-	-
Less: Amortization Expense	(487)	(23,613)	(24,100)
As at 31 March 2021	10,707	23,078	33,785
Lease Liability			
As at 1 April 2019	-	34,702	34,702
Additions	-	31,469	31,469
Interest Expense	-	4,520	4,520
Less: Payments	-	(22,434)	(22,434)
As at 31 March 2020	-	48,257	48,257
As at 1 April 2020	-	48,257	48,257
Interest Expense	-	4,526	4,526
Less: Payments	-	(28,034)	(28,034)
As at 31 March 2021	-	24,749	24,749

*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 if use assets and liabilities and the movements during the period.

	Land	Building	Land Plantation	Equipment	Motor Vehicles and Accessories	Immovable Estate Assets	Total
	(Note 3.10)					(Note 3.10)	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Right of Use Asset							
As at 1 April 2019	17,597	115,402	101,385	5,612	467	39,926	280,389
Remeasurement of leasehold right on initial application of SLFRS 16	-	-	61,001	-	-	-	61,001
Additions	-	114,740	-	-	-	-	114,740
Less: Amortization Expense	(1,275)	(50,032)	(6,125)	(1,052)	(467)	(7,299)	(66,250)
As at 31 March 2020	16,322	180,110	156,261	4,560	-	32,627	389,880
As at 1 April 2020	16,322	180,110	156,261	4,560	-	32,627	389,880
Remeasurement of leasehold right.	-	10,840	3,495	-	-	-	14,335
Additions	-	28,110	-	-	-	-	28,110
Less: Amortization Expense	(1,275)	(77,012)	(6,293)	(1,403)	-	(7,371)	(93,354)
As at 31 March 2021	15,046	142,048	153,463	3,157	-	25,256	338,971
Lease Liability							
As at 1 April 2019	5,916	107,902	88,066	5,372	-	-	207,256
Remeasurement of leasehold right on initial application of SLFRS 16	-	-	67,661	-	-	-	67,661
Adjusted balance as at 1st April 2019	5,916	107,902	155,727	5,372	-	-	274,917
Interim remeasurement of right-of-use asset as at 1st July 2019	-	-	6,659	-	-	-	6,659
Additions	-	114,740	-	-	-	-	114,740
Interest Expense	682	15,256	21,331	681	-	-	37,950
Less: Payments	(1,200)	(59,846)	(27,406)	(1,819)	-	-	(90,271)
As at 31 March 2020	5,398	178,052	156,312	4,234	-	-	343,996
As at 1 April 2020	5,398	178,052	156,312	4,234	-	-	343,996
Remeasurement of leasehold right.	-	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	4,815	153,129	159,032	2,926	-	-	319,901

*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.

The following are the amounts recognised in profit or loss:

	Group		Company	
	2021	2020	2021	2020
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Amortization expense of right-of-use assets	93,354	66,250	24,100	19,967
Interest expense on lease liabilities	44,729	37,950	4,526	4,520
Expense relating to short-term leases (included in cost of sales)	38,937	30,429	14,313	6,630
Total amount recognised in profit or loss	177,020	134,629	42,939	31,117

Useful lives of Right of Use Lease Asset are estimated at the range of 2-30 years.

	Group		Company	
	2021	2020	2021	2020
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Lease Liability -Current	31,666	75,888	5,660	23,438
Payable With in One to Five Years	128,370	102,873	19,089	24,819
Payable after Five Years	159,866	165,235	-	-
	319,902	343,996	24,749	48,257

- 3.9.1** The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of Horana Plantations PLC.(HPPLC), as at 22nd June 1992, immediately after formation of HPPLC, in terms of the opinion obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs.204.931 Mn. being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of HPPLC.
- 3.9.2** In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor(JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of HPPLC.
- 3.9.3** Investments in Bearer Biological assets which were immature, at the time of handing over to HPPLC by way of estate lease, are shown under Bearer Biological assets - immature (Revalue as at 22.06.1992). Further investments in such a bearer biological assets (Immature to bring them to maturity are shown under “ Note 3.1 (d) Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.1 (d) - Bearer Biological assets Immature plantations) to Note 3.1 (d) - Bearer Biological assets Mature Plantations) shown under Note 3.1(d) and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

NOTES TO THE FINANCIAL STATEMENTS

3.10 Right of use - Land

	Group	
	2021	2020
	Rs. 000	Rs. 000
Capitalised Value : As at 22.06.1992	204,931	204,931
Net book value carried forward as at 1st April	156,261	101,385
Remeasurement of leasehold right on initial application of SLFRS 16	-	54,342
Adjusted Net book value as at 1st April	156,261	155,727
Remeasurement of leasehold right as at 1st July	3,495	6,659
	159,756	162,386
Amortization		
Charge for the year	6,293	6,125
Amortisation as at 31st March	6,293	6,125
Carrying Amount as at 31st March	153,463	156,261

The Right of Use Asset of Land consist of the lease rights on Janatha Estates Development Board / Sri Lanka State Plantations Corporation Estates and Land located in Dumbara Estate. This right to use asset is amortized over the remaining lease period of 25 years.

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

	Bearer Biological Assets (Mature)	Permanent Land Development Costs	Buildings	Plant & Machinery	Total as at 31.03.2021	Total as at 31.03.2020
	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	182,612	3,585	47,173	6,818	240,188	232,889
Charge for the year	7,230	141	-	-	7,371	7,299
At the end of the year	189,842	3,726	47,173	6,818	247,559	240,188
Carrying Amount :						
As at 31.01.2021	24,968	288	-	-	25,256	
As at 31.03.2020	32,198	429	-	-		32,627

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 recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

	2021	2020
	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 2% growth rate in the cash flow beyond the Seven-year period

4.2 Intangible Assets

	2021	2020
	Rs.'000	Rs.'000
Software		
Balance as at 1 April	12,594	-
Additions	1,527	13,673
Amortisation charge	(2,826)	(1,079)
Balance as at 31 March	11,295	12,594
As at 31 March 2021		
Cost	15,200	13,673
Accumulated amortisation	(3,905)	(1,079)
Net book amount	11,295	12,594

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENTS IN SUBSIDIARIES

Company	Number of Shares		Holding		Cost	Market Value/ Directors' Valuation*	Cost	Market Value/ Directors' Valuation*
	2021	2020	2021	2020	2021	2021	2020	2020
	'000	'000	%	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000
5.1 Subsidiary								
a) Quoted								
Lanka Tiles PLC	180,945	36,189	68.22	68.22	935,958	6,722,107	935,958	1,813,069
Swisstek (Ceylon) PLC	15,706	3,141	11.48	11.48	41,247	339,255	41,247	84,814
Total Quoted Investment in Subsidiary					977,205	7,061,362	977,205	1,897,883
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	0.001	-	0.001	-
LW Plantation Investment Limited	0.001	-	100.00	-	0.001	-	-	-
Total Non-quoted Investments in Subsidiaries					298,891	298,891	298,891	298,891
Total Net Carrying Value of Investments in Subsidiaries					1,276,096		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 2021 directly or indirectly (Group) are set out below:

Name of Company	Effective Percentage of share holding in subsidiaries				Principal activities of the company	Auditors
	Group		Company			
	2021	2020	2021	2020		
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) Fairlawn Power (Pvt) Ltd	27.54	27.54	-	-	Mini hydro power project	M/s KPMG
5) Uni-Dil Packaging Ltd	100.00	100.00	-	-	Manufacture and sale of cartons for packing	M/s KPMG
6) Uni-Dil Packaging Solutions Ltd	100.00	100.00	-	-	Manufacture and sale of paper sacks for packing	M/s KPMG
7) Swisstek (Ceylon) PLC	59.28	59.28	11.48	11.48	Manufacture and sale of tile grout and tile mortar.	M/s KPMG
8) Swisstek Aluminium Ltd	51.81	51.81	-	-	Manufacture and sale of aluminium extrusions	M/s. Ernst & Young
9) LWL Development (Pvt) Ltd	100.00	100.00	100.00	100.00	Property Holding Company	M/s. Ernst & Young
10) Beyond Paradise Collection Ltd	68.22	68.22	-	-	Property Holding Company	M/s. Ernst & Young
11) Lankatiles (Pvt) Ltd (Foreign Subsidiary)	34.79*	34.79	-	-	Property Holding Company	M/s. K S Muralidhar
12) LTL Development Ltd	68.22	68.22	-	-	Property Holding Company	M/s. Ernst & Young
13) Swisstek Development Ltd	59.28	59.28	-	-	Property Holding Company	M/s KPMG
14) LW Plantation Investment Ltd	100.00	100.00	100.00	100.0	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.

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

NOTES TO THE FINANCIAL STATEMENTS

6 LONG TERM RECEIVABLES

	GROUP	
	2021 Rs.'000	2020 Rs.'000
Advance company tax receivable	-	27,285
Total	-	27,285

7 INVESTMENTS IN ASSOCIATES

Group	Holding		Carrying Value	
	2021 %	2020 %	2021 Rs.000	2020 Rs.000
Non-quoted Investments				
C P Holdings (Private) Limited	35.39%	-	170,000	-

Movement in Investments in Associates

Group	Group		Company	
	2021 Rs.000	2020 Rs.000	2021 Rs.000	2020 Rs.000
As at the beginning of the year	-	-	-	-
Investment	170,000	-	-	-
As at end of the year	170,000	-	-	-

During the year 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.

CP Holdings (pvt) Ltd

Summarised Statement of financial position

As at 31 March	2021 Rs.000	2020 Rs.000
Current Assets	22,216	-
Non current assets	326,966	-
Current liabilities	9,323	-
Non current liabilities	-	-
Net Assets	339,859	-

8 INVENTORIES

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Raw materials	3,267,168	2,772,694	284,007	223,646
Work in progress	278,773	314,782	29,425	41,850
Finished goods	2,104,550	6,194,473	633,037	2,093,956
Goods in transit	144,232	360,221	-	908
Consumables and spares	698,118	577,558	504,324	434,145
Harvested crops	206,306	153,484	-	-
Non-harvested produce on bearer biological assets	7,999	3,361	-	-
Shading Tree Nurseries	128	-	-	-
Allowances for obsolete and slow moving spares	(222,288)	(150,154)	(40,025)	(31,925)
Total	6,484,986	10,226,419	1,410,768	2,762,580
Write off/(Write back) during the year	(21,542)	8,831	(5,368)	3,459

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade debtors - related parties (9.1)	23,507	29,484	7,018	2,384
- Other	3,188,037	2,857,531	606,185	492,317
	3,211,544	2,887,015	613,203	494,701
Less: Allowances for doubtful debts	(118,034)	(70,715)	(11,070)	(6,070)
	3,093,510	2,816,300	602,133	488,631
Advance and prepayments	611,210	746,068	157,255	112,981
Other debtors & VAT Receivable	506,623	274,308	29,990	62,136
Loans to company officers	35,281	38,511	2,653	10,008
Total	4,246,624	3,875,187	792,031	673,756

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Allowances for doubtful debts				
Opening Balance as at 1 April	70,715	47,134	6,070	4,770
Provided during the year	47,319	23,581	5,000	1,300
Utilised/reversed during the year	-	-	-	-
Closing balance as at 31 March	118,034	70,715	11,070	6,070

NOTES TO THE FINANCIAL STATEMENTS

9.1 Trade debtors - related parties

Company	Relationship	Group		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	6,933	-
Lanka Ceramic PLC	Affiliated Company	19	4	-	-
Royal Ceramics Lanka PLC	Parent Company	22,221	22,798	-	1,504
Rocell Bathware Ltd	Affiliated Company	913	380	-	-
Singer Sri Lanka PLC	Affiliated Company	-	152	-	-
The Kingsbery PLC	Affiliated Company	-	40	-	-
Swistek Aluminium Ltd	Subsidiary Company	-	-	-	142
Swistek Ceylon PLC	Subsidiary Company	-	-	-	572
Uni Dil Packaging (Pvt) Ltd	Subsidiary Company	-	-	3	3
MN Properties (Pvt) Ltd	Affiliated Company	81	162	82	163
Delmage Forsyth & Co.Ltd	Affiliated Company	50	3,933	-	-
Hayleys Agriculture Holdings Limited	Affiliated Company	-	391	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	223	76	-	-
Kelani Valley Plantations PLC	Affiliated Company	-	1,500	-	-
Talawakelle Tea Estates PLC	Affiliated Company	-	48	-	-
Total		23,507	29,484	7,018	2,384

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

Company	Neither past due nor impaired Rs.'000	Past due but not impaired			Impaired Rs.'000	Total Rs.'000
		< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000		
2021	545,985	4,125	36,795	15,229	11,069	613,203
2020	264,175	101,680	100,759	24,491	3,596	494,701

Group	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		
2021	2,558,770	390,400	93,878	52,012	116,486	3,211,544
2020	1,339,255	1,021,578	425,979	87,316	31,471	2,887,015

10 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	Group		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Lanka Ceramic PLC	Affiliated Company	2,210	834	-	-
Swisstek Aluminium Ltd	Subsidiary company	-	-	-	47,682
Rocell Bathware Limited	Affiliated Company	12,286	5,299	2,287	1,475
LWL Development (Pvt) Ltd	Subsidiary company	-	-	15,825	15,824
LW Plantation Investment Ltd	Subsidiary company	-	-	52,578	-
Royal Ceramics Lanka PLC	Parent Company	48,828	42,155	-	-
Nilano Garments (Pvt) Ltd	Affiliated Company	-	162	-	-
Total		63,324	48,450	70,690	64,981

11 SHORT TERM INVESTMENTS

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Deposit of Tsunami donations	3,877	3,754	3,877	3,754
Total	3,877	3,754	3,877	3,754

12 STATED CAPITAL

12.1 Issued & fully paid

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 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	
	2021 '000	2020 '000	2021 '000	2020 '000
Balance at the beginning of the year	54,600	54,600	54,600	54,600
Share Split	218,400	-	218,400	-
Balance at the end of the year	273,000	54,600	273,000	54,600

The ordinary shares of the company were subdivided by splitting each issued ordinary share into 05 ordinary shares from 26th March 2021. Consequently the total number of existing issued Ordinary Shares were increased from 54,600,000 to 273,000,000 without changing the Stated Capital of the Company which will remain at Rs. 787,765,000/-.

- 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.

13 RESERVES

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Revaluation reserve (13.1)	3,541,400	2,850,974	2,057,891	1,812,082
Total	3,541,400	2,850,974	2,057,891	1,812,082

13.1 Revaluation reserve

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
On: Property Plant & Equipment				
As at 01 April	2,850,974	2,850,974	1,812,082	1,812,082
Revaluation of freehold land and building net of differed tax	690,426	-	245,809	-
As at 31 March	3,541,400	2,850,974	2,057,891	1,812,082

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

NOTES TO THE FINANCIAL STATEMENTS

14 INTEREST BEARING LIABILITIES

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Non Current				
Long term loans (14.1)	2,284,476	2,496,932	20,833	47,917
Lease Liability-Plantation(14.2)	158,217	155,616	-	-
Lease Liability-Other (Note-3.9)	130,019	112,492	19,089	24,819
Total	2,572,712	2,765,040	39,922	72,735
Current				
Long term loans (14.1)	889,668	932,098	34,340	83,040
Lease Liability-Plantation(14.2)	815	696	-	-
Lease Liability-Other (Note-3.9)	30,850	75,192	5,660	23,438
Short term loans	2,283,880	4,826,956	100,000	1,291,060
Bank overdrafts (28)	763,739	2,808,210	56,187	817,074
Total	3,968,952	8,643,152	196,187	2,214,611
Total	6,541,664	11,408,192	236,109	2,287,347

14.1 Long term loans

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning	3,429,030	3,654,817	130,957	261,014
Loans obtained	645,000	468,963	-	-
Exchange gain/(loss)	1,734	11,168	-	-
Repayments	(901,620)	(705,918)	(75,783)	(130,057)
At the end	3,174,144	3,429,030	55,174	130,957
Amount payable within 12 months	889,668	932,098	34,340	83,040
Amount payable after 12 months	2,284,476	2,496,932	20,833	47,917
Total	3,174,144	3,429,030	55,173	130,957
Short term loans				
At the beginning	4,826,956	3,708,776	1,291,060	898,104
Loans obtained	13,403,935	12,356,929	1,871,175	2,449,348
Repayments	(15,947,012)	(11,238,749)	(3,062,235)	(2,056,392)
At the end	2,283,880	4,826,956	100,000	1,291,060

14.2 Lease Liabilities to JEDB/SLSPC Estates and Dumbara Land

	2021		2020			
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement :						
As at 1st April	556,056	(399,744)	156,312	141,227	(53,161)	88,066
Initial remeasurement of lease liability as at 1st April 2019	-	-	-	418,539	(350,877)	67,661
Adjusted balance as at 1st April 2019	556,056	(399,744)	156,312	559,765	(404,038)	155,727
Interim remeasurement of right-of-use asset as at 1st July	12,159	(8,664)	3,495	23,697	(17,037)	6,659
	568,215	(408,407)	159,807	583,462	(421,075)	162,387
Repayments during the year	(22,593)	-	(22,593)	(27,406)	-	(27,406)
Interest Expense for the year	-	21,819	21,819	-	21,331	21,331
As at 31st March	545,621	(386,589)	159,032	556,056	(399,744)	156,312
Payable as follows :						
Payable within One Year						
Payable by due dates	22,593	(21,778)	815	22,107	(21,411)	696
	22,593	(21,778)	815	22,107	(21,411)	696
Payable after One Year :-						
Payable within Two to Five Years	90,910	(85,635)	5,276	88,965	(84,585)	4,380
Payable after Five Years	432,118	(279,177)	152,941	444,984	(293,748)	151,236
	523,028	(364,811)	158,217	533,949	(378,333)	155,616
Total Payable	545,622	(386,590)	159,032	556,056	(399,744)	156,312

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. 5.526 Million per annum 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.

The expected rental payable under the Dumbara lease is Rs. 134,125/- per annum from 2022 onwards with an increment of 5% in every five years.

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	2021 Rs. '000	2020 Rs. '000
Lanka Walltiles PLC						
Commercial Bank of Ceylon PLC	60 monthly instalments	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	58,040
DFCC Bank PLC	48 monthly instalments	100,000	AWDR+1%	Corporate Guarantee from Lanka Tiles PLC.	45,833	72,917
Company Total - Lanka Walltiles PLC					55,173	130,957
Lanka Tiles PLC						
DFCC Bank PLC	72 monthly instalments (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	1,166,666	1,466,342
Company Total - Lanka Tiles PLC					1,166,666	1,466,342
Uni-Dil Packaging Limited						
SCB	US \$ 114,079 Quarterly instalments	USD 310,000	LIBOR+3.8%	Primary concurrent Mortgage bond for LKR 170 Mn over Property	54,769	146,306
					USD 274.08	USD 770.39
Company Total - Uni-Dil Packaging Limited					54,769	146,306

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	2021 Rs. '000	2020 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 rights of Frocester Estate	19,800	21,900
		200,000	AWPLR + 1.00%		50,150	50,150
		200,000	AWPLR + 0.75%	Primary mortgage for 400 million over the leasehold rights of Bambrakelly Estate	72,350	73,280
		250,000	AWPLR + 2.50%		187,600	192,800
		200,000	AWPLR + 1.75%		195,800	200,000
		250,000	AWPLR + 1.75%		250,000	-
Hatton National Bank PLC	60 monthly instalments	100,000	AWPLR+0.75%	Primary mortgage over leasehold rights of Bambarakelly, Eildon Hall and Frocester Estates.	26,860	28,240
Hatton National Bank PLC	60 monthly instalments	130,114	AWPLR+1.5%	Primary mortgage over leasehold rights of Bambarakelly Estate	17,352	17,352
Sri Lanka Tea Board	36 monthly instalments, After a 24 months grace period.	33,000	AWPLR+1.0%	No security has been offered	-	4,583
Industry Distress Financing Facility	36 monthly instalments	46,935	5.00%	No security has been offered	-	2,796
Commercial Bank of Ceylon PLC	48 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.	81,930	90,270
Sampath Bank PLC	72 monthly installments, After a 24 months grace period.	100,000	AWPLR + 1.80%	Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate.	200,000	200,000
Hatton National Bank PLC	60 monthly instalments	150,000	AWPLR + 1.25%	Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla	-	150,000
Commercial Bank of Ceylon PLC	60 monthly installments	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	350,000	-
Seylan Bank PLC	24 monthly installments	15,000	4.00%	No security has been offered	11,665	-
Company Total - Horana Plantations PLC					1,463,507	1,031,371

NOTES TO THE FINANCIAL STATEMENTS

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	2021 Rs. '000	2020 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.	107,599	102,736
Bank of Ceylon	54 monthly instalments	170,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	59,490	124,990
Commercial Bank	60 monthly instalments	35,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	20,960	24,470
Company Total - Swisstek (Ceylon) PLC					188,049	252,196
Swisstek Aluminium Limited						
DFCC Bank PLC	60 monthly instalments	500,000	AWPR+1.4%	Mortgage over land, building, plant & machinery	233,333	333,333
	60 monthly instalments	200,000	AWPR+1.5%	Movable Machinery	12,645	63,226
Hatton National Bank PLC	48 monthly instalments	80,000	AWPR+1.5%	Simple Receipt	-	5,300
Company Total - Swisstek Aluminium Limited					245,978	401,859

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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Financial Assets				
Trade and Other Receivables	3,635,413	3,129,118	3,635,413	3,129,118
Amounts due from related parties	63,324	48,450	63,324	48,450
Contract Assets	40,164	38,079	40,164	38,079
Short term investments	3,877	3,754	3,877	3,754
Cash and cash equivalents	3,034,216	413,243	3,034,216	413,243
Total	6,776,994	3,632,644	6,776,994	3,632,644
Financial Liabilities				
Trade and Other Payables	2,265,572	1,686,536	2,265,572	1,686,536
Contract Liability	85,407	14,843	85,407	14,843
Loans and Borrowings- Current	3,968,952	8,643,152	3,968,952	8,643,152
Loans and Borrowings- Non Current	2,572,712	2,765,040	2,572,712	2,765,040
Total	8,892,643	13,109,571	8,892,643	13,109,571
Company				
Company	Carrying Amount		Fair value	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Financial Assets				
Trade and Other Receivables	604,787	498,639	604,787	498,639
Amounts due from related parties	70,690	64,981	70,690	64,981
Short term investments	3,877	3,754	3,877	3,754
Cash and cash equivalents	279,697	47,776	279,697	47,776
Total	959,051	615,150	959,051	615,150
Financial Liabilities				
Trade and Other Payables	320,372	344,743	320,372	344,743
Contract Liability	30,350	-	30,350	-
Loans and Borrowings- Current	196,187	2,214,611	196,187	2,214,611
Loans and Borrowings- Non Current	39,922	72,735	39,922	72,735
Total	586,831	2,632,089	586,831	2,632,089

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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	2,421,476	2,341,613	967,884	989,442
Reclassification from deferred tax assets	-	(847)	-	-
Charge/ (Reversal) Recognised in Profit or Loss (Note 25.2)				
- Arising on During the Year Movement	106,465	87,512	(16,028)	(18,766)
- 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	96,292	(6,801)	7,230	(2,792)
- Due to Change in Tax Rates	(330,823)	-	(205,112)	-
At the end	1,879,638	2,421,476	623,783	967,884

15.1 Statement of Financial Position

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Deferred Tax Liability				
Capital Allowances	1,458,610	1,930,058	268,722	426,459
Revaluation surplus	761,534	989,933	396,079	592,076
Revaluation surplus on Investment Property	84,582	99,577	-	-
Lease Liability	2,579	1,167	-	-
Deferred Tax Assets				
Retirement Benefit Liability	(184,421)	(199,543)	(31,667)	(40,013)
Carried Forward Tax Losses	(189,619)	(346,635)	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(46,146)	(38,879)	(7,325)	(8,939)
Allowances for Doubtful Debts	(7,481)	(14,202)	(2,026)	(1,699)
Total	1,879,638	2,421,476	623,783	967,884

16 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the Beginning of the Year	1,004,063	913,408	142,902	118,746
Current service cost	80,353	73,811	12,551	13,062
Net interest on the net defined benefit liability (asset)	97,594	93,398	14,290	10,050
	177,947	167,209	26,551	23,112
Net Actuarial Gain / loss for the year	29,951	35,285	10,305	9,970
Payments made during the Year	(113,724)	(111,839)	(6,717)	(8,926)
	(83,773)	(76,554)	3,588	1,044
Payable for retired employees included under current liabilities	(26,762)	(28,130)	-	-
At the End of the Year	1,071,475	975,933	173,041	142,902

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;

	2021	2020
	Rs. 000	Rs. 000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	14,394	9,563
Effect on DBO due to increase in the discount rate by 1%	(12,591)	(8,540)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(12,421)	(9,049)
Effect on DBO due to increase in the salary escalation rate by 1%	13,891	9,965

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, Swistecck Ceylon PLC, Swistecck Aluminium Limited, Uni Dil Packaging (Pvt) Ltd and Uni Dil packaging Solutions (Pvt) Ltd is as follows;

	2021	2020
	Rs. 000	Rs. 000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	82,868	72,161
Effect on DBO due to increase in the discount rate by 1%	(86,817)	(63,258)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(84,216)	(47,087)
Effect on DBO due to increase in the salary escalation rate by 1%	80,603	50,997

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 2021					
Defined Benefit Obligation	23,117	19,035	32,442	98,448	173,041

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 2021					
Defined Benefit Obligation	167,093	94,080	202,352	607,951	1,071,475

NOTES TO THE FINANCIAL STATEMENTS

16 RETIREMENT BENEFIT LIABILITY CONTD.

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2021 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

	2021	2020
Discount rate (per annum)	7.00%	10.00%
Salary scale (per annum) - Executives	9.70%	12.50%
- Non Executives	10.00%	10.00%
Retirement Age	55 Years	55 Years
Staff Turnover ratio	7% up to 49 years, thereafter 0%	7% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	8.25	6.89

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 2021.

Principal Actuarial Assumptions are as follows

	2021	2020
Discount rate	7.00%	10.00%
Future salary increases - Executives	8.60%	12.50%
- Non Executives	10.00%	10.00%
	55 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)	5.76	4.90

Horana Plantations PLC

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2021 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".

Principal Actuarial Assumptions are as follows

	2021	2020
Rate of interest	8%	10%
Rate of salary increase		
Workers	5.68% per annum	15.00% for every two years beyond
Staff	8% per annum	12.50% for first three years & 2.00% per annum beyond
Head Office Staff	8% per annum	10.00% per annum beyond
Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Head Office Staff	55 years	55 years
Weighted Average duration of defined benefit obligation (Years)		
Staff	9.83	8.56
Workers	9.31	8.97

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 2021.

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

		2021	2020
Discount rate p.a		8.00%	10.00%
Rate of salary increase		10.00%	10.00%
Staff turnover factor		7.00%	9.00%
Retirement age (Years)		55	55
The Company will continue as a going concern.			
Weighted Average duration of defined benefit obligation (Years)	Uni Dil Packaging Ltd	6.60	5.69
Weighted Average duration of defined benefit obligation (Years)	Uni Dil Packaging Solution Ltd	8.07	7.19

NOTES TO THE FINANCIAL STATEMENTS

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 2021.

	2021	2020
Principal Actuarial Assumptions are as follows		
Discount rate p.a	7.00%	10%
Rate of salary increase	11.00%	11%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years)	8.59	7.55

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2021.

	2021	2020
Principal Actuarial Assumptions are as follows		
Discount rate p.a	7.00%	11.00%
Rate of salary increase	10.00%	10.00%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years)	6.31	5.78

17 CAPITAL GRANTS

	Group	
	2021	2020
	Rs.'000	Rs.'000
Capital grants (17.1)	118,995	122,832
Total	118,995	122,832

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 modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	315	-	(57)	258
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	5,766	1,600	(374)	6,992
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	15,444	-	(1,128)	14,316
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	25,537	-	(1,600)	23,937
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	253	-	(17)	236
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	13,182	-	(716)	12,465
	Internal Road Development and Boubdry Posts	Rate of Depreciation applicable to Permanent Land Development Cost (2.50%pa)	4,622	3,134	-	(165)	2,969
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,930	-	(361)	6,569
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	52,130	1,950	(2,945)	51,135
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	8	-	(8)	-
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	133	-	(15)	118
Total			166,915	122,832	3,550	(7,386)	118,995

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade creditors - other	2,080,236	1,516,306	245,399	220,728
- related parties [18.1]	98,313	99,342	14,714	81,257
	2,178,549	1,615,648	260,113	301,985
Sundry creditors including accrued expenses	1,769,157	1,098,586	315,391	138,523
Provision for terminal benefits (current) [16.0]	26,762	28,130	-	-
Donations in respect of Tsunami fund	3,877	3,754	3,877	3,754
Unclaimed dividends	56,383	39,004	56,382	39,004
Total	4,034,728	2,785,122	635,763	483,266

18.1 Trade creditors - related parties

Company	Relationship	Group		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Lanka Ceramic PLC	Affiliated Company	13,195	25,991	-	9,324
Royal Ceramics Lanka PLC	Parent Company	6,549	41	-	-
Hayleys Agriculture Holding	Affiliated Company	1,269	472	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	645	2,519	-	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	13	-	-	-
Hayleys PLC	Affiliated Company	13,358	19,493	-	-
The Kingsbery PLC	Affiliated Company	-	16	-	-
Diesel & Motor Engineering PLC	Affiliated Company	-	27	-	-
Kelani Valley Plantations PLC	Affiliated Company	2,350	652	-	-
Talawakelle Tea Estates PLC	Affiliated Company	217	-	-	-
Puritas (Pvt) Ltd	Affiliated Company	13	19	-	-
Logiwiz Limited	Affiliated Company	3	-	-	-
Lanka Tiles PLC	Subsidiary Company	-	-	-	67,420
Swisstek Aluminium Limited	Subsidiary Company	-	-	255	-
Unidil Packaging Solution Ltd	Subsidiary Company	-	-	14,459	4,513
Valibel One PLC	Ultimate Parent Company	60,701	50,112	-	-
		98,313	99,342	14,714	81,257

18.3 Contract Assets

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
As at 1st April	38,079	58,269	-	-
During the year recognized	2,085	(20,190)	-	-
As at 31st March	40,164	38,079	-	-

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.

18.4 Contract Liabilities

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
As at 1st April	14,843	79,177	-	-
Advance received	85,407	-	30,350	-
During the year recognized	(14,843)	(64,334)	-	-
As at 31st March	85,407	14,843	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 recognized overtime. This will be recognized as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

19 AMOUNTS DUE TO RELATED PARTIES

Company	Relationship	Group		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	47,646	122,832
Swisstek Ceylon PLC	Subsidiary Company	-	-	682	4,305
Swisstek Aluminium (Pvt) Ltd	Subsidiary Company	-	-	1,424	-
Royal Ceramics Lanka PLC	Parent Company	29,367	56,153	10,928	9,139
Lanka Ceramic PLC	Affiliated Company	3,202	3,213	3,202	3,213
Vallibel One PLC	Ultimate Parent Company	51,288	29,437	15,996	6,554
Delmage Forsyth & Co. Ltd.	Affiliated Company	2,100	2,100	-	-
Total		85,957	90,903	79,878	146,043

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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Types of goods or service				
Sale of Tiles & Associated Items	19,329,845	11,077,653	5,988,521	3,493,619
Sale of Plantation Produce	2,125,306	1,762,154	-	-
Sale of Packing Materials	4,074,409	3,854,957	-	-
Sale of Aluminium Products	3,893,821	3,234,945	-	-
Total revenue from contract with customers	29,423,381	19,929,709	5,988,521	3,493,619
Geographical markets				
Local	28,388,378	19,190,151	5,324,188	2,862,683
Foreign - Export	1,035,003	739,558	664,333	630,936
Total revenue from contract with customers	29,423,381	19,929,709	5,988,521	3,493,619
Timing of revenue recognition				
Goods transferred at a point in time	29,423,381	19,929,709	5,988,521	3,493,619
Total revenue from contract with customers	29,423,381	19,929,709	5,988,521	3,493,619

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

20.2 Contract balances

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade and other receivables (Note 09)	4,246,624	3,875,187	792,031	673,756
Contract assets (Note 18.3)	40,164	38,079	-	-
Contract liability (Note 18.4)	85,407	14,843	30,350	-

21 OTHER INCOME

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Income from investments in related Parties - Dividend	-	-	747,572	-
Rental income - Related parties	-	-	24,011	24,828
Amortisation of capital and revenue grants - Related parties	7,386	6,800	-	-
Profit/(Loss) on sale of property, plant and equipment	7,668	(197)	763	(51)
Change in fair value of consumable biological assets	40,089	56,693	-	-
Sundry income	125,126	93,978	7,963	3,831
Exchange gain	51,637	8,215	43,677	8,215
Total	231,906	165,489	823,986	36,823

22 FINANCE COST

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest expense on overdrafts	140,233	175,423	27,980	63,411
Interest expense on bank loans	610,863	999,012	98,432	152,146
Finance charges on lease liabilities	44,729	37,950	4,526	4,520
Exchange loss	15,453	18,728	-	-
Less : Capitalisation of borrowing costs on immature plantations	(41,390)	(59,732)	-	-
Total	769,888	1,171,381	130,938	220,077

23 FINANCE INCOME

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest income	20,814	1,837	-	-
Total	20,814	1,837	-	-

NOTES TO THE FINANCIAL STATEMENTS

24 PROFIT BEFORE TAX

Is stated after Charging / (Crediting)

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Included in cost of sales				
Depreciation and Amortization cost	934,002	906,019	165,390	165,880
Amortization of Right of use Lease Asset	21,524	14,943	-	-
Defined benefit plan costs - gratuity	131,080	130,545	13,275	13,372
Defined contribution plan costs - EPF & ETF	240,474	231,277	29,751	27,710
Other staff cost	2,537,211	2,223,281	364,592	341,071
Inventory written off and allowances	31,144	23,291	8,100	3,459
Included in administration expenses				
Depreciation and Amortization cost	60,263	40,760	12,239	11,336
Amortization of Right of use Lease Asset	9,649	4,822	-	-
Defined benefit plan costs - gratuity	52,578	34,789	11,724	9,714
Defined contribution plan costs - EPF & ETF	35,024	31,279	5,921	4,624
Other staff cost	331,396	260,371	45,404	36,568
Audit Fee	7,990	7,628	1,680	1,579
Technical Fee	290,720	129,476	47,940	28,023
Included in distribution cost				
Depreciation and Amortization cost	16,076	13,255	6,478	4,794
Amortization of Right of use Lease Asset	62,181	46,485	24,100	19,967
Defined benefit plan costs - gratuity	6,972	4,431	1,552	-
Defined contribution plan costs - EPF & ETF	19,619	17,275	6,714	6,025
Other staff cost	270,869	183,697	97,344	62,995
Allowance for doubtful Debts	47,319	18,187	5,000	1,300

25 INCOME TAX EXPENSES

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

Year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
(a) Current income tax				
Current income tax charge	885,089	278,618	277,324	36,127
Under/(over) provision of current taxes in respect of prior years	(34,318)	7,054	6,907	3,738
Economic Service Charge (non-claimable)	25,557	12,600	-	-
Tax effect on inter company dividends	-	3,243	-	-
	876,328	301,515	284,231	39,865
(b) Deferred income tax				
Deferred taxation charge/(reversal)	(307,306)	87,512	(146,218)	(18,766)
Income tax expense reported in the Income statement	569,022	389,027	138,013	21,099
(c) Deferred tax expense reported in the OCI				
	(234,531)	(6,801)	(197,882)	(2,792)
Total	334,491	382,226	(59,869)	18,307

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

Year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Accounting profit before income tax	4,582,442	803,675	1,755,531	59,124
Income considered as separate source of income	33,227	37,273	771,582	24,828
Income exempt from tax	-	(19,922)	-	-
Non deductible expenses	1,555,248	1,327,855	257,573	246,564
Deductible expenses	(2,431,745)	(1,593,912)	(1,707,616)	(201,491)
Total Statutory Income	3,739,172	554,969	1,077,070	129,025
Tax losses utilised	(511,558)	(66,751)	-	-
Net Taxable profit	3,227,614	488,218	1,077,070	129,025
Taxable Profit	3,259,953	1,091,398	1,077,070	129,025
Taxable Loss	(32,340)	(603,180)	-	-
Net Taxable profit	3,227,614	488,218	1,077,070	129,025
Current income tax expense				
Taxation -14%	155,492	-	92,995	-
Taxation -18%	622,003	3,231	154,221	-
Taxation -24%	107,594	-	30,108	-
Taxation -28%	-	275,387	-	36,127
Total	885,089	278,618	277,324	36,127

NOTES TO THE FINANCIAL STATEMENTS

Deferred income tax reported in income statement

Year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Capital Allowances	(486,446)	80,019	(157,739)	(14,430)
Retirement Benefit Liability	21,256	(13,331)	10,232	(3,972)
Carried Forward Tax Losses	158,432	31,159	-	-
Lease Liability	(4)	1,167	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	2,241	(6,070)	1,614	-
Allowances for Doubtful Debts	(2,786)	(5,432)	(326)	(364)
Deferred taxation charge/(reversal)	(307,307)	87,512	(146,219)	(18,766)
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	(228,399)	-	(195,997)	-
Retirement Benefit Liability	(6,132)	(6,801)	(1,885)	(2,792)
Total	(234,531)	(6,801)	(197,882)	(2,792)
Effective Income Tax Rate	12.42%	48.41%	7.86%	35.69%

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 utilized. 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 2021. The unutilized tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs. 84,054,541/- has not been recognised in respect of unutilized tax losses of Rs. 600,389,581/- as at 31st March 2021.

25.3 Notes on income tax of Group companies

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

The statutory tax rate of above companies are as follows;

	2021	2020
Local sales and other profits	24% & 18%	28%
Qualified export profit	14%	28%
Specified profits	20%/14%	20%/14%

Swisstek Aluminium Ltd

Income tax exemption given for the Swisstek Aluminium Ltd has been ended by 01st September 2016 and company liable to pay tax at a rate of 20% on trade profit and 24% on other income.

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 24%.

Gains and profits earned or derived from the sale of produce of an undertaking for agro farming without subjecting such produce to any process of production or manufacture are exempted within the period of five years of assessment commencing on April 1, 2019. Further, Agro Processing and Other Income liable at the rates of 14% and 24% respectively.

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	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Amounts used as the numerator:

Profit attributable to equity holders for basic earnings per share	2,960,211	405,115	1,617,518	38,026
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	Group		Company	
	2021	2020	2021	2020
	'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
Adjusted basic earnings per share (Rs)	10.84	1.48	5.92	0.14

*Basic earnings per share of 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 31st March 2021.

27 DIVIDENDS PAID

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Declared and paid during the year

Equity dividends on ordinary shares :				
First Interim 2020/21 (Rs. 3.60 per share)	196,560	-	196,560	-
Second Interim 2020/21 (Rs. 10.00 per share)	546,000	-	546,000	-
Total	742,560	-	742,560	-
Dividend Payout Ratio (%)	25%	0%	46%	0%

NOTES TO THE FINANCIAL STATEMENTS

28. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	3,034,216	413,243	279,697	47,776
	3,034,216	413,243	279,697	47,776
Unfavourable cash & cash equivalent balances				
Bank overdrafts (14)	(763,739)	(2,808,210)	(56,186)	(817,074)
Total cash and cash equivalents for the purpose of cash flow statement	2,270,477	(2,394,967)	223,511	(769,298)

29. ASSETS PLEDGED

Following Assets have been pledged as security for liabilities, in addition to the items disclosed in Note 14.4 to these financial statements.

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging (Pvt) Ltd

		Rs.'000
Import Loan 1 (Hatton National Bank PLC)	Immovable Property	110,000
	Inventories and Debtors	145,000
Import Loan 2 (Standard Chartered Bank)	Land and Building, Immovable Machinery and Debtors	70,000
	Inventories and Debtors	134,000
Import Loan 3 (DFCC Bank)	Inventories and Debtors	150,000

Uni Dil Packaging Solutions Ltd

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

Horana Plantations PLC

The following securities were offered for bank overdraft facilities.

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets.	AWPLR+2% (with the floor Rate of 8.5%)	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)	250,000
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 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.

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

30 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

Company

	Transactions with the Parent and ultimate Parent Company (Royal Ceramic Lanka PLC and Vaillabel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2021 R. '000	2020 R. '000	2021 R. '000	2020 R. '000	2021 R. '000	2020 R. '000
Balance as at 01 April	(14,189)	(21,542)	(145,745)	(239,723)	(159,934)	(261,265)
Sale of Tiles/ (Sales returns)	1,504	1,746	626	(406)	2,130	1,340
Purchase of raw materials	-	-	(30,190)	(45,098)	(30,190)	(45,098)
Purchase of other items	(32,725)	(106)	(64,195)	(69,089)	(96,921)	(69,196)
Sale of raw materials	1,904	361	13,593	4,808	15,497	5,169
Settlements/(Recoveries) by the Company	70,493	37,160	40,285	314,018	110,778	351,178
Rent received/(paid)	-	-	8,716	5,745	8,716	5,745
Expenses apportioned	80	605	359,849	107,754	359,929	108,359
Commission on sales	-	(74)	(9,376)	(14,461)	(9,376)	(14,534)
Expenses incurred and transferred	-	(1,208)	(170,457)	(149,630)	(170,457)	(150,838)
Credit Cards Collected On Behalf Of Subsidiary	-	-	6,933	(67,517)	6,933	(67,517)
Transfer from Royal Porcelain (Pvt) Ltd	-	2,202	-	1,343	-	3,545
Technical Fees (Expenses)/income	(53,990)	(33,333)	-	6,511	(53,990)	(26,822)
Balance as at 31 March	(26,924)	(14,189)	10,039	(145,745)	(16,885)	(159,934)
Included Under						
Trade and other receivable	-	1,504	7,017	880	7,017	2,385
Trade and other payable	-	-	(14,714)	(81,257)	(14,714)	(81,257)
Amount due from related parties	-	-	70,691	64,981	70,690	64,981
Amount due to related parties	(26,924)	(15,693)	(52,955)	(130,349)	(79,878)	(146,043)
Balance as at 31 March	(26,924)	(14,189)	10,039	(145,745)	(16,885)	(159,934)

The above subsidiaries and affiliates include following companies;

Company

- Lanka Tiles PLC
- Uni dil Packaging (Pvt) Ltd
- Vallibel Plantation Management (Pvt) Ltd
- Horana Plantations PLC
- Swisstek Aluminium Limited
- Swisstek (Ceylon) PLC
- Royal Porcelain (Pvt) Ltd
- Rocell Bathware Limited
- LWL Development (Pvt) Ltd
- Beyond Paradise Collection Limited
- Lankatiles (Pvt) Ltd
- LTL Development Ltd
- Swisstek Development Ltd
- MN Properties (Pvt) Ltd
- Lanka Ceramics PLC
- LW Plantation Investment Limited

Terms and conditions with related parties

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

Outstanding balances as at the year end are unsecured, interest free and settlement occur in cash within 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 Walltile 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 Lanka Tile PLC

Name of the company	Relationship	Nature of the transaction	2021 Rs. '000	2020 Rs. '000
(a) Sale of goods /services to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Raw materials	-	375
		Consumables	20	-
		Glaze	889	-
		Spares	4	4
Rocell Bathware Ltd.	Affiliated Company	Raw materials	2,654	2,654
		Spares	1,529	2,067
		Packing	30	11
		Glaze	13,062	-
		Consumables	179	2,932
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Affiliated Company	Raw materials	76,406	132,875
Swisstek Aluminum Ltd	Affiliated Company	Trading Items	76,446	65,121
Swisteck (Ceylon)PLC	Affiliated Company	Trading Items	586,400	380,317
		Sales Commission	36,584	57,619
Uni-Dil Packing (Pvt) Ltd	Affiliated Company	Packing Material	122,235	115,144
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	119	777
		Spares	118	141
		Consumables	659	3,093
		Glaze	7,634	-
		Technical fees	19,834	10,162
Vallibel One PLC	Affiliated Company	Technical fees	178,509	91,454
Delmage Freight Services (Pvt) Ltd	Affiliated Company	Services	-	4,663
Heyleys Travels & Tours (Private) limited	Affiliated Company	Services	124	2,502
Heyleys Agriculture Holding Limited	Affiliated Company	Services	40	-
Heyleys Electronic Lighting (Private) Limited	Affiliated Company	Services	405	-
Heyleys Industrial Solutions (Private) Limited	Affiliated Company	Services	-	20

30.2.2 Swisstek (Ceylon) PLC

Name of the company	Relationship	Nature of the transaction	2021 Rs. '000	2020 Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	614,971	407,051
		Warehouse rental income	9,391	11,958
		Sales Commission	36,608	57,619
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	76,645	66,566
		Sales Commission	1,768	1,768
		Warehouse rental income	4,498	4,758
(b) Purchase of goods/Services from:				
Lanka Tiles PLC	Affiliated Company	Purchases of Grout & Mortar	1,956	39
		Operational & Administration Expense	2,614	6,192
		SLT lease Rental	361	353
Royal Porcelain (Pvt) Ltd	Affiliated Company	Sales Commission	-	5,408
Rocell Bathware Ltd.	Affiliated Company	Sales Commission	935	962
Uni-Dil Packing Ltd	Affiliated Company	Purchase of corrugated boxes	6,779	6,129
Lanka Ceramic PLC	Affiliated Company	Purchase of Goods	747	342
Swisstek Aluminium Ltd	Affiliated Company	Purchase of Goods	56,548	22,751

30.2.3 Swisstek Aluminium Ltd

Name of the company	Relationship	Nature of the transaction	2021 Rs. '000	2020 Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	89,727	89,937
Swistek (Ceylon) PLC	Parent Company	Finished goods	57,035	30,971
(b) Purchase of goods/Services from:				
Lanka Tiles PLC	Affiliated Company	Purchase of goods	25	25

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	2021	2020
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Horana Plantations PLC	Affiliated Company	Finished goods	169	-
Uni-Dil Packing Solution Limited	Affiliated Company	Finished goods	70,873	9,108
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	-	(419)
Swisteck (Ceylon)PLC	Affiliated Company	Finished goods	6,477	6,129
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	-	22
(b) Purchase of goods/Services from:				
Horana Plantations PLC	Affiliated Company	Finished goods	-	73
Vallibel One PLC	Affiliated Company	Technical fees	52,924	32,393

30.2.5 Uni Dil Packaging Solutions Ltd

Name of the company	Relationship	Nature of the transaction	2021	2020
			Rs. '000	Rs. '000
(a) Sale of goods to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	53,800	107,449
Royal Bathware LTD	Affiliated Company	Finished goods	31,253	24,513
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	89,590	76,587
Lanka Walltiles PLC	Affiliated Company	Finished goods	64,174	67,594
Lanka Tiles PLC	Affiliated Company	Finished goods	121,907	115,221
Horana Plantation PLC	Affiliated Company	Finished goods	9,473	11,045
Nilano Garments (Pvt) Ltd	Affiliated Company	Finished goods	149	-
(b) Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Ltd	Parent Company	Purchase of goods	70,873	9,108
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	15	-

30.2.6 Horana Plantations PLC

Name of the company	Relationship	Nature of the transaction	2021	2020
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Uni Dil Packaging (Pvt) Ltd	Affiliated Company	Sale of tea	240	525
Lanka Ceramic PLC	Affiliated Company	Sale of tea	38	52
Delmage Forsyth & Co.Ltd	Affiliated Company	Sale of tea	33,153	42,703
Dipped Products PLC	Affiliated Company	Sale of Latex	-	23,619
The Kingsbury PLC	Affiliated Company	Sale of Coconuts	4	76

Name of the company	Relationship	Nature of the transaction	2021 Rs. '000	2020 Rs. '000
(b) Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging (Pvt) Ltd	Affiliated Company	Purchase of goods	351	507
Uni Dil Packaging Solutions Ltd	Affiliated Company	Purchase of goods	10,261	11,630
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of tiles	51	-
Hayleys PLC	Affiliated Company	Management Fee	11,216	-
		Office Rent & related services	8,749	4,699
Hayleys Agriculture Holdings Ltd	Affiliated Company	Chemicals	3,207	3,352
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	Fertilizer	24,231	36,139
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	Salary Processing Fee	167	152
Hayleys Aventura(Pvt) Ltd	Affiliated Company	Office Premises Related Services	-	164
Logiwiz Limited	Affiliated Company	Document Storage Rental	40	24
NYK Lanka (Pvt) Ltd	Affiliated Company	Office Premises Related Services	179	477
Singer Sri Lanka PLC	Affiliated Company	Purchase of Equipment	404	23
Puritas (Pvt) Ltd	Affiliated Company	Maintenance of Water Purification Plant	-	73
Diesel & Motor Engineering PLC	Affiliated Company	Purchase of Motor Vehicle Spares	220	151

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 parent.

Key management personnel compensation	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Short Term Employment Benefits	136,498	123,280	33,322	29,613
Post Employment Benefits	42,763	38,893	15,065	13,612
Total	179,261	162,173	48,387	43,225

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 annum for the use of land & buildings situated in Nawala.
- b). Horana Plantation PLC has commitments under lease rentals on Dumbara Estate as given below;

Finance lease rentals payable to the Secretary to the Treasury ;	
22.06.2019 to 21.06.2045 (per annum)	Rs. 5.228 million

- c). Swisstek Aluminium Limited has a commitment on letter of credits amounting to Rs.80.01 million as at the reporting date.

31.2 Contingencies

a) Horana Palntaion PLC

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

Capital Grant received from the Ceylon Electricity Board (CEB) for Stand by Power Generators is subject to a condition of minimum usage of CEB Power as against the Generator Power. A liability will arise only if the above condition is not fulfilled.

Court of Appeal Case No CA WRIT 143/2021

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 daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a "Writ Application" was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the Gazette issued by the Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and, therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavorable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be Rs. 142,435,779 and of which Rs. 11,573,045 need to be charged to Profit or Loss and Rs. 130,862,734 to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

b) Lanka Walltiles PLC

AAs 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 total 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

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, connectivity of customers, compliance with guidelines issued by various government authorities and continuity of critical business operations.

On 27th May 2021, the Board of Directors has declared a dividend of Rs. 846,000,000/- and will be paid on 29th June 2021, for the year ended 31st March 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

SEGMENTAL INFORMATION

	2021					2020						
	Tiles & Aluminium associated items	Aluminium Products	Plantation products	Packing materials	Inter Segment Elimination	Total	Tiles & Aluminium 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	19,329,845	3,893,821	2,125,306	4,074,409	-	29,423,381	11,077,654	3,234,945	1,762,154	3,854,957	-	19,929,709
Inter Segment Sales	-	-	-	179,317	(179,317)	-	-	-	-	186,240	(186,240)	-
Total Revenue	19,329,845	3,893,821	2,125,306	4,253,726	(179,317)	29,423,381	11,077,654	3,234,945	1,762,154	4,041,197	(186,240)	19,929,709
Gross Profit	7,232,724	1,075,230	200,455	727,624	-	9,236,033	3,773,950	576,528	(217,542)	651,994	-	4,784,930
Other Income	97,640	9,531	47,535	74,734	(720)	228,720	5,213	11,040	83,515	69,651	(3,930)	165,489
Distribution Costs	(2,221,205)	(333,102)	-	(145,943)	-	(2,700,250)	(1,523,302)	(244,597)	-	(153,343)	-	(1,921,242)
Administrative Expenses	(761,357)	(131,596)	(191,644)	(248,158)	720	(1,332,035)	(628,560)	(88,192)	(171,797)	(171,338)	3,930	(1,055,957)
Other Operating Expenses	(100,951)	-	-	-	-	(100,951)	-	-	-	-	-	-
Finance Cost	(410,042)	(171,234)	(137,363)	(51,249)	-	(769,888)	(626,191)	(308,237)	(146,616)	(90,337)	-	(1,171,381)
Finance Income	20,412	-	402	-	-	20,814	1,596	-	241	-	-	1,837
Profit Before Tax	3,857,221	448,829	(80,615)	357,007	-	4,582,442	1,002,703	(53,458)	(452,197)	306,627	-	803,675
Income Tax Expense	(436,538)	(107,008)	6,370	(31,846)	-	(569,022)	(292,729)	13,571	(83,014)	(23,612)	(3,243)	(389,027)
Net Profit for the year	3,420,683	341,821	(74,245)	325,161	-	4,013,420	709,975	(39,887)	(535,211)	283,015	(3,243)	414,649
Segment Assets	23,996,027	4,034,450	4,144,780	3,545,383	(2,010,636)	33,710,005	24,341,759	3,884,145	4,070,751	3,136,937	(2,010,715)	33,422,877
Segment Liabilities	6,936,246	2,589,180	3,051,101	1,807,570	(68,912)	14,315,184	10,577,490	2,710,419	2,924,629	1,647,302	5,386	17,865,225
Other Segment Information												
Total cost incurred during the period to depreciation and amortisation	717,460	111,789	190,713	83,733	-	1,103,695	650,088	108,833	187,691	79,673	-	1,026,285
Property, plant & equipment	703,450	216,436	54,619	176,285	-	1,150,789	906,896	44,628	10,211	92,483	-	1,054,219
Biological assets	-	-	123,101	-	-	123,101	-	-	154,988	-	-	154,988
trade debtors and inventory impairment	75,300	21,800	(301)	22,654	-	119,453	23,008	13,497	4,154	10,645	-	51,304
provision for retirement benefit	61,207	7,281	92,941	16,518	-	177,947	56,790	5,595	91,779	13,045	-	167,210
Reconciliation of net profit for the year												
Segment net profit for the year						4,013,420						417,891
Dividend tax on Inter segment dividend						-						(3,243)
Group net profit for the year						4,013,420						414,648
Reconciliation of assets												
Segment Assets						35,720,641						35,433,592
Inter- segment balance eliminations						(68,912)						5,386
Investment in subsidiary elimination						(1,941,724)						(2,016,101)
						33,710,005						33,422,877
Reconciliation of liabilities												
Segment Liabilities						14,384,096						17,859,840
Inter- segment balance eliminations						(68,912)						5,386
						14,315,184						17,865,225

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 during the year on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

Foreign currency sensitivity	Change in	Change in profit before tax Group	Company
		Rs. '000	Rs. '000
2021	5.0%	53,207	3,762
2020	5.0%	37,897	1,348

NOTES TO THE FINANCIAL STATEMENTS

Cash flow and fair value interest rate risk

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

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

The outbreak of the novel COVID-19 epidemic has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to companies to reduce lending rates. encourage banks and finance companies to reduce lending rates.

Interest Rate	Change in basis points	Change in profit before tax Group Rs. '000	Company Rs. '000
2021	0.05	32,708	1,181
2020	0.05	57,041	11,437

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 9.2 for ageing analysis of trade receivables)

Liquidity risk

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

In the management of liquidity risk, the group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the group 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.

The Board together with the Management is focused on minimizing the Liquidity risk and ensuring long term business continuity by critically analyzing cash flow management in order to preserving and increasing liquidity, particularly on account of the impact of COVID-19.

34. FINANCIAL RISK MANAGEMENT CONTD.

Group

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	Nil	Nil	Nil	Nil
Lease Liability of Right of Use Assets	8,281	26,754	44,162	123,239	571,882

At 31 March 2020	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	6,205,383	2,728,737	901,274	2,153,945	773,149
Trade and other payables	2,785,122	-	-	-	-
Amounts due to related parties	90,903	-	-	-	-
Lease Liability of Right of Use Assets	19,604	63,137	29,667	130,320	612,810

Company

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	-

At 31 March 2020	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	1,078,890	1,229,332	34,083	57,218	-
Trade and other payables	483,266	-	-	-	-
Amounts due to related parties	146,043	-	-	-	-
Lease Liability of Right of Use Assets	5,819	19,752	6,558	27,358	-

NOTES TO THE FINANCIAL STATEMENTS

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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Borrowings	6,541,664	11,408,192	236,109	2,287,347
Total equity	19,394,822	15,557,652	6,490,712	5,370,548
Gearing ratio ; Debt to Equity	34%	73%	4%	43%

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	2021 %	2020 %
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	2021 Rs. '000	2020 Rs. '000
Accumulated Balances of Material Non - Controlling Interest		
Lanka Tiles PLC	2,750,792	2,187,325
Horana Plantation PLC	372,552	403,798
Swisstek (Ceylon) PLC	871,781	693,504
Swisstek Aluminium Limited	764,721	590,552
Beyond Paradise Collection Limited	57,643	55,709
Lankatiles (Pvt) Ltd	6,257	5,694
LTL Development Limited	(88)	-
Swisstek Development Limited	(52)	-
Total	4,823,606	3,936,582

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT CONTD.

Name	2021 Rs. '000	2020 Rs. '000
Profit allocated to Material Non - Controlling Interest		
Lanka Tiles PLC	714,587	159,446
Horana Plantation PLC	(38,157)	(242,485)
Swisstek (Ceylon) PLC	164,683	116,561
Swisstek Aluminium Limited	210,141	(24,521)
Beyond Paradise Collection Limited	1,933	323
Lankatiles (Pvt) Ltd	160	210
LTL Development (Pvt) Limited	(88)	-
Swisstek Development (Pvt) Limited	(50)	-
Total	1,053,209	9,534

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

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

	Lanka Tiles PLC Rs. 000'	Horana Plantation PLC Rs. 000'	Swisstek (Ceylon) PLC Rs. 000'	Swisstek Aluminium Limited Rs. 000'	Beyond Paradise Collection Limited Rs. 000'	Lankatiles (Pvt) Ltd Rs. 000'	LTL Development Limited Rs. 000'	Swisstek Development Limited 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	-	-	-	-

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of profit or loss for year ended 31 March 2020

	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	6,694,824	1,762,154	1,418,975	3,234,945	-	-	-	-
Cost of sales	(4,275,376)	(1,979,696)	(1,021,078)	(2,658,417)	-	-	-	-
Distribution costs	(1,028,280)	-	(80,216)	(244,597)	-	-	-	-
Administrative expenses	(388,677)	(170,053)	(49,457)	(88,192)	(391)	(301)	-	-
Finance costs	(334,564)	(146,615)	(70,868)	(308,237)	-	-	-	-
Profit before tax	695,033	(470,374)	286,977	(53,458)	-	-	-	-
Income tax	(193,316)	(24,493)	(78,508)	13,571	-	-	-	-
Profit for the year	501,717	(494,868)	208,469	(39,887)	1,017	323	-	-
Total comprehensive income	502,113	(513,022)	208,018	(41,124)	1,017	18	-	-
Attributable to non- controlling interests	159,446	(242,485)	116,561	(24,521)	323	211	-	-
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-

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)

NOTES TO THE FINANCIAL STATEMENTS

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of financial position as at 31 March 2020

	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	6,491,998	309,543	837,566	2,437,641	4,200	11,848	-	-
Non- Current Assets	6,345,899	3,411,853	1,598,505	1,446,504	394,819	-	-	-
Current Liabilities	3,660,067	1,225,155	655,754	2,380,888	175,841	74	-	-
Non- Current Liabilities	2,228,716	1,684,663	492,598	329,531	47,885	-	-	-
Total equity	6,949,115	811,579	1,287,720	1,173,728	175,292	11,774	-	-
Attributable to:								
Equity holders of parent	4,740,686	413,906	567,756	452,165	119,584	4,096	-	-
Non-controlling interest	2,208,429	397,674	719,964	721,563	55,708	7,678	-	-

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	-	-

Summarised cash flow information for year ending 31 March 2020

	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	(821,733)	(152,041)	160,482	417,983	-	300	-	-
Investing	(624,498)	(165,100)	(100,219)	(44,565)	-	-	-	-
Financing	965,376	103,123	(69,573)	(403,932)	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	(480,855)	(214,018)	(9,311)	(30,514)	-	300	-	-

Quantifying Perfection

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Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	56
Marketing and Labelling	417-1	Requirements for product and service information and labelling	56
Marketing and Labelling	417-2	Incidents of non-compliance concerning product and service information and labelling	56
Marketing and Labelling	417-3	Incidents of non-compliance concerning marketing communication	56

Five Year Summary - Statement of Profit or Loss

	Group				
	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Continuing Operations					
Revenue	29,423,381	19,929,709	19,627,160	18,313,245	16,000,150
Cost of Sales	(20,187,348)	(15,144,779)	(15,324,147)	(12,995,860)	(10,783,477)
Gross Profit	9,236,033	4,784,930	4,303,014	5,317,386	5,216,673
Other Income	231,906	165,489	614,218	189,020	135,843
Distribution Costs	(2,700,250)	(1,921,242)	(1,803,218)	(1,798,905)	(1,466,625)
Administrative Expenses	(1,332,036)	(1,055,957)	(1,079,661)	(1,027,033)	(1,007,570)
Other Operating Expenses	(100,951)	-	-	-	-
Finance Cost	(769,888)	(1,171,381)	(847,593)	(480,146)	(408,928)
Finance Income	20,814	1,837	6,012	110,617	142,549
Fair Value adjustment in investment property	(3,186)	-	-	-	-
Profit / (Loss) Before Tax from Continuing Operations	4,582,442	803,676	1,192,772	2,310,938	2,611,942
Income Tax (Expense)/Reversal	(569,022)	(389,027)	(412,702)	(699,774)	(664,591)
Profit / (Loss) for the Year from Continuing Operations	4,013,420	414,649	780,070	1,611,165	1,947,351
Profit for the Year	4,013,420	414,649	780,070	1,611,165	1,947,351
Profit attributable to:					
Equity holders of the parent	2,960,211	405,115	617,157	1,086,902	1,387,503
Non controlling interest	1,053,209	9,534	162,914	524,262	559,849
Profit for the year	4,013,420	414,649	780,070	1,611,165	1,947,351
Adjusted Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	10.84	1.48	2.26	3.98	5.08

	Company				
	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Continuing Operations					
Revenue	5,988,521	3,493,619	3,220,934	3,316,247	3,345,337
Cost of Sales	(3,922,084)	(2,537,014)	(2,291,881)	(2,106,806)	(2,013,574)
Gross Profit	2,066,437	956,605	929,053	1,209,441	1,331,763
Other Income	823,986	36,823	214,793	424,965	309,426
Distribution Costs	(751,723)	(528,566)	(483,030)	(445,167)	(381,220)
Administrative Expenses	(211,242)	(185,660)	(206,134)	(208,646)	(210,028)
Other Operating Expenses	(40,989)	-	-	-	-
Finance Cost	(130,938)	(220,077)	(166,487)	(113,185)	(105,269)
Profit / (Loss) Before Tax from Continuing Operations	1,755,531	59,124	288,196	867,409	944,673
Income Tax (Expense)/Reversal	(138,013)	(21,099)	(56,915)	(176,368)	(171,908)
Profit / (Loss) for the Year from Continuing Operations	1,617,518	38,026	231,281	691,041	772,765
Profit for the Year	1,617,518	38,026	231,281	691,041	772,765
Profit attributable to:					
Equity holders of the parent	1,617,518	38,026	231,281	691,041	772,765
Profit for the year	1,617,518	38,026	231,281	691,041	772,765
Adjusted Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	5.92	0.14	0.85	2.53	2.83

Five Year Summary - Statement of Financial Position

	Group				
	2021	2020	2019	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current assets					
Property, plant and equipment	17,798,601	16,884,149	16,822,752	14,316,493	12,988,436
Consumable biological assets	630,578	632,177	585,920	536,575	490,535
Investment Property	813,619	816,805	816,805	459,407	-
Intangible assets - goodwill	35,814	37,113	24,519	24,519	24,519
Investments in associates	170,000	-	-	-	-
Long term receivables	-	27,285	27,285	27,285	27,285
Right of use assets	338,971	389,880	-	-	-
Deferred tax asset	-	-	847	14,686	12,176
	19,787,583	18,787,409	18,278,128	15,378,965	13,542,950
Current assets					
Inventories	6,484,986	10,226,419	8,316,920	6,113,247	4,313,824
Trade and other receivables	4,246,624	3,875,187	3,837,082	3,450,285	2,885,572
Contract Assets	40,164	38,079	58,269	-	-
Amounts due from related parties	63,324	48,450	37,016	55,427	8,729
Income tax receivable	49,231	30,336	123,962	60,854	24,674
Short term investments	3,877	3,754	3,499	3,239	3,296
Cash and cash equivalents	3,034,216	413,243	401,580	660,879	1,423,632
	13,922,422	14,635,468	12,778,329	10,343,930	8,659,727
Total assets	33,710,005	33,422,877	31,056,458	25,722,894	22,202,677
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	3,541,400	2,850,974	2,850,974	2,566,671	2,409,494
Retained earnings	10,242,050	7,982,331	7,602,813	7,162,378	6,597,189
Shareholders' funds	14,571,215	11,621,070	11,241,553	10,516,814	9,794,448
Non controlling interest	4,823,606	3,936,582	3,943,554	3,897,935	3,764,563
Total equity	19,394,821	15,557,652	15,185,107	14,414,750	13,559,011
Non-current liabilities					
Interest bearing liabilities	2,572,712	2,765,040	2,950,245	1,712,118	1,773,267
Deferred tax liabilities	1,879,638	2,421,476	2,341,613	2,032,023	1,042,939
Retirement benefit liability	1,071,475	975,933	882,161	778,830	656,086
Deferred income & Capital grants	118,995	122,832	125,726	136,532	138,189
	5,642,820	6,285,281	6,299,745	4,659,503	3,610,480
Current liabilities					
Trade and other payables	4,034,728	2,785,122	3,117,585	2,714,644	1,789,552
Contract liability	85,407	14,843	79,177	-	-
Income tax liabilities	497,320	45,924	9,829	81,844	168,839
Amounts due to related parties	85,957	90,903	100,613	48,528	17,045
Current portion of interest bearing liabilities	3,968,952	8,643,152	6,264,402	3,803,622	3,057,748
	8,672,364	11,579,944	9,571,606	6,648,638	5,033,184
Total equity and liabilities	33,710,005	33,422,877	31,056,458	25,722,894	22,202,677

	Company				
	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Non-current assets					
Property, plant and equipment	4,603,885	4,524,000	4,536,281	4,114,548	3,323,749
Investments in subsidiaries	1,276,096	1,276,096	1,276,096	1,276,096	1,276,097
Right of use assets	33,785	57,885			
	5,913,766	5,857,981	5,812,377	5,390,644	4,599,845
Current assets					
Inventories	1,410,768	2,762,580	2,224,608	1,606,272	1,335,580
Trade and other receivables	792,031	673,756	814,889	725,049	499,333
Amounts due from related parties	70,690	64,981	72,756	34,628	17,739
Short term investments	3,877	3,754	3,499	3,239	3,296
Cash and cash equivalents	279,697	47,776	33,240	61,004	43,372
	2,557,063	3,552,847	3,148,992	2,430,193	1,899,321
Total assets	8,470,829	9,410,828	8,961,369	7,820,837	6,499,167
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	1,812,082	1,812,083	1,531,815	1,237,011
Retained earnings	3,645,057	2,770,701	2,739,853	2,661,459	2,494,799
Shareholders' funds	6,490,713	5,370,548	5,339,701	4,981,039	4,519,576
Total equity	6,490,713	5,370,546	5,339,701	4,981,039	4,519,576
Non-current liabilities					
Interest bearing liabilities	39,922	72,735	119,134	165,180	324,981
Deferred tax liabilities	623,783	967,884	989,442	887,282	367,375
Retirement benefit liability	173,041	142,902	118,746	108,706	75,825
	836,746	1,183,521	1,227,322	1,161,169	768,180
Current liabilities					
Trade and other payables	635,763	483,266	666,730	479,476	414,318
Contract liability	30,350	-	-	-	-
Income tax liabilities	201,192	12,841	8,402	23,833	72,269
Amounts due to related parties	79,878	146,043	191,377	167,860	86,707
Current portion of interest bearing liabilities	196,187	2,214,611	1,527,838	1,007,459	638,118
	1,143,370	2,856,761	2,394,346	1,678,628	1,211,412
Total equity and liabilities	8,470,829	9,410,828	8,961,369	7,820,837	6,499,167

Major Shareholders

20 MAJOR SHAREHOLDERS OF THE COMPANY

NAME	No. of Shares		No. of Shares	
	31-03-2021	%	31-03-2020	%
1 ROYAL CERAMICS LANKA PLC	148,921,090	54.550	29,784,218	54.550
2 MR. A A PAGE	25,548,780	9.359	5,159,756	9.450
3 ARUNODHAYA INVESTMENTS (PRIVATE) LIMITED	6,313,345	2.313	1,262,669	2.313
4 ARUNODHAYA (PRIVATE) LIMITED	6,313,345	2.313	1,262,669	2.313
5 ARUNODHAYA INDUSTRIES (PRIVATE) LIMITED	6,313,345	2.313	1,262,669	2.313
6 SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	4,038,000	1.479	807,600	1.479
7 MRS. A SELLIAH	3,733,895	1.368	746,779	1.368
8 MRS. A KAILASAPILLAI	3,486,670	1.277	697,334	1.277
9 ANDYSEL PRIVATE LIMITED	2,100,000	0.769	420,000	0.769
10 MR. K ARAVINTHAN	1,680,000	0.615	336,000	0.615
11 MR. W G D C RANAWEERA	1,629,470	0.597	-	0.000
12 MR. M N DEEN	1,412,500	0.517	-	0.000
13 HATTON NATIONAL BANK PLC/MR GERAD SHAMIL NIRANJAN PERIS	1,239,665	0.454	64,000	0.117
14 BANK OF CEYLON A/C CEY BANK CENTURY GROWTH FUND	1,124,915	0.412	199,760	0.366
15 CAPITAL TRUST HOLDINGS LTD	1,065,500	0.390	-	0.000
16 MR. K A S R NISSANKA	1,053,825	0.386	40,000	0.073
17 COMMERCIAL BANK OF CEYLON PLC/CAPITAL TRUST HOLDINGS LIMITED	1,000,495	0.366	-	0.000
18 AMES TILE & STONE LTD	887,250	0.325	177,450	0.325
19 HATTON NATIONAL BANK PLC/ HENNASY GEETH BALASURIYA	875,075	0.321	-	0.000
20 MR. S VASUDEVAN	845,795	0.310	121,788	0.223
SUB TOTAL	219,582,960	80.433	42,342,692	77.551
OTHER 12,272 SHAREHOLDERS	53,417,040	19.567	12,257,308	22.449
ISSUED CAPITAL	273,000,000	100.000	54,600,000	100.000

SHARE DISTRIBUTION AS AT 31ST MARCH 2021

Size of Shareholdings Number	No of holders	No of Shares	Holdings %
1 - 1,000	3,301	1,160,920	0.42
1,001 - 10,000	8,301	13,930,570	5.10
10,001- 100,000	589	17,712,015	6.49
100,001 - 1,000,000	84	23,221,655	8.51
Over 1,000,000	17	216,974,840	79.48
	12,292	273,000,000	100.00

CATEGORIES OF SHAREHOLDERS

	No of holders	No of Shares	Holdings %
Local Individuals	11,878	79,006,685	28.94
Local Institutions	322	192,315,270	70.45
Foreign Individuals	87	438,620	0.16
Foreign Institutions	5	1,239,425	0.45
	12,292	273,000,000	100.00

Major Shareholders

DIRECTORS' & CEO'S SHAREHOLDING AS AT 31ST MARCH 2021

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	55,000	0.020
Mr. J D N Kekulawala	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera (Appointed w.e.f 09th October 2020)	-	-

- 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

	2021	2020
Market price per share		
Highest during the year - 29-01-2021	Rs. 340.00 -(29-01-2021)	Rs. 81.50 -(29-11-2019)
Lowest during the year - 12-05-2020	Rs. 39.00 -(12-05-2020)	Rs. 40.00 -(20-03-2020)
As at end of the year	Rs. 37.70* -(26-03-2021)	Rs. 41.10

*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	36,796
Number of Shares traded during the year	26,960,935
Value of shares traded during the year	Rs. 4,010,174,820.35

PUBLIC HOLDING

Public Holding	
The Percentage of shares held by the Public as at 31st March 2021	26.958%
No of public shareholders representing the above percentage	12,278
The float adjusted market capitalization as at 31st March 2021 is	Rs. 2,774,513,215.50**

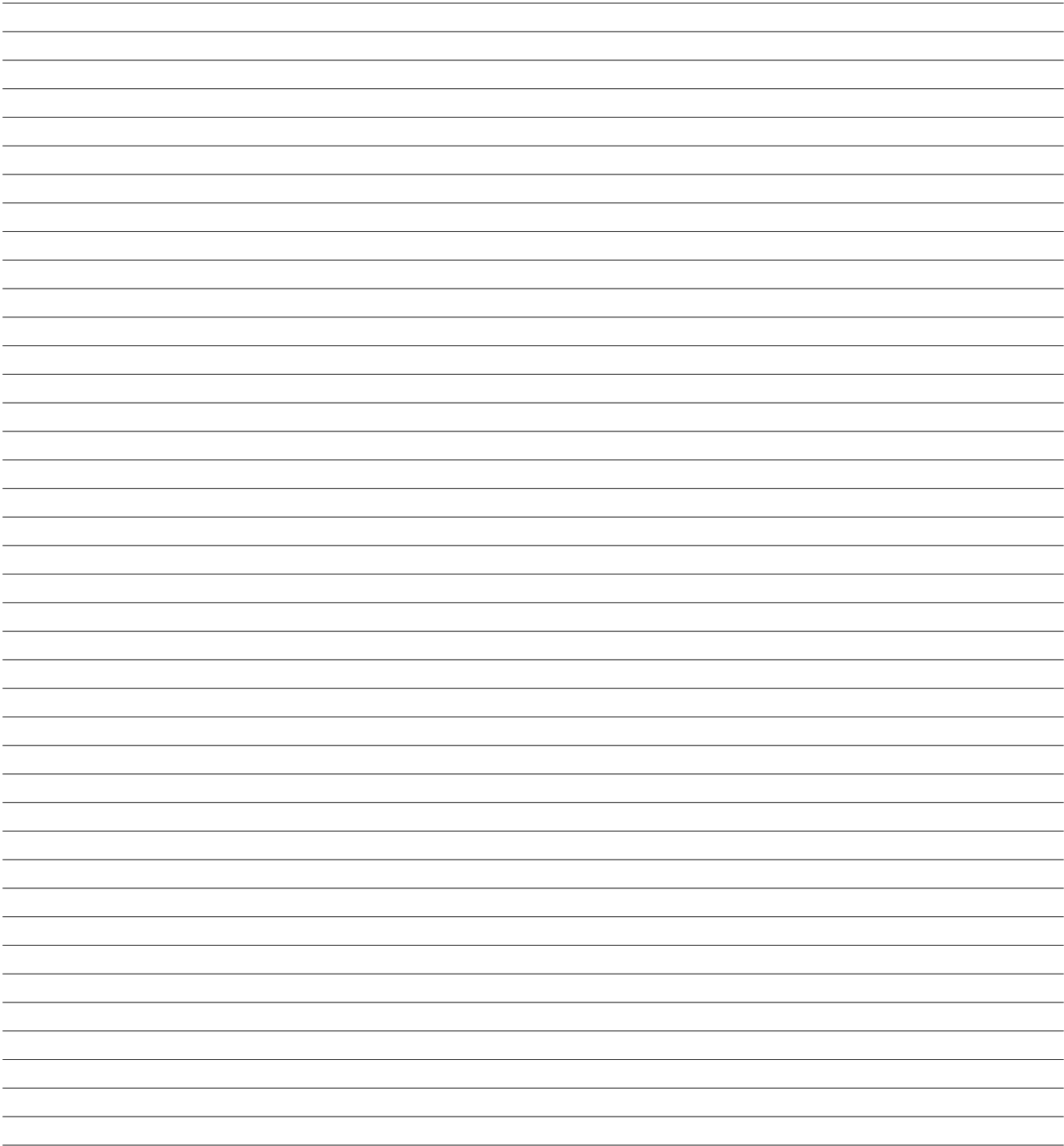
**“The last day of trading during the quarter was 26th March 2021, on which day shares were traded prior to being sub divided .The closing price of the share on that day was Rs.188.50, which should therefore be taken as the closing price of the share. If the said price is applied to calculate the market capitalization based on the number of shares post sub division, it will not be an accurate reflection of the Market Capitalization. Therefore the said price of Rs. 188.50 was divided by 5 to reflect the closing price of a sub divided share.

The Float adjusted market capitalization 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

	2021	%	2020	%	2019	%	2018	%	2017	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Group										
Turnover	29,423,381		19,929,709		19,627,160		18,313,245		16,000,150	
Other income	252,720		167,326		620,230		299,637		278,392	
Cost of material and services purchased	(20,605,995)		(14,013,881)		(14,409,902)		(12,438,227)		(10,303,206)	
Value Added	9,070,106		6,083,155		5,837,488		6,174,655		5,975,336	
To employees as remuneration	3,625,222	59.6	3,116,945	51.2	2,874,779	49.2	3,037,814	49.2	2,747,892	46.0
To providers of funds as interest	769,888	12.7	1,171,381	19.3	847,593	14.5	486,146	7.9	408,146	6.8
To state as taxes	569,022	9.4	389,028	6.4	412,702	7.1	699,774	11.3	664,591	11.1
To shareholders as dividends	742,560	12.2	-	0.0	163,800	2.8	518,700	8.4	409,500	6.9
Depreciation	1,103,695	18.1	1,026,284	16.9	813,876	13.9	709,855	11.5	636,109	10.6
Reserves	2,259,719	37.1	379,516	6.2	724,739	12.4	722,366	11.7	1,109,098	18.6
Total	9,070,106	149.1	6,083,155	100.0	5,837,488	100.0	6,174,655	100.0	5,975,336	100.0



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Fourth (44th) Annual General Meeting of Lanka Walltiles PLC will be held by way of electronic means on the 30th day of June 2021 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 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. A M Weerasinghe, 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 Dr. S Selliah, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. T G Thoradeniya, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
5. To elect Mr. S R Jayaweera who retires in terms of the Articles of Associations, as a Director of the Company.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine Donations for the ensuing year.

By Order of the Board
LANKA WALLTILES PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
31st May 2021

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/Weof
of
 being a *Shareholder /Shareholders of Lanka Walltiles PLC,
 do hereby appoint
 ofor failing him/her

Mr. Dhammika Perera	of Colombo or failing him*
Mr. Amarakone Mudiyansele Weerasinghe	of Colombo or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	of Colombo or failing him*
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. Sanjeeva 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 30th June 2021 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. A M Weerasinghe, 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 Dr. S Selliah, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. T G Thoradeinya, 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 elect Mr. S R Jayaweera, who retires in terms of Article 110 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine donations for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Twenty One.

Signature

- *Please delete the inappropriate words.
- 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.

Corporate Information

► GRI - 102-3,102-5

NAME OF THE COMPANY

Lanka Walltiles PLC

LEGAL FORM

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

DIRECTORS

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

REGISTERED OFFICE

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

FACTORY

Meepe, Padukka
Telephone : + 94 - 11 - 4309809
Facsimile : + 94 - 11 - 2859168
E-mail : meepe_fac@lankatiles.com

PARENT COMPANY

Royal Ceramics Lanka PLC
No. 20, R A De Mel Mawatha
Colombo 03
Telephone : + 94 - 11 - 4799400
Facsimile : + 94 - 11 - 4720077
Website : www.rocell.com

SECRETARIES

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

BANKERS

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

AUDITORS

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