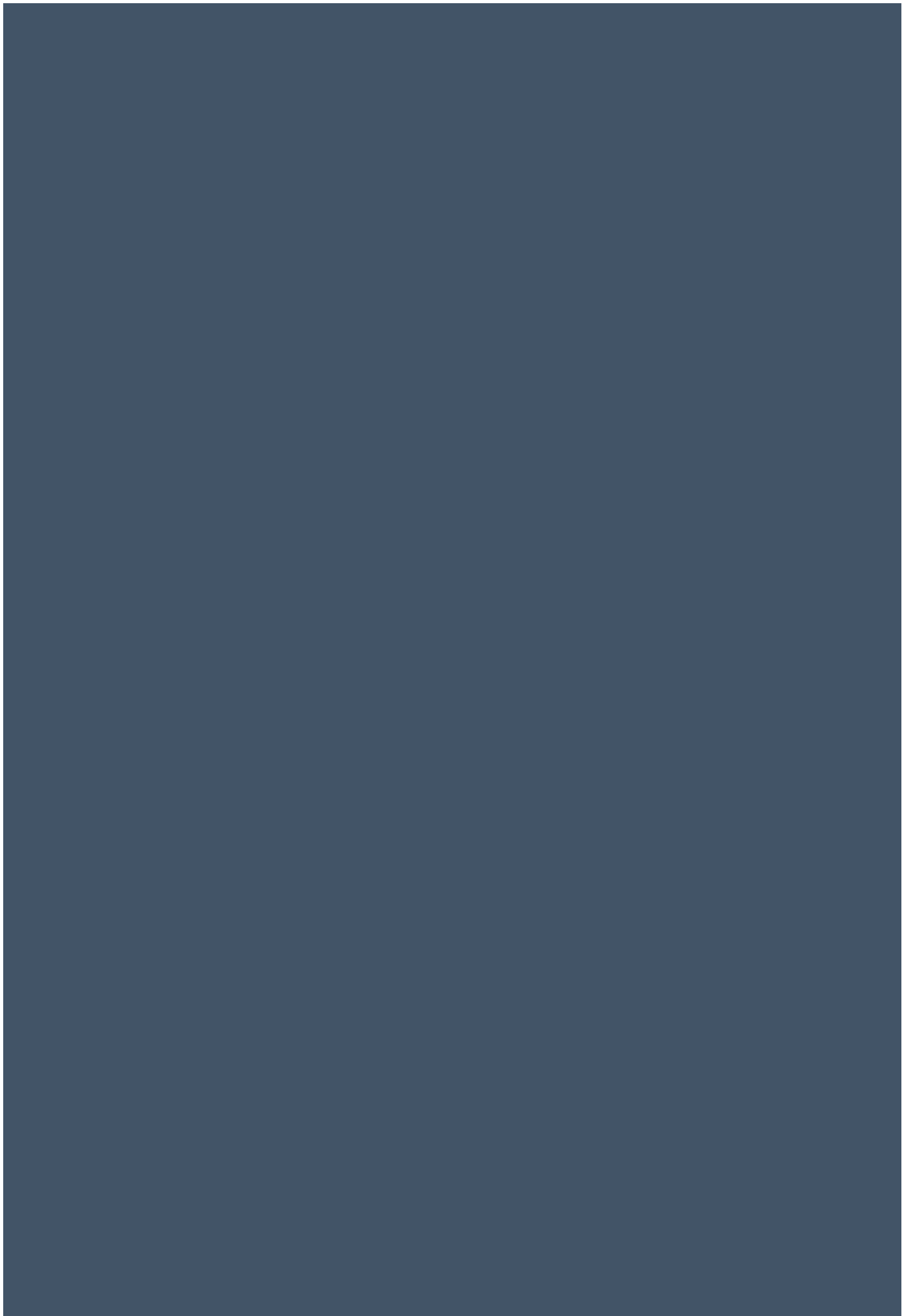




Designed for Life

Lanka Tiles PLC
Integrated Annual Report 2020/21



Designed for Life

Built on enduring principles of functionality, durability and customer-centricity, here at Lanka Tiles, we embody the attributes of the products we create. Ours is a lifelong responsibility to remain one step ahead; to anticipate changing dynamics and adopt pioneering strategies to ensure endless possibilities for our stakeholders in the years ahead.

Designed to add positivity and inspire life, today, we're creating a space for the future - a place that's stable and secure, even amid these unprecedented times. Crafted to spark a sense of joy in the people's lives and structured around their needs, we are undoubtedly built to survive and thrive, despite the overwhelming odds we now face as a nation.

We're designed to deliver lasting value. We're configured for change, and designed for life.

Contents

11

Highlights of the
Year 2021

14

Chairman's
Message

18

Managing Director's
Message

35

Risk
Management

43

Capital
Reports

66

Corporate
Governance

90

Financial
Reports

FINANCIAL REPORTS

Vision, Mission	3
About this report	4
Our Group Structure	7
Our Product Portfolio	9
Financial Highlights	12
Non-financial Highlights	13
Chairman's Message	14
Managing Director's Message	18
Board of Directors	22
Senior Management	26
The Strategic Report	28
Strategy	30
Value Added Statement	31
Stakeholder Engagement	32
Materiality	34
Principal Risks	35
Risk Overview	36
Operating Environment	38
Business line Review	40
Capitals Report	43
Financial Capital	44
Manufactured Capital	48
Human Capital	50
Social and Relationship Capital	55
Intellectual Capital	59
Natural Capital	62
Corporate Governance	66
Annual Report of the Board of Directors on the Affairs of the Company	77
Statement of Directors' Responsibility	82
Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	83
Related Party Transactions Review Committee Report	84
Remuneration Committee Report	85
Audit Committee Report	86
GRI Index	87

Independent Auditor's Report	90
Consolidated Statement of Financial Position	94
Consolidated Statement of Comprehensive Income	95
Statement of Changes in Equity	96
Consolidated Statement of Cash Flows	97
Notes to the Financial Statements	98
Five Year Summary Statement of Comprehensive Income	143
Five Year Summary Statement of Financial Position	144
Shareholder Information	145
20 Major Shareholders	146
Statement of Value Added	147
Corporate Information	148
Notes	149
Notice of Meeting	150
Form of Proxy	151

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.

Environmental Policy

We establish, implement and maintain our EMS to minimize the environmental pollution caused during the manufacturing of glazed ceramic and porcelain floor tiles and conserve the use of sustainable resources according to our defined plan, through effective communication, training and ethical governance among all our interested parties. We have provided a framework for setting environmental objectives and review them periodically for achieving continual improvement.

About Lanka Tiles PLC

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

Today we are the largest tile manufacturer in the country with a variety of textures, hues and sizes. Our state-of-the-art production facility uses green technology to preserve our environment.



Registered Name: Lanka Tiles PLC
Company Registration No: PQ 129
Rating AA+ Stable Outlook by Fitch Ratings Lanka Ltd.



View our Annual Report and Accounts and other information about Lanka Tiles PLC at

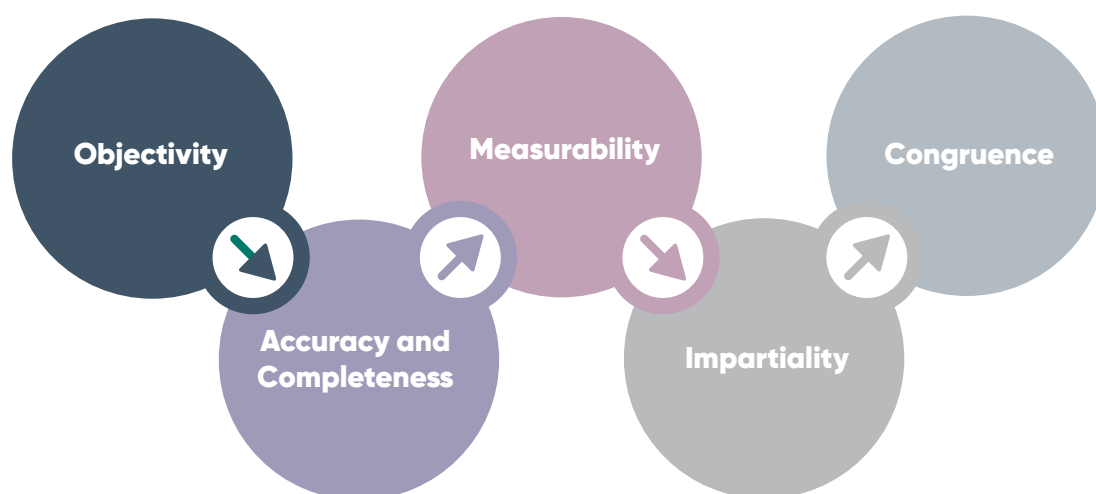
www.lankatiles.com

Lanka Tiles PLC is pleased to present our 4th Integrated Annual Report for the period ending 31st March 2021. This report sets out the changes in our capitals, operating environment and business lines since our previous report for the financial year ended 31st March 2020.

Scope and Boundary

This report focuses on aspects material and relevant to Our Group's operation, strategy and our stakeholders. The Report covers the operations of Lanka Tiles PLC (LTPLC) and its subsidiary companies, Beyond Paradise Collection Limited, LTL Development Limited and Lanka Tiles Private Limited – India.

Reporting Concepts



Assurance

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

Changes in reporting

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

We followed the guiding principles set out in the IR Framework in compiling this report. Our operations span companies engaged in the manufacture of products for the construction sector.

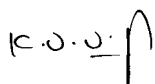
Forward Looking Statements

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.

Acknowledgement

The Annual report of Lanka Tiles 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 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 Tiles 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:



Chairman



Audit Committee
Chairman



Managing
Director

For any inquiries, please contact,

Mr. Tyrell Roche

General Manager (Finance)

✉ Email: tyrell@lankatiles.com

☎ Telephone : 011 4526700

Reporting Framework

Regulatory Requirement

- Companies Act No.7 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- Sri Lanka Financial Reporting Standards

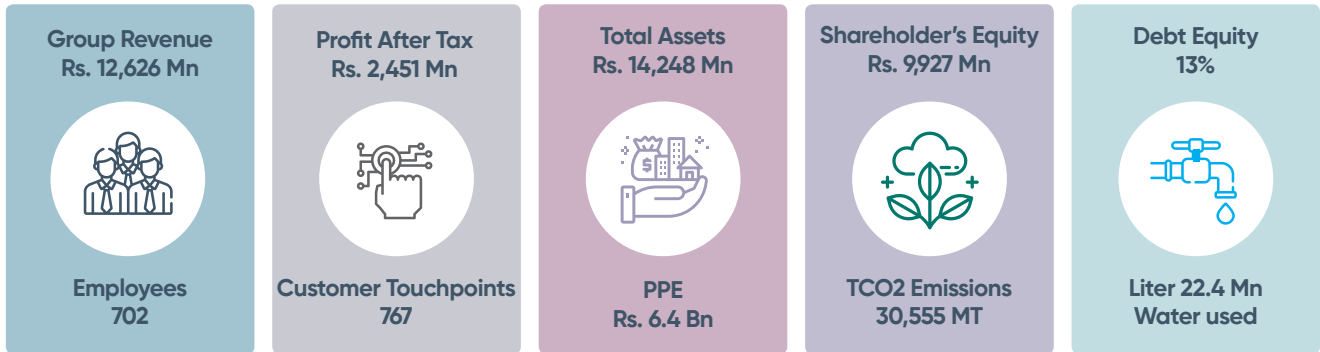
Voluntarily Adopted Frameworks

- Integrated Reporting Framework issued by the International Integrated Reporting Council
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka December 2017
- Communicating Sustainability issued by the Colombo Stock Exchange
- Sustainability Standards issued by the Global Reporting Initiative
- Sustainability Development Goals

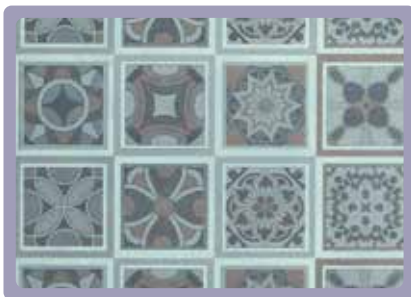
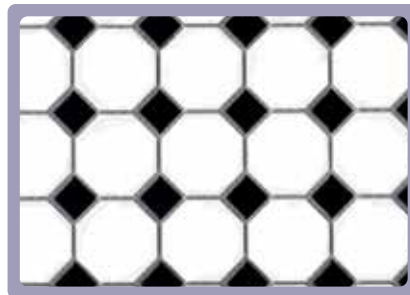
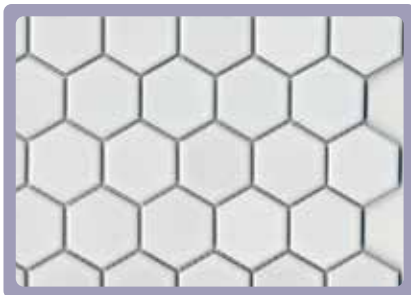
Guiding Principles

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

Key Numbers



A new product range for 2020/21



Made to International Standards

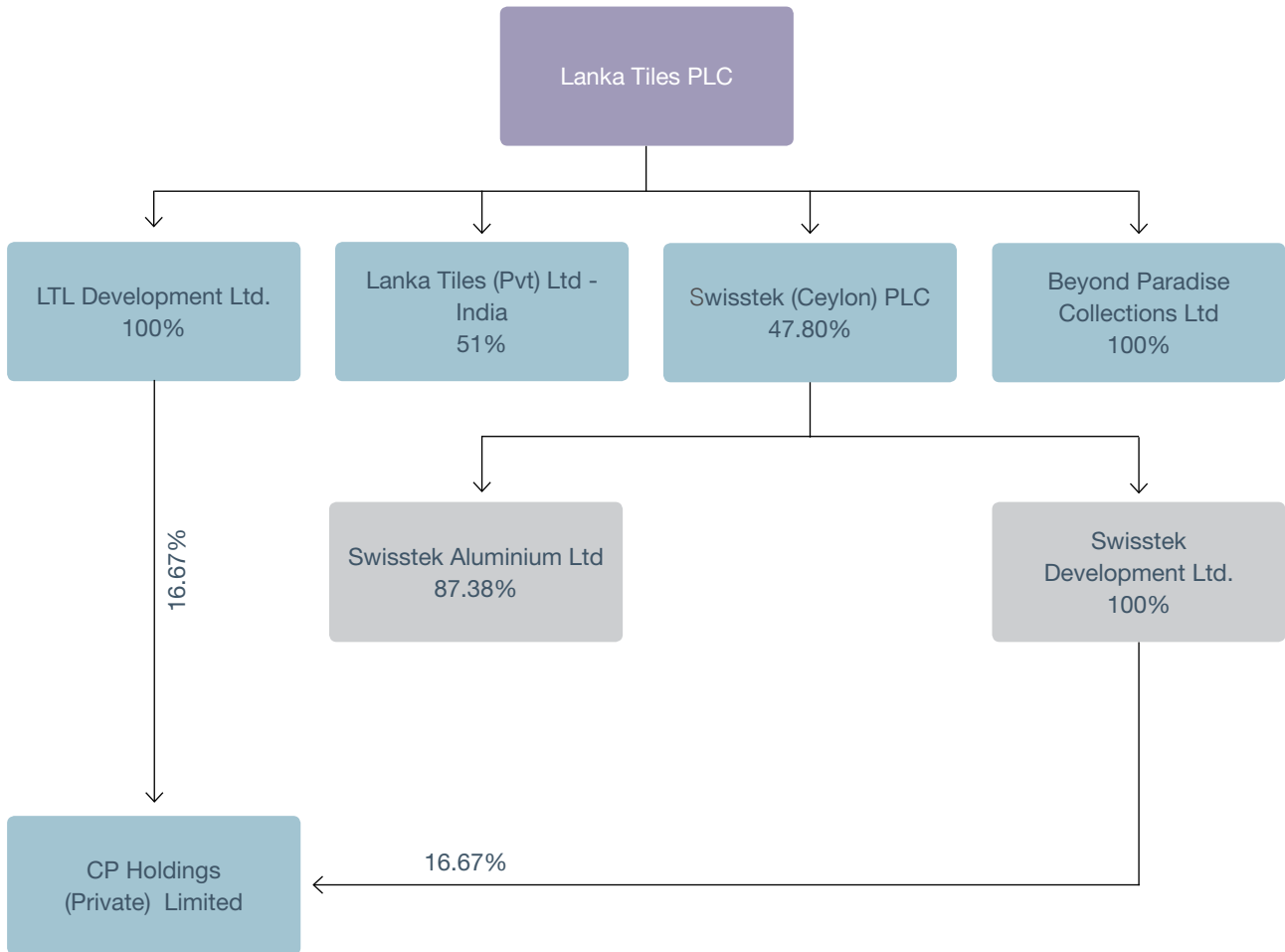
ISO 9001 for Quality Management systems

ISO 14000 for Environment Management Systems

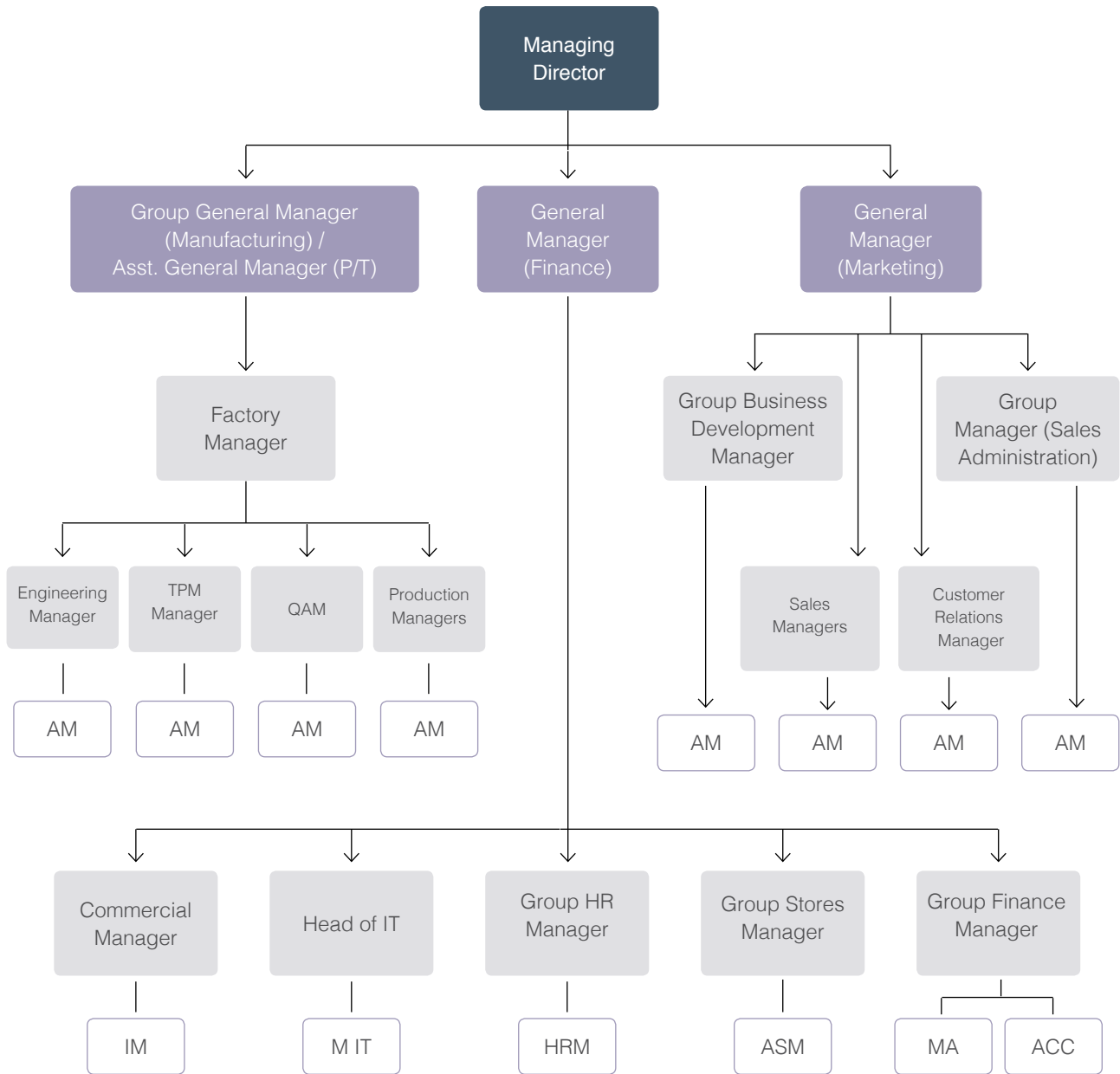
OHSAS 18001 for Occupational Health and Safety

Green Label Certification

Our Group Structure



Organisation Structure



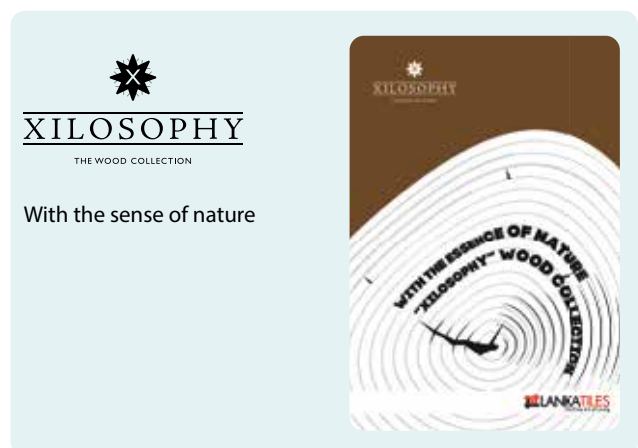
Our product portfolio

"We are proud to see our people executing in the marketplace, delivering quality products and services to our customers and achieving extraordinary things through strategy and leadership."

LANKATILES wall tiles and floor tiles are major contenders in the highly competitive international arena since 1984.

Our designs, materials and technology blend perfectly with exciting aesthetics and we deliver a total package to satisfy the requirements of designers, architects and homeowners.

We manufacture a wide range of tiles in a variety of colours, textures and sizes including special trim tiles for the walls and decorated tiles. We made a long journey through creativity and maintaining a high standard of quality in our products and services. Sri Lanka is a beautiful and diverse country that has an abundance of raw materials for the production of our tiles. We are committed to the well-being of the environment and preserving its beauty and have many policies in place to help us be on the cutting edge of green tile production.



Our product portfolio

ESSENTIAL +

COLLECTION

With the Plus of being essential



CONCRETE

COLLECTION

With the a concrete attitude



With the enchanting experience of nature





Serving our stakeholders with ingenuity

"Minimised waste, optimised efficiencies by integrating the Environment, Social & Governance principles into our processes."

The Group recorded the highest profit in its history with a

Rs. 2,451 Mn
as Profit After Tax.

A phenomenal

321%

profit increase than last year.

Net assets of company increased by

26%

to

Rs.9,746 Mn

at the end of the year.

Opened

4 new

factory outlets.

Financial Highlights

Assets

LKR 14,248 Mn

Market capitalisation

LKR 2,769 Mn

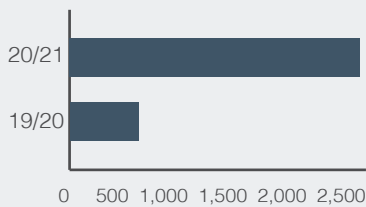
Financial Performance	Unit	2020/2021	2019/2020	%
Revenue	Rs. '000	12,626,485	6,694,824	89%
Gross Profits	Rs. '000	4,746,103	2,416,027	96%
Earnings Before Interest and Tax (EBIT)	Rs. '000	2,775,596	1,026,965	170%
Profit before tax	Rs. '000	2,854,668	775,275	268%
Profits after tax	Rs. '000	2,450,894	581,945	321%
Profits attributable to shareholders	Rs. '000	2,450,774	581,787	321%
Gross profit margin	%	37.6%	36.1%	4%
Net profit margin	%	19.4%	8.7%	123%
Return on assets (ROA)	%	17.4%	4.5%	287%
Return on equity (ROE)	%	27.5%	7.7%	257%
Interest cover	No of times	8.3	3.1	173%
Financial Position	Unit		2019/2020	%
Assets	Rs. '000	14,248,047	13,882,635	3%
Capital expenditure on PPE	Rs. '000	433,121	612,631	-29%
Debt	Rs. '000	1,292,933	3,613,231	-64%
Other liabilities	Rs. '000	3,021,841	2,390,861	26%
Shareholders' equity	Rs. '000	9,927,081	7,872,744	26%
Gearing	%	13.0%	44.6%	-71%
Net assets per share*	Rs./share	37.43	29.68	26%
Current ratio	No. of times	2.6	1.7	50%
Quick assets ratio	No. of times	1.6	0.3	428%
Shareholder information	Unit		2019/2020	%
No of shares in issue	No	265,252,050	53,050,410	400%
Dividend per share*	Rs./share	3.23	-	100%
Earnings per share*	Rs./share	9.24	2.19	321%
Market capitalization	Rs. Mn	2,769	2,658	4%
Dividend payout ratio	%	35%	-	100%
Other	Unit		2019/2020	%
Number of employees	No	702	749	-6%
Average revenue per employee	Rs '000	17,404	9,148	90%
Average profit per employee	Rs '000	3,378	741	356%
Number of showrooms	No	49	48	2%

*Net assets, Earnings and Dividends per share for the year 2019/2020 is calculated by using the number of shares in issue adjusted for the sub-division of five shares for each ordinary share held.

Non-financial Highlights

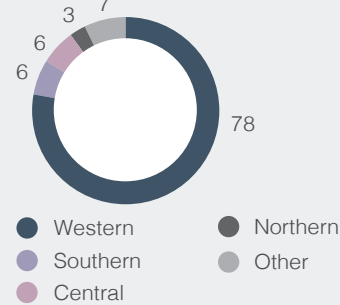
Financial Capital

Profitability (Rs.Mn)



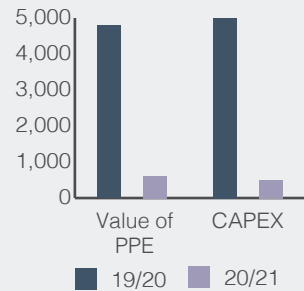
Human Capital

Team by Region (%)



Manufactured Capital

Manufactured Capital (Rs.Mn)

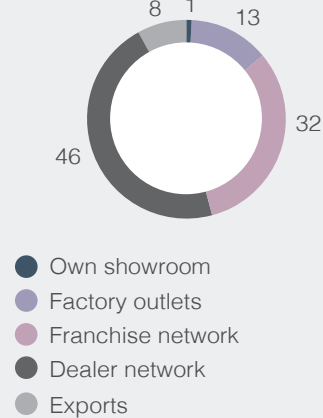


	2020/21	2019/20
Training and Development		
Investment in training Rs. Mn	3.14	0.5
Training Hours	352	2,689

	2020/21	2019/20
No. of suppliers	588	550
Payment to suppliers Rs. Mn	5,904	6,569

Social and Relationship Capital

Distribution Network (%)



Intellectual Capital

TM

Brand Valued at
Rs.1,409 Mn by Brand
Finance Sri Lanka

LANKATILES
The Fine Art of Living

	2020/21	2019/20
No. of new designs	130	190
Quality certifications	6	3
Investment in R&D - Rs. Mn	4.45	17.0

Natural Capital

		2020/21	2019/20
Electricity	KWH	18.16	18.38
LPG	Kg/Mn	8.78	8.88
Water Usage	Litres	22,438,809	27,950,484
Water Recycled	Litres	2,016,663	2,200,000



Chairman's Message



Unleashing our true potential

"The performance has been a combination of foresight, meticulous attention to technical matters and the efforts of an inspired team that enabled us to seize the opportunities that arose amidst the extraordinary challenges."

Dear Shareholders,

Lanka Tiles PLC Group surpassed established milestones to deliver record earnings of Rs. 2,451 Mn for the financial year ending 31st March 2021 in a year of extreme uncertainty and volatility. This is a timely affirmation of the significant capital expenditure undertaken to enhance the capabilities of the plant, catering to emerging trends in the interior design space. The performance has been a combination of foresight, meticulous attention to technical matters and the efforts of an inspired team that enabled us to seize the opportunities that arose amidst the extraordinary challenges.

Context to Performance

We commenced the year under the cloud of the COVID-19 pandemic that was crossing borders with ease, with countries closing borders as they took unprecedented precautionary measures to curtail the spread. Sri Lanka was barely recovering from the unfortunate impacts of the Easter Sunday Terror attacks in April 2019 at the time the country went into lockdown in mid-March 2020. Despite this, we remained positive and commenced operations during the lockdown with adequate safeguards to ensure the health and well-being of our staff. As pointed out in my previous year's message, the import restrictions imposed to defend the country's currency and balance of payments was a window of opportunity for the Lanka Tiles Group.

The government also implemented a number of pro-growth policies to support the businesses stay afloat. These included a decrease in policy interest rates of 2.5%, several interventions to defend the currency, and moratoria across several sectors. This averted a deeper scarring of the economy, protecting livelihoods as unemployment increased from 4.8% in 2019 to 5.5% in 2020.

Sri Lanka recorded a contraction of 3.6% in 2020 as the World economy also contracted by 3.3% due to the pandemic. The country's GDP per capita also declined for the second consecutive year from US\$ 3,852 to US\$ 3,682 indicating the decrease in consumer purchasing power. Additionally, the construction sector declined by 13.2% reflecting the uncertainty and the challenges. Despite these daunting numbers, Lanka Tiles navigated the course to deliver exceptional results with a focus on delivering value to its stakeholders.

Changing Course

Technical challenges and operationalisation of the mosaic plant occupied a significant part of the leadership's time and energy in the previous year as they spent time perfecting the various aspects of the new range of mosaic tiles. We were able to move forward with confidence with an exciting portfolio of products that enabled Sri Lanka's to add a new design aesthetic into their creative spaces and lifestyles. Understanding the changing customer behaviour was key to charting our course and allocating resources. After a loss in the first two months of the year, we observed that there were two clear segments with one segment opting for the full service proposition at the showrooms and the other having a clear preference for bargains in keeping with the uncertainty prevailing at the time. Consequently, we rapidly increased our factory outlets by opening 04 new ones during the year to address the concerns of the extremely price conscious customer that emerged after the lockdown. We also opened 1 new showroom during the year to cater to customers who wanted a full service offering.

"The past year has underlined the importance of integrating Environment, Social & Governance principles into the decision making processes of the Group. Early adoption of ESG Reporting has resulted in increasing levels of awareness of the principles supported by reliable non-financial information which has seen considerable progress in minimising negative consequences of our operations."

Performance

Lanka Tiles stayed on course to deliver revenue and earnings growth of 89% and 321% respectively, recording Rs.12,626 Mn revenue and Rs. 2,451 Mn as earnings. Both top line and bottom line achievements set a new bar for performance as we maximised the yield from our new plant. This was key to unlocking value as the higher capacity utilisation facilitated absorption of the increased overheads improving operating margins significantly. The Group was able to capture the market with its new range of mosaics and large format tiles in addition to its existing products, gaining the attention of the design enthusiasts. We also focused on disciplined financial management and utilised the cash flow generated to repay over Rs. 2 bn in borrowings which strengthened the balance sheet while reducing the finance costs. Favourable tax rates and capital allowances supported a decrease in the effective tax rate which contributed to the increased profit after tax.

Net assets of the company increased by 27% to Rs.9,746 Mn at the close of the year due to increased retained profits. The funding position improved as the debt to equity ratio improved from 47% in March 2020 to 13% in 2021 while liquidity position also improved with the quick asset ratio moving from 0.47 to 1.68 during the year.

Unlocking Value for Shareholders

Unlocking shareholder value was on the agenda with the renewed interest in the Colombo Stock Exchange which saw the ASPI increase by 55.77% from 4,571.63 to 7,121.28. The share price of Lanka Tiles increased from Rs. 50/- per share to Rs.185.75 providing shareholders a return of 272% for the financial year from capital appreciation.

Lanka Tiles also paid out two cash dividends of Rs.3.85 per share and Rs.12.30 per share on December 2020 and March 2021 which is a return of a further 33% for shareholders based on the share price at the beginning of the year, creating 305% 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.50.20 which is an increase of 35% post sub-division.

Your Board recommends a dividend of Rs.2.20 per share taking in to account the performance which amounts to Rs. 584 Mn as the 3rd interim dividend for the year ended 31st March 2021 giving shareholders a return of 50% for the financial year.

Governance Matters

The Board increased its vigilance with the onset of the pandemic as the risks and uncertainty increased dramatically with the pandemic impacting the entire world. Close communication with the leadership team kept the Board abreast of key areas of vulnerability and plans were reviewed to assess the health and safety of our people and 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 page 53 of this report which bear testimony to the inspired performance and loyalty of the team at Lanka Tiles.

"For Lanka Tiles, our future lies in maintaining domestic market share and expansion of export markets as we see the import restrictions as a temporary reprieve. We will also resume our journey to create a one stop shop when we see an easing of the import restrictions in place."

We expanded the Board as we welcomed Mr. Sanjeewa Jayaweera and Mr. Jithendra Gunaratne in the capacity of Non-Executive Directors to the Board, increasing the breadth of skills and experience within the Board. Accordingly, we now have a significant majority of Independent Directors of whom 6 are independent, considerably enhancing the objectivity of the Board.

Integrating Sustainability

The past year has underlined the importance of integrating Environment, Social & Governance principles into the decision making processes of the Group. Early adoption of ESG Reporting has resulted in increasing levels of awareness of the principles supported by reliable non-financial information which has seen considerable progress in minimising negative consequences of our operations. Accordingly, it has nurtured a culture that focuses on minimising waste, optimising efficiencies, ensuring the health and safety of people while meeting 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.

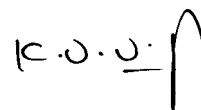
Outlook

The outlook remains uncertain with risks weighed to the downside for the economy as a whole. Sri Lanka's weakened economic conditions raise a number of concerns even at the time of writing and these are likely to deteriorate further if the 3rd wave is prolonged. Concerns include the exchange rate, pressure for upward movement of interest rates, extension of moratoria and sustainability of sovereign debt repayments. The third wave came at a time when the country was making a recovery on a number of fronts including exports as we adjusted to working in a socially distanced workplace. Moving forward, access to vaccines will be key to sustainable revival of the economy with a significant proportion of the population covered through vaccinations.

For Lanka Tiles, our future lies in maintaining domestic market share and expansion of export markets as we see the import restrictions as a temporary reprieve. We will also resume our journey to create a one stop shop when we see an easing of the import restrictions in place. However, these plans are subject to change and will be flexed as necessary according to the dynamics of the operating environment. We will continue to maintain healthy funding and liquidity positions to enable us to steer through the uncertainty ahead.

Appreciation

I am deeply appreciative of the work that has gone into delivering the exceptional performance recorded this year and thank Mr. Mahendra Jayasekera for his inspired leadership in a year of unprecedented challenges. I commend the team at Lanka Tiles for the dedication and hard work during the year under his able guidance. I thank our business partners for their invaluable support during the year on behalf of the Board. I also thank my fellow Board members whose advice and guidance has been invaluable in navigating to a safe harbour. Finally, I thank our shareholders for staying the course throughout a roller coaster year which nevertheless, enabled us to create significant value for you. I look forward to sharing the journey ahead with our stakeholders and assure them of our continued commitment to work together in delivering another great year.



Dhammika Perera
Chairman

31st May 2021

Managing Director's Message



Building partnerships

"I am delighted to report that Lanka Tiles PLC Group recorded Rs. 2,451 Mn as Profit After Tax which is the highest profit in the history of the Group and a phenomenal 321% over the previous year's profit of Rs. 582 Mn."

I am delighted to report that Lanka Tiles PLC Group recorded Rs. 2,451 Mn as Profit After Tax which is the highest profit in the history of the Group and a phenomenal 321% over the previous year's profit of Rs. 582 Mn. Achieving this during a global pandemic and the resultant disruptions and uncertainty is commendable. I would like to start by thanking all the employees, franchise partners and distributors who kept our stocks moving despite the significant challenges.

The LankaTile brand was judged as the most valuable tile brand in the country for the 2nd consecutive year and the most profitable tile brand in the country with the highest price realisation per square meter. The brand value of Rs. 1.4 Bn is an increase over the previous valuation of Rs. 1.1 Bn in the previous year reflecting increased customer satisfaction and our unwavering commitment to quality. Brand Finance Sri Lanka also affirmed this by a brand rating of AA+ for the year under review.

The Great Reset

The year dawned with the country under lockdown, although our factories remained operational as shutting down kilns which operate at temperatures exceeding 1,200 degrees is a costly task requiring weeks to avoid damage. All showrooms were closed with nearly 6 weeks of lost sales in the first quarter. We had also completed a difficult year as we resolved technical issues related to the mosaic plant. The gradual easing of border tariffs for tiles had seen an influx of competing products with imports accounting for almost half of the tile market. Prospects for the year ahead were daunting with negative sentiments and a complete halt of the construction sector in the first 6 weeks of the year.

The lockdown also impacted our distributors and franchise partners who were unable to generate sales and the livelihoods of tilers across the country who were unable to ply their trade. We had 10 months of inventory in our warehouses and needed to change our game to realise the value of the investments we had made in the plant over the past two years to unlock value for all our stakeholders.

Changing Our Game

The factories recommenced production within 48 days into the lockdown with extensive precautions to ensure that the risks to our staff at the workplace were minimised as much as possible. The new collections launched were an exciting extension to our portfolio that enabled us to compete not just in the domestic market but in export markets as well. The technical issues were behind us supporting a reliable supply and we were ready to focus on moving our products.

As the other provinces came out of lockdown prior to the Western Province, we started moving inventory to customer touchpoints throughout our island-wide network, enabling thousands of tilers to support their livelihoods. The government also imposed wide-ranging import restrictions on non-essential items to defend the currency and manage the trade and the balance of payments deficits. Interest rates fell sharply during the year as the government adopted an accommodative stance, cutting policy rates by 250 basis points in 2020. The government also imposed interest rate caps on mortgage backed housing loans at a fixed rate of 7% for the first five years and a variable rate of 1% above AWPLR thereafter. People were spending more time at home and wanted to improve their homes as housing loans became more affordable. Customers also became more price conscious

"We also seized the opportunity to meet the demand in the domestic market due to the import restriction which came into effect in May 2020. The decision to keep our trained staff in place supporting them through difficult times was amply rewarded with high levels of customer satisfaction and diminishing inventory levels."

seeking value for money due to the prevailing uncertainty regarding the duration and impacts of the pandemic. These factors proved a breakthrough for the domestic tile manufacturers as we saw the demand for our tiles surge over the next few months with inventory moving faster than production in some months.

Unlocking Value

The year under review was one of interventions to unlock value for stakeholders who share our journey. We needed every stakeholder throughout our supply chain to support us through a year of uncertainty, change and disruption. We started with our employees by assuring them of their jobs, salaries and even bonuses if we achieved targets, enabling them to perform at the highest levels in a year that had personal challenges for all. This was the pivot for unlocking value as their engagements with our stakeholders or in the plant was critical to our survival at a time when the construction industry in the country was contracting.

Our franchise partners and distributors were next and we reached out to assure them of our support during what was clearly a stressful period and assured them of cashflows support for salaries of their staff until such time that time sales picked up. A comprehensive training programme for their staff over the years made them vital stakeholders in an accelerated sales strategy as we emerged from lockdown, to catch up on lost sales and seize the opportunity afforded by the import restrictions to drive sales growth.

We needed to understand the change in behaviour of our customers as the two months in lockdown had transformed their needs and behaviours. Expressing their personal style through aesthetic aspects of their homes as they were spending more time at home was important. A clear market segmentation emerged with one segment seeking the full service concept offered at our own or franchise showrooms while others were single

mindedly focused on value for money. We strengthened our offering to all customers by offering design assistance to customers in our showrooms and on our website while also expanding our factory outlets to cater to those looking for a "no frills" offering from a reliable and trusted brand. Consequently, we expanded the factory outlet network by 04 outlets and opened 01 new showroom during the year.

We also looked at the Tilers whose livelihoods were disrupted by the pandemic and have uploaded their details to the Lanka Tiles Mobile App enabling customers to find a tiler in their area.

Performance

Group revenue increased by 89% to Rs.12,626 Mn compared to Rs.6,694 Mn in the previous year as we stepped up the momentum gained last year to capture market share from imported tiles using our new designs, large format tiles and mosaics. We also seized the opportunity to meet the demand in the domestic market due to the import restriction which came into effect in May 2020. The decision to keep our trained staff in place supporting them through difficult times was amply rewarded with high levels of customer satisfaction and diminishing inventory levels. I am pleased to report that export sales also tripled due to our continued focus on developing this sector although it remains a small percentage of sales due to the overall subdued economic conditions that prevailed in advanced economies.

As stated above, profit growth has been phenomenal as we recorded a Profit After tax of Rs. 2,451 Mn supported by higher capacity utilisation levels. This enabled efficient overhead recovery as Administration and Selling & Distribution costs increased significantly due to increased costs of health and safety and expansion of customer touchpoints. We also had substantial savings through our Total Productive Maintenance initiatives which supported improved gross margins despite the higher depreciation charge in the financial year.

Net finance costs decreased from Rs. 334 Mn in 2019/20 to Rs. 207 Mn in 2020/21 as interest rates declined sharply and we reduced debt by Rs. 2,320 Mn as we generated strong cashflows. The share of net profits from equity accounted investees increased by 247% to Rs.287 Mn as Swisstek turned in a strong performance. Consequently, Profit Before Tax for the company increased by 268% to Rs. 2,855 Mn compared to Rs. 774 Mn in the previous year. Taxation increased at a lower rate of 112% to Rs.410 Mn as the effective tax rate declined sharply from 25% to 14% due to the decrease in tax rates and a reversal of deferred tax largely attributable to capital allowances. Accordingly, we were able to record the highest profit of the Group of Rs. 2,451Mn for the year ended 31st March 2021.

"It is noteworthy that inventory levels declined by 51% supported by strong sales growth. The gearing ratio improved from 45% to 13% providing adequate headroom for growth and expansion activities. The Group is also liquid as the current ratio improved from 1.71 to 2.57 and the quick assets ratio improved from 0.3 to 1.58 providing sufficient liquidity to weather through the uncertainty."

A Strong Financial Position

Net assets of the Group increased by 26% to Rs. 9,927 Mn largely due to reduced liabilities and an increase in cash balances, property, plant & equipment and investments in associates. PPE of the Group accounts for 45% of Total Assets while Inventories and Cash Balances account for a further 16% each, reflecting health financial position to support future growth. It is noteworthy that inventory levels declined by 51% supported by strong sales growth. The gearing ratio improved from 45% to 13% providing

adequate headroom for growth and expansion activities. The Group is also liquid as the current ratio improved from 1.71 to 2.57 and the quick assets ratio improved from 0.3 to 1.58 providing sufficient liquidity to weather through uncertainty.

Outlook

Forecasts for positive economic growth were encouraging at 4% for Sri Lanka and 5.6% for the World. However, the third wave that has spread across a number of South Asian countries raises concerns regarding the duration of the pandemic and its impact on an economy already weakened by the Easter Sunday attacks in 2019. The exchange rate pressures have increased significantly which may necessitate prolonged import restrictions. While this may be beneficial for the domestic tile manufacturers in the short term, we are very much aware that this cannot support long term sustainable growth for the country. Government policy and access to vaccines will play a key role in the recovery. Considerable uncertainty and downside risks remain which we will continue to monitor, flexing our plans with a strong determination to continue to create value for our stakeholders at this critical time.

Acknowledgements

I thank the Board for their foresight and diligence during a challenging year that was turned in to an opportunity for growth. I commend the determination and commitment of the Lanka Tiles Team who delivered an outstanding performance despite significant personal challenges. I also thank our business partners who have stepped up and supported the changed game plan. I thank our shareholders for their continued confidence which has spurred us on throughout the year.



J A P M Jayasekera
Managing Director

31st May 2021

Board of Directors



Mr. Dhammika Perera - Chairman



Dr. S Selliah - Director



Mr. A M Weerasinghe - Deputy Chairman



Mr. T G Thoradeniya - Director



Mr. J A P M Jayasekera - Managing Director



Mr. K D G Gunaratne - Director



Ms. A M L Page - Director



Mr. S R Jayaweera - Director



Mr. J A N R Adihetty - Director



Mr. J R Gunarathne - Director



Mr. S M Liyanage - Director



Mr. G A R D Prasanna - Alternate Director

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.

Ms. A M L Page**Director**

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

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

Mr. J A N R Adhietty**Director**

Mr. Amrith Adhietty has full membership of CPA, Australia and holds a B Com degree from University of Macquarie, Sydney, Australia.

After completing his studies has worked as a Financial Analyst at Hitachi Data Systems Australia Pty Ltd prior to returning to Sri Lanka.

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

Presently he is attached to Delmege Forsyth & Co. Ltd as Head of Group Strategic Business Development & Planning.

Mr. S M Liyanage**Director**

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

He currently serves as an Group Director- Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies. He currently serves on the Board of Directors of Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Swisstek Aluminium

Limited, Uni Dil Packaging Limited and Horana Plantation PLC. He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo. Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

Mr. S R Jayaweera**Director**

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

Mr J R Gunarate**Director**

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

Mr. G A R D Prasanna**Alternate Director**

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

Senior Management



Mahendra Jayasekera
Managing Director



Nandajith Somaratne
Group General Manager
Manufacturing



Shirley Mahendra
General Manager (Marketing)



Tyrell Roche
General Manager (Finance)



Patrick Piyasena
Assistant General Manager
(Plant and Technical)



Prabhath Pupulewatta
Factory Manager



Prasad Keerthiratna
Head of IT



Sajeewani Amarasinghe
Group Finance Manager



Anura Ratnayake
Group Business Development
Manager



Kaushalya Sudasinghe
Group Manager - Sales
Administration



B A M Thilakasiri
Group Stores Manager



Athula Hewapathirana
Group HR Manager

Designed for Success

Management Discussion & Analysis

"We are focused on designing a resilient and progressive business model to succeed in the years ahead."



The Strategic Report

Value Creation

Input

Financial Capital

Shareholder Funds
Rs. 9,927 Mn
 Debt
Rs. 1,293 Mn



Page
44

Manufactured Capital

Other Manufacturing Capital
Rs. 2 Bn
 plants and Machinery
Rs. 3 Bn



Page
48

Social & Relationship Capital

Distribution network of
767
 Suppliers
588



Page
55

Human Capital

employees
702
 training hours
352



Page
50

Natural Capital

Land Value of
Rs. 1.3 Bn
 Energy Consumed (Diesel)
Litres 342,954



Page
62

Intellectual Capital

Brand Value of
Rs. 1.4 Bn
 Investments in training
Rs. 3.14 Mn



Page
59

Managing stakeholder expectation through



A sound Risk Management framework

good governance

State-of-the-art manufacturing facilities

Industry best practices

Corporate Governance

Value Created to Stakeholders

Shareholders



Net Assets per Share
Rs. 37.43

Earnings per Share
Rs. 9.24

Employees



Salaries and wages
Rs. 909 Mn

Cost of Health and safety at workplace
Rs. 7.89 Mn

Customers



Tiles manufactured
3.9 Mn Sq.mt

New designs
No 130

Suppliers



Payment to local supplies
Rs. 3,740 Mn

Payment to foreign suppliers
Rs. 2,163 Mn

Government



Taxes paid
Rs. 774 Mn

Forex income
Rs. 371 Mn

Community



CSR spend
Rs. 8.6 Mn

Job opportunities
702

Impacts



Economical

- FOREX of Rs. 371 Mn
- Economic value added by the group was Rs. 9,189 Mn
- Tax payments both direct and indirect amounted to Rs. 774 Mn



Environmental

- 30,555 emissions
- 11,138 MT waste discharge
- Non-renewable energy
Electricity 18,161,423 KWH
LPG Kg 8,780,001
Diesel Litre 342,954
- Reforestation

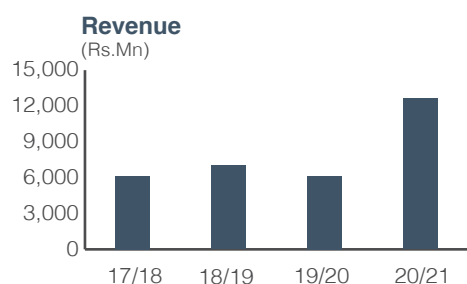


Society

- Community development projects
- Employment opportunities

Top line growth

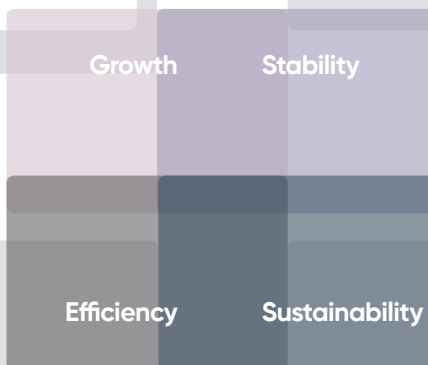
- Expand product portfolio
- New market penetrations
- Widen our distribution network



Financial Stability

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

	2020/21	2019/20
Capital employed	11,884,608	10,155,147
Interest Cover	8.3	3.1
Gearing Ratio	13%	45%



Efficiency

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

	2020/21	2019/20
Cost to income ratio	1.28	1.13
Gross Margin	38%	36%
Operating profit margin	22%	15%

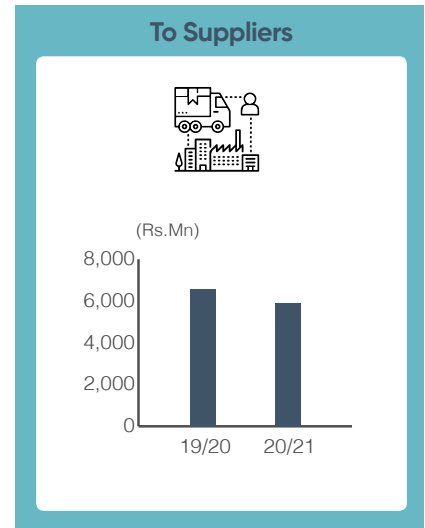
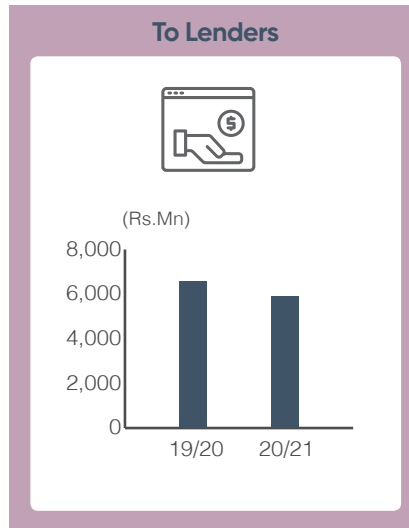
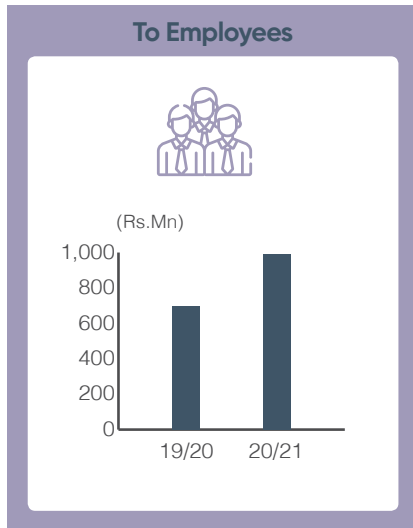
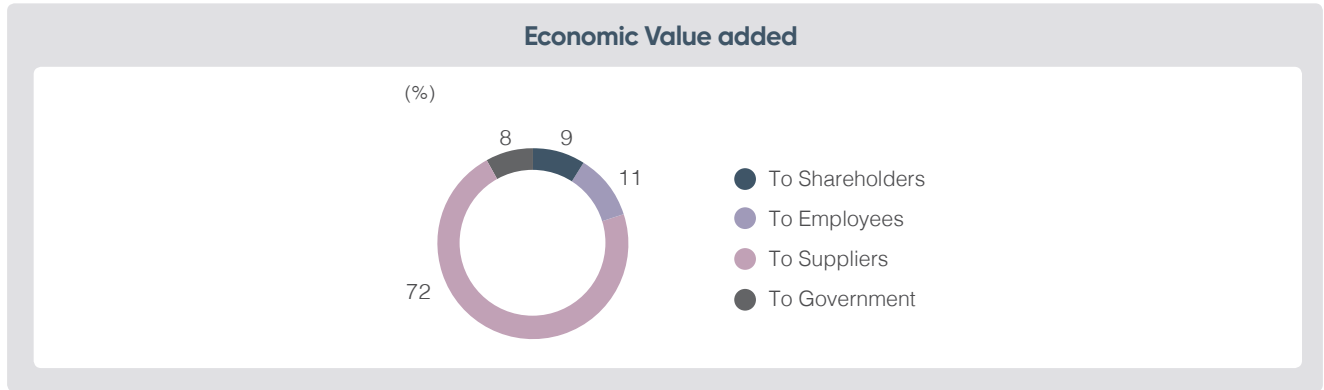
Sustainable Mindset

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

	2020/21	2019/20
CSR spend Rs. '000	8,650	5,191
Materials consumed UT	74,354	90,958
Non Renewable energy used		
Diesel Litres	342,954	513,671
Electricity Kwh	18,161,423	18,379,807
LPG KG	8,780,001	8,776,881

Value added statement

During the year, total value added by the Group was Rs. 9,189 Mn in comparison to value addition of Rs. 7,487 Mn in the previous year.



- ### To Employees
- Taxes paid Rs. 774 Mn
 - Foreign income through exports Rs. 371 Mn
 - Direct employment of 553
 - Outsourced employment of 149

- ### To Shareholder
- EPS Rs. 9.24
 - Dividends Rs. 857 Mn
 - Asset growth of 3%

Stakeholder Engagement

Effective engagement with our stakeholders provides us with the opportunity to understand and address their expectations. We use several mechanisms when communicating with our stakeholders and these channels are reviewed frequently to ensure effectiveness.



Employees



Customers



Shareholders

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



Suppliers



Distributors



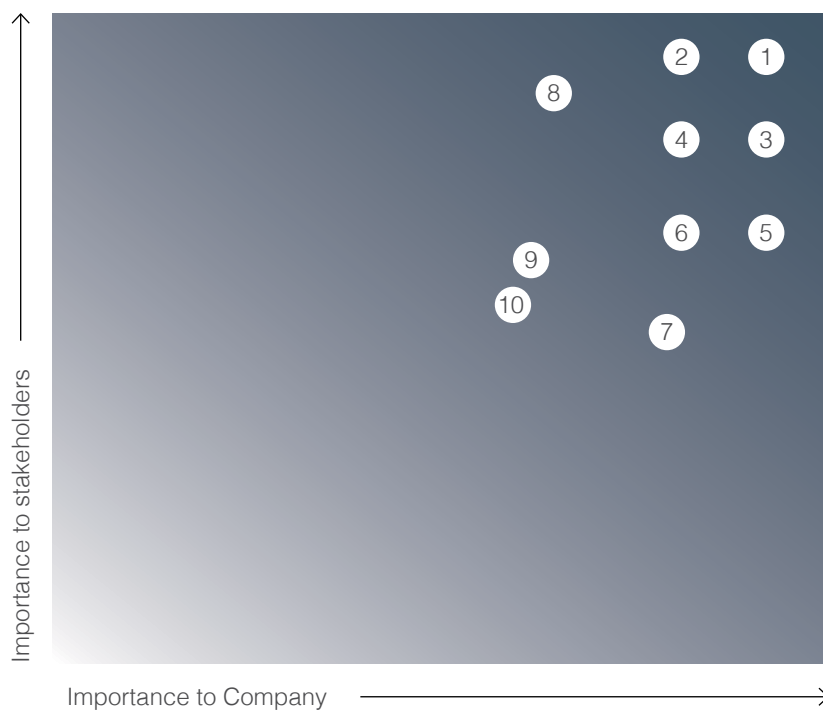
Regulators



Community

<ul style="list-style-type: none"> • Supplier assessment and feedback • Managing relationships • Visits 	<ul style="list-style-type: none"> • Dedicated teams to handle distribution networks • Regular assessments on performance and feedback 	<ul style="list-style-type: none"> • Filing returns • Facilitating visits 	<ul style="list-style-type: none"> • Recruit from local communities where skills are available • Entertain grievances from community
<ul style="list-style-type: none"> • Increased business • Transparent procurement processes • Timely payments • Constructive feedback 	<ul style="list-style-type: none"> • Incentives & Rewards • Customer demand • Marketing communications • Logistics • Support for growth 	<ul style="list-style-type: none"> • Compliance with regulations • Timely filing of returns and payments • Foreign currency Earnings 	<ul style="list-style-type: none"> • Employment opportunities • Socio-economic progress • Environment related issues • Support for community needs
<ul style="list-style-type: none"> • Established procurement processes • Quality assurance processes to provide constructive feedback • Ensured timely payments 	<ul style="list-style-type: none"> • Advertising and marketing communications to create demand • Product innovation to drive customer demand 	<ul style="list-style-type: none"> • Employment opportunities • Socio economic progress • Environment related issues • Support for community needs 	<ul style="list-style-type: none"> • Recruit from local communities where possible • Provide opportunities for local entrepreneurs where possible • Managing environmental impacts in compliance with CEA requirements

The following diagram depicts the material topics that have a significant impact on our operations based on their significance to our stakeholders and to Lanka Tiles PLC. The COVID-19 pandemic highlighted the importance of health and safety during the year while driving efficiency and use of technology were among the other material topics.



Material Topic	Our approach
1 Health and safety	Human Capital - page 50
2 Earnings growth	Financial Capital - page 44
3 Availability of raw material	Natural Capital - page 62
4 Stability	Financial Capital - page 44
5 Customer satisfaction	Social and relationship Capital - page 55
6 Capital investments	Manufactured Capital - page 48
7 Compliance	Corporate Governance - page 66
8 Efficiency	
9 Environmental sustainability	Natural Capital - page 62
10 Technology	Intellectual Capital - page 59

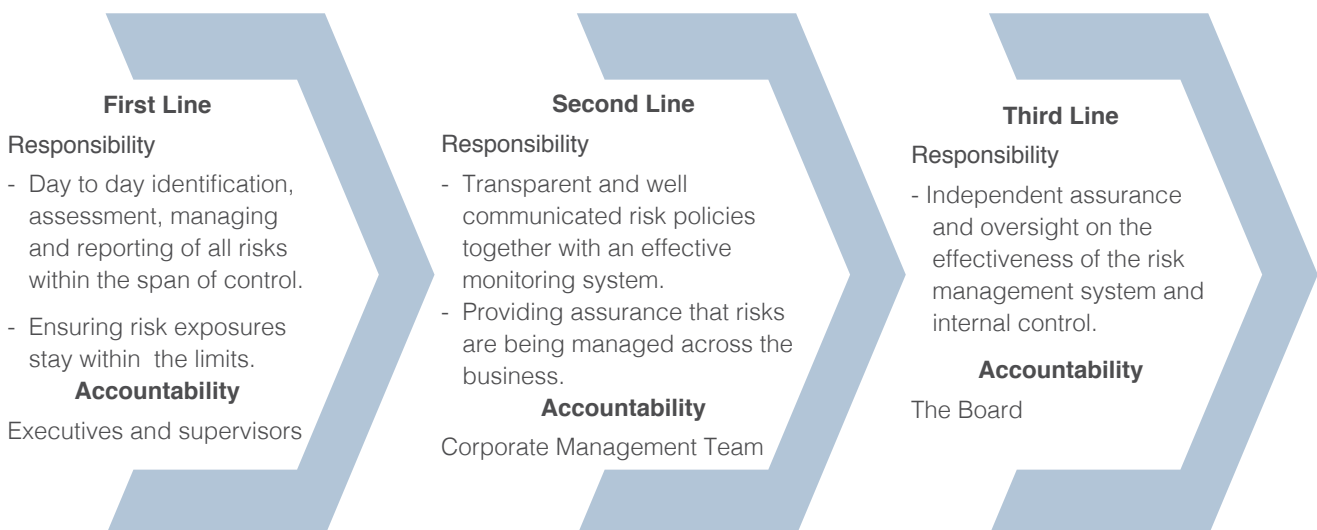
Principal Risks

The year under review was a challenging year as the COVID-19 pandemic and repercussions that followed disrupted economic activities across the globe. Consequently, focus was on steering through the adversities while managing stakeholder expectations.

Lanka Tiles takes an integrated approach to managing Company's business risk by adopting an Enterprise Risk Management (ERM) approach. The objective is to improve performance and decision making through identification, evaluation and management of key risks.



The LTPLC risk management process can be explained by the three lines of defense concept of risk management as given below;



Risk Governance

The responsibility for managing risks lies with the Board of Directors and they are assisted in this by the Board Audit Committee. The Company's Executive Committee reviews risk as part of their routine agenda more frequently and provide the Audit Committee and the Board with the papers. Lanka Tiles PLC has the following structure to facilitate risk management and risk reporting.



Risk Overview

Our key risks and action plans to prevent or limit the impact faced during the year are discussed below.

	Health and safety of employees and customers	Subdued economic growth	Changes in Government policies
Material risks	<ul style="list-style-type: none"> Lockdown and restrictions imposed 	<ul style="list-style-type: none"> Subdued economic growth/ contraction across the world 	<ul style="list-style-type: none"> Restrictions on raw material imports
Indicators	<ul style="list-style-type: none"> Infection among team members Employee absenteeism 	<ul style="list-style-type: none"> Limited activity in the local construction industry 	<ul style="list-style-type: none"> Changes to the Government imposed CESS
Impact	<ul style="list-style-type: none"> Disruptions to the distribution network Low employee productivity Increased cost of production 	<ul style="list-style-type: none"> Lower demand 	<ul style="list-style-type: none"> Shortage in imported raw material Competition from import substitutes at lower prices
Managing of risks	<ul style="list-style-type: none"> Conforming to all health and safety protocols Facilitating remote working for head office staff Dividing the factory staff in to groups and operating on shift basis 	<ul style="list-style-type: none"> Expanding product portfolio Market development Increased focus on exports 	<ul style="list-style-type: none"> Maintaining positive relationship with regulators Look for alternate material sources locally

Exchange rate	Shortage of raw material	Changes in design trends
<ul style="list-style-type: none"> Rupee depreciating 5% against USD and 13% against Euro 	<ul style="list-style-type: none"> Limited supply of raw material 	<ul style="list-style-type: none"> Lower demand patterns High inventory
<ul style="list-style-type: none"> Negative impact on raw material prices and spare parts prices 	<ul style="list-style-type: none"> Interruptions to the production process Pressure on profit margins due to higher costs 	<ul style="list-style-type: none"> Impact on revenue Increasing cost of holding inventory
<ul style="list-style-type: none"> Monitoring the exchange rate movement Managing exposure through hedging and other techniques 	<ul style="list-style-type: none"> Purchase of new land to ensure continuous supply of ball clay Supplier screening 	<ul style="list-style-type: none"> New product development Expanding the factory outlet network Effective market research

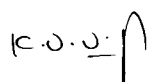
Statement of Risk Management and Internal Control adequacy

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

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

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

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



Dhammika Perera
Chairman



J A P M Jayasekera
Managing Director

Optimising our products with efficacy



"We are focused on enhancing our performance with the capabilities and talents of our team."

Economic Landscape

The world economy contracted by 3.3% in 2020 amidst the unprecedented impacts of COVID-19. The pandemic had a severe impact on manufacturing, trade and employment cross the globe as lockdowns imposed across the world and social distancing requirements brought economic activities to a standstill.

The domestic economy dropped by 3.6% in 2020 as the containment measures hampered activities across all sectors. Industry activities witnessed a sharp downturn of 6.9% led by a slowdown in construction and manufacturing activities while the services sector contracted by 5% as transportation, other personal services, and accommodation, food

and beverage services slowed down. The subdued investor sentiment was reflected in the contraction of investment expenditure during the year. Unemployment rose over 5% as the labour force participation rate came down.

Export sector showed resilience with the aid of timely policy measures as the export income reached the pre-pandemic levels. Measures to curtail non-essential imports, together with the significantly low global petroleum prices, helped reduce the import expenditure in 2020, resulting in a notable improvement in the trade deficit.

The Central Bank continued its relaxed monetary policy as the Standing Deposit Facility Rate

(SDFR) and Standing Lending Facility Rate (SLFR) were reduced by a total of 250 basis points on several occasions to 4.5% and 5.5% respectively.

Construction Sector

Construction sector contracted by 13.2% amidst low disposable income, restrictions on mobility and subdued economic growth which led to a decline in large scale projects. Despite this, credit to the private sector granted by Licensed Commercial Banks (LCBs) for construction activities, including personal housing construction activities, recorded considerable growth due to low lending rates. Central Bank of Sri Lanka also imposed maximum interest rate of 7% for the first 5 years and 1% above the

weighted average prime lending rate thereafter on mortgage-backed housing loans. However, overall economic performance and restrained investor confidence weakened the construction industry, consequently, housing loans granted during the year saw a decline of 27%.

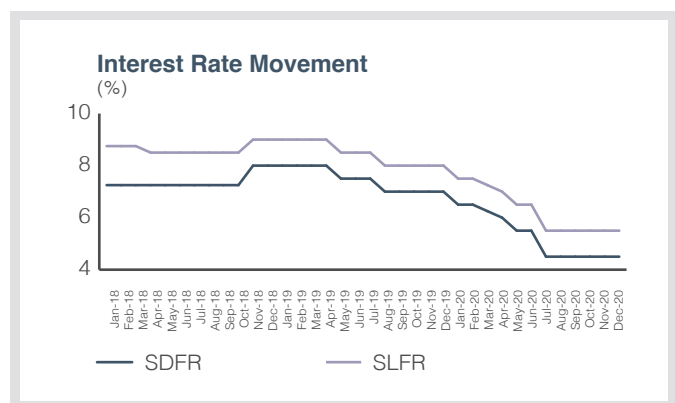
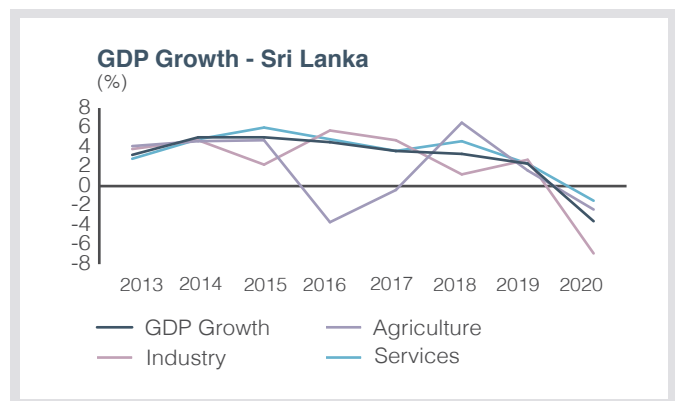
Historically over 55% of the local tile demand is met by imported tiles and the balance mainly by the three major local manufacturers namely Lanka Tiles, Rocell, and Macktiles. Due to the import restrictions imposed by the Government to ease the pressure on the exchange rate, demand for locally manufactured tiles witnessed a sharp surge, supporting domestic manufacturers.

Outlook

Sri Lanka's economy is forecast to grow by 4% in 2021 by the International Monetary Fund which is encouraging. However, the onset of the third wave in April is likely to have an adverse impact on the forecast due to the resultant disruptions. Government policy will play a key role in the year ahead in many aspects from implementing measures to curtail the pandemic to fiscal and monetary policy. Key concerns for the year ahead will be the import restrictions, exchange rates, access to vaccines and the duration of the pandemic.

Exports will be a key area of growth for the Group as we expect the import restrictions to be temporary. The shift in global demand and supply dynamics will be a considerable factor in the year ahead providing both opportunities and threats. Subdued demand in advanced economies and excess capacity in net exporting countries for tiles such as China and India will create conditions for dumping by these countries which now have excess inventory. This will have adverse consequences for local tile manufacturers who play an important role in saving foreign currency outflows from the country.

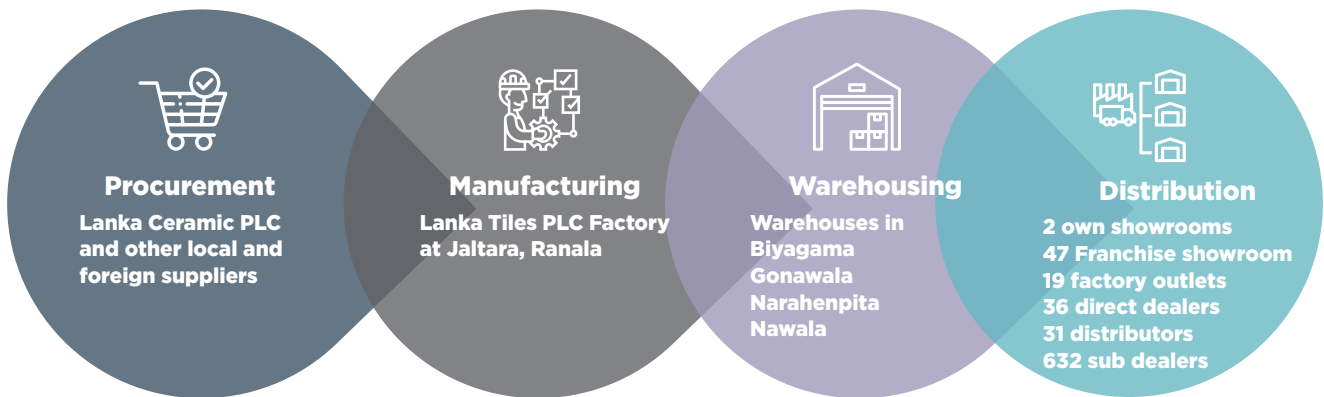
Balancing policy to facilitate entry of quality products at commercially plausible prices will no doubt create conditions that promote healthy competition, ultimately driving the country's competitiveness in a global market. This will be a key driver for the industry moving forward.



Business line Review

Our capabilities

As the largest tile manufacturer in Sri Lanka and the market leader for floor tiles, Lanka Tiles PLC is armed with a product portfolio that is diverse in style, texture, and size. Our local distribution channel is well spread out throughout the island while our offshore markets include Australia, North America and India.



Our impact

To the economy	To the environment	To the community	To people
<ul style="list-style-type: none"> Rs. 12,626 Mn revenue Rs. 2,451 Mn PAT Rs. 371 Mn export income Rs. 774 Mn taxes paid 	<ul style="list-style-type: none"> 74,354 MT material consumed Energy consumed; Diesel Litres 342,954, LPG KG 8,780,001, Electricity Kwh 18,161,423 22,415,449 LT water with drawn 	<ul style="list-style-type: none"> 702 jobs created Rs. 8,650,000 spent on CSR Infrastructure development Direct and Indirect employment opportunities 	<ul style="list-style-type: none"> 178 new recruits Rs. 7.89 Mn spent on employee health and safety Rs. 3.14 Mn spent on training and development



Despite the extraordinarily challenging year, Lanka Tiles PLC seized the opportunities amidst all the uncertainty and recorded a phenomenal year. The local tile market witnessed a sudden shortage in supply as the Government imposed a ban on most imported goods to ease the pressure on a struggling exchange rate. Our prompt action to meet the shortage is reflected in the 89% increase in our top line. Our manufacturing plant had several technical concerns related to the expansion during the previous year and was unable to achieve full capacity. However, during the year we resolved all technical faults and managed to bring our plant to operate at full capacity. Strict adherence to all health and safety protocols were followed ensuring minimal breakdown in operations. These swift actions enabled us to meet the shortfall in the local tile market.

The recently installed Mosaic tile plant came into operation during the year mainly targeting the export markets in the USA and Mexico. This, together with our continued partnership with Amazon and Wayfair increased our export revenue by 241% to reach Rs. 371 Mn, while the total revenue surged by 89% to reach Rs.12,626 Mn. Gross profit margin

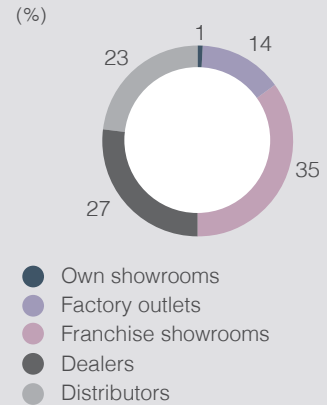
improved to 38% from previous years' 36% as factory was running at optimal capacity without any breakdowns. As a result gross profit almost doubled to reach Rs. 4,746 Mn.

The group managed to improve its operating profit margin by curtailing expenses while making substantial costs savings with the ongoing implementation of Total Productive Maintenance (TPM). Total savings achieved through TPM amounted to Rs. 74 Mn. Improved profit margins combined with the top line growth drove operating profit to reach Rs. 2,776 Mn, a growth of 170%.

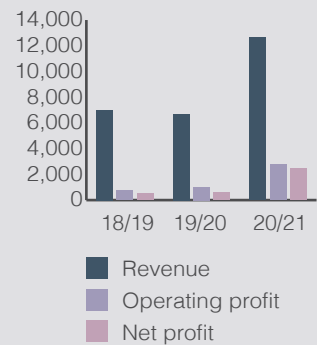
Group incurred a total capital expenditure of Rs.435 Mn during the year as total non current assets increased to Rs. 8,184 Mn. while the year ended with a stronger balance sheet with both current ratio and quick ratio improved to 2.6 and 1.7 respectively. In the absence of imported tile products, Lanka Tiles was successful in disposal of inventory that was accumulated over the previous years as there was dumping of inferior quality products into the local market. Total inventory at the end of the year end amounted to Rs. 2,322 Mn compared to Rs. 4,781 Mn of the previous year.

The gearing ratio improved to 13% on the back of the strong bottom line that drove total equity combined with the healthy cash inflows that supported substantial debt repayments.

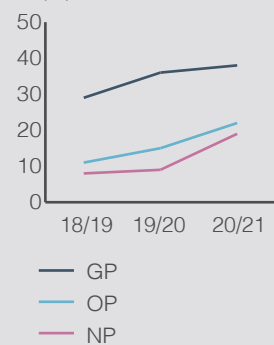
Contribution to top line distribution network (%)



Performance (Rs.Mn)



Profit Margins (%)



Impact of COVID-19

People

- Daily health checks
- Provision of protective equipment
- Provision of staff transport
- Safeguarding all remuneration without any layoff or paycuts
- Safeguarding remuneration of employees of the distribution channel during the lockdown

Operations

- Closure of showrooms during lockdown
- Improved capacity to meet the shortage in supply due to import restrictions.

Performance

- Absence of imported tiles heightened the demand for locally manufactured tiles and this had a substantial impact on the Group's top line.

Going forward

Outlook

- Feasibility study on expanding the existing klin in order to increase capacity.
- Focus on expanding export sales with overseas production.
- Collaborative partnerships with suppliers to strengthen our supply chain.

Threats

- Shortage of raw materials such as ball clay.
- Health and safety implications as a result of COVID-19.

Opportunities

- Improved demand for locally manufactured tiles due to absence of imported products.
- Leveraging on group synergies to drive demand

Our capitals are the input in our business process.

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

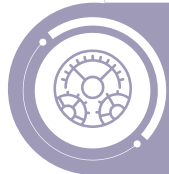
Capitals can be consumed, enhanced, or modified in the process of value creation.

Our Capitals Report sets out a brief description of and description of how its utilized within our business journey.

We recognize that managing one capital would have an impact on another and strive to manage the inter-dependencies in an optimal manner.



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



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



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



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



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



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

Financial Capital

Our prompt action to cater to the excess demand for local products created by the absence of imported tiles was the main contributor to a significant 89% growth in revenue within the local tile market.



Highlights

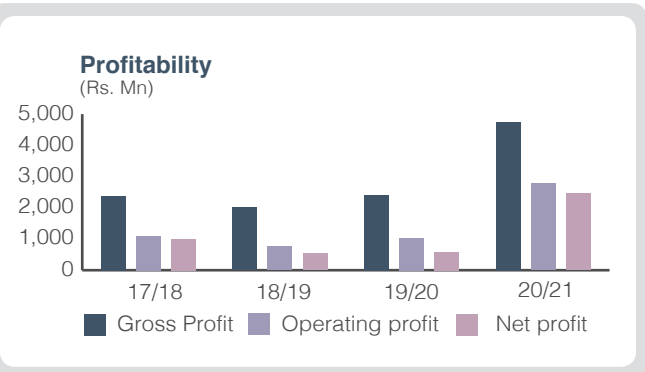
Top line growth of 89%
Improved profit margins
Highest ever recorded profit of Rs. 2,451 Mn

Outlook

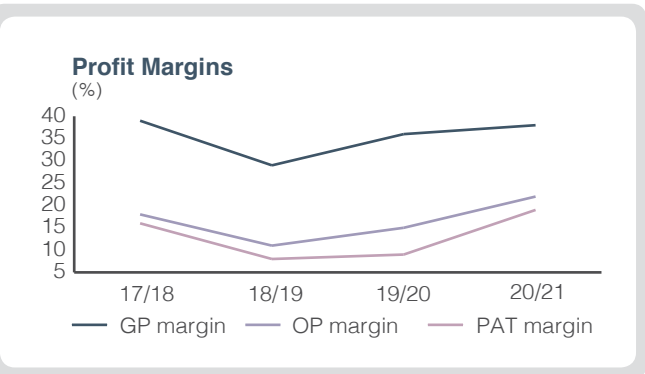
- Focus on export sales to drive revenue
- Cautious approach to large capital expenditure commitments due to uncertain fiscal policy framework



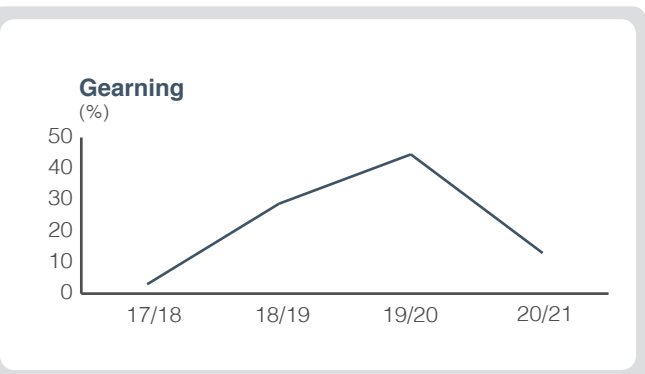
	2020/21	2019/20	Change
Profitability			
Revenue Rs. '000	12,626,485	6,694,824	89%
Operating Profit Rs. '000	2,775,596	1,026,965	170%
Profit After tax Rs. '000	2,450,894	581,945	321%
ROE	28%	8%	257%



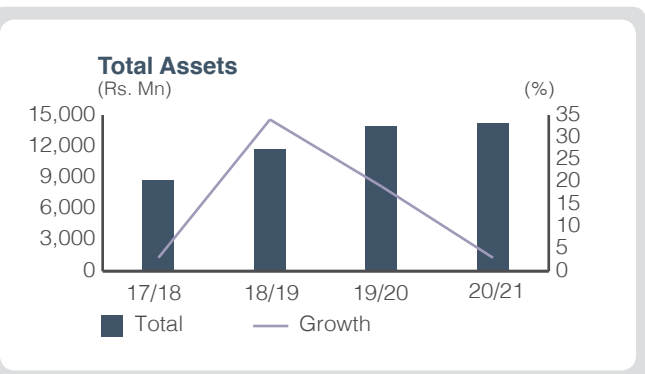
	2020/21	2019/20	Change
Efficiency			
GP margin	38%	36%	4%
Asset turnover	45%	32%	40%
Working capital turnover	3	1	119%



	2020/21	2019/20	Change
Stability			
Current ratio	2.57	1.71	50%
Gearing	13%	45%	-71%
Equity Rs. '000	9,927,081	7,872,774	26%



	2020/21	2019/20	Change
Growth			
Total assets Rs. '000	14,248,047	13,882,635	3%
Capex Rs. '000	433,121	612,631	-29%
PPE Rs. '000	6,373,888	5,974,804	7%



Revenue

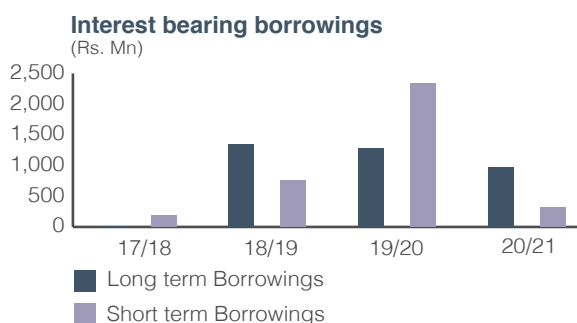
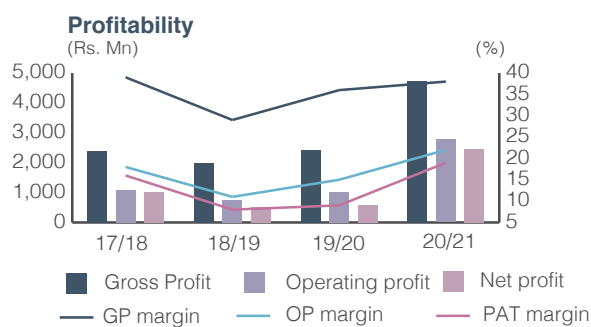
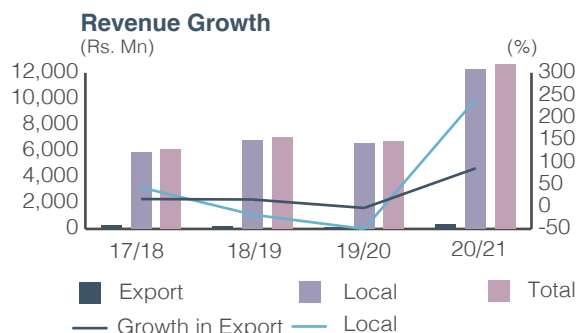
Performance of the first quarter was hampered due to the country-wide lockdown that was imposed to manage the contagion of COVID-19. As a result, revenue for the first three months amounted only to Rs. 1,269 Mn. However, sales picked up as the mobility restrictions were gradually lifted and economic activities resumed and the Group went on to report total revenue of Rs. 12,626 Mn, the highest ever reported by the group. Our prompt action to cater to the excess demand for local products created by the absence of imported tiles was the main contributor to the 89% growth in revenue while our stringent health and safety measures also ensured uninterrupted supply to the local tile market. This commendable growth in topline was solely driven by volume as the Group took measure to maintain the same price levels despite the excess demand and inflationary pressures.

Sales to the local market which contributes to 97% of total revenue grew by 86% while exports sales grew by 241% to reach Rs. 371 Mn. The growth in export sales was mainly due to the introduction of Mosaic tiles.

Profitability and Efficiency

Gross profit margin improved to 38% from previous year's 36% as Lanka Tiles managed to resolve all technical issues relating to the plant expansion which had a direct impact on plant capacity and efficiency. Operating profit margin also showed a commendable improvement to 22% from last year's 15%. This was driven by cost savings achieved through TPM and various other initiatives. As a result of the growth in topline and improved profit margins, the operating profit for the year grew by 170% to reach Rs. 2,776 Mn.

With the improved topline, the Group was able to settle a bulk of its short term debt and this resulted in a substantial decline (33%) in interest expenses which amounted to Rs. 224 Mn. Reduced finance costs combined with improved operating profits drove the profit before tax to increase by 268% while the net profit for the year grew by more than three folds to reach Rs. 2,451 Mn, the highest ever profit recorded by the Group.





Asset base and funding profile

Total assets grew by 3% during the year to reach Rs.14,248 Mn. Property, plant and equipment which amounts to 45% of total assets grew by 7% to reach Rs. 6,374 Mn with a capital investment of Rs. 433 Mn made during the year.

Inventory, which was substantially high during the previous years came down by 51% on the back of improved demand. The Group's strategy to expand the factory outlet network also had a impact on improved inventory levels which amounted to Rs. 2,322 Mn.

Cash and cash equivalents increased to Rs.2,330 Mn, compared to Rs.77 Mn in the previous year due to strong topline growth.

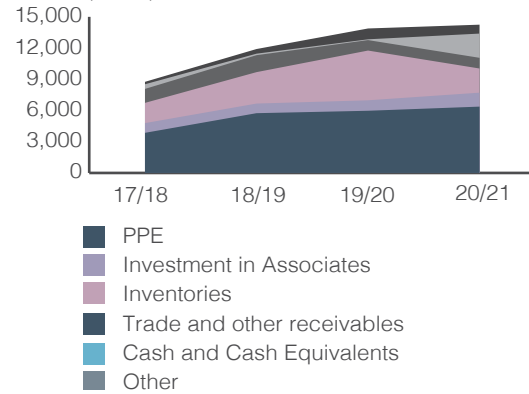
Total liabilities came down by 28% led by decline in borrowings. Group managed to bring down short term borrowings by 86% due to improved cashflows from strong performance in revenue. Long term borrowings declined by 24% to reach Rs. 971 Mn. Total equity increased by 26% to reach Rs. 9,927 Mn.

Debt to equity ratio improved to 45% from previous years 13% on the back of reduced borrowings and improved shareholder funds.

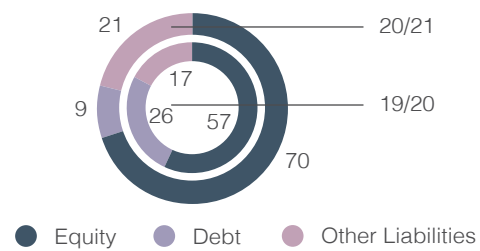
Cash flow management

Cash and cash equivalents increased to Rs. 2,330 Mn from previous year's Rs. 77 Mn on the back of improved topline. Operating activities generated a strong cash flow of Rs. 5,834 Mn with current ratio improving to 2.6 from previous years 1.7.

Asset Composition
(Rs.Mn)



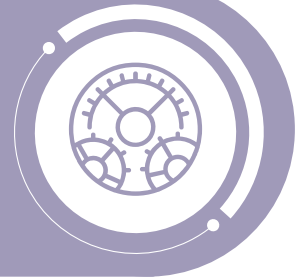
Funding Profile
(%)



Cash outflow from investing activities amounted to Rs. 394 Mn driven by the capital expenditure incurred during the year. Cash outflow from finance activities amounted to Rs. 2,442 Mn, driven by the settlement of debt.

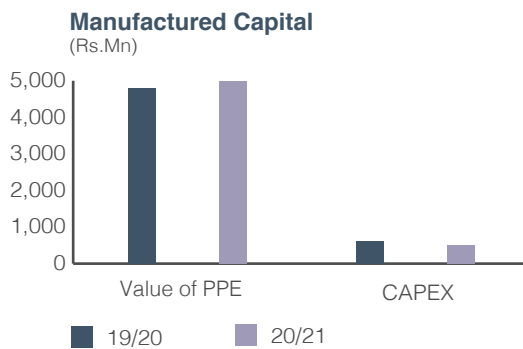
Manufactured Capital

Our manufactured capital comprises of buildings, plant & machinery, motor vehicles, furniture and fittings, tools and equipment. Given the nature of our business we consider this to be a crucial aspect in our value creation process, that consequently, requires highly specialized assets which necessitates substantial capital infusions.



Highlights

- Capacity utilization of 99.09%
- 01 new showroom
- 04 new factory outlets
- Commencing the Mosaic plant

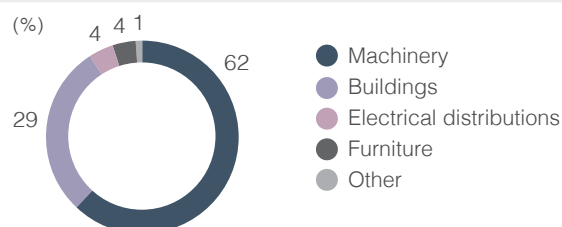


Outlook

- Resolving technical difficulties related to Mosaic plant and increasing capacity utilization.
- Studying the feasibility of expanding the existing kiln to increase productivity



Composition of Manufactured Capital



Rs. '000	2020/21		
	Additions	Depreciation	NBV
Buildings	15,392	36,455	1,432,573
Plant & Machinery	327,998	296,533	3,055,970
Furniture & Fittings	131,564	41,112	198,138
Electrical Distribution Scheme	19,953	27,899	196,641
Motor Vehicles	5,673	6,150	19,852
Other	4,756	8,794	46,991
Total	505,336	416,943	4,950,165

Own Showrooms

NAWALA 215, Nawala Road, Narahenpita	PERCEPTIONS TILE GALLERY 133, Jawatte Road, Colombo 5
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Franchise Showrooms

Aluthgama	409, Galle Road, Aluthgama.
Anuradhapura	20/1, Thibirikadawala, Jayanthi Mw, Anuradhapura.
Ambalangoda	10, Main Street, Ambalangoda.
Ambalanthota	Tissa Road, Dehigahalanda, Ambalanthota.
Ampara	774, Browns Jun, Kalmunai Road, Ampara.
Athurugiriya	182, Pore, Athurugiriya.
Avissawella	260, Kiriwandala, Avissawella.
Badulla	315, Passara Road, Badulla.
Balangoda	350/G, Rathnapura Road, Balangoda.
Bandarawela	482, Badulla Road, Bandarawela.
Batticaloa	384B, New Kalmunai Road, Navatkuda Road, Batticaloa.
Chilaw	160, Colombo Road, Maikkulama, Chilaw.
Galle	357, Baddegama Road, Dangedera, Galle.
Gampaha	23, Queen Mary Road, Gampaha.
Gampola	98A, Nawalapitiya Road, Gampola.
Embilipitiya	Ratnapura Road, Pallegama, Embilipitiya.
Horana	580, Panadura Road, Galedadugoda, Horana.
Jaffna	469, K.K.S. Road, Jaffna.
Ja-Ela	351, Colombo Road, Weligampitiya, Ja-Ela.
Kadawatha	572/A, Kandy Road, Ranmuthugala, Kadawatha.
Kaduwela	160/10/U, Bandarawatta, Biyagama, Kaduwela.
Kandy	121, Katugasthota Road, Kandy.
Kegalle	714A, Kandy Road, Meepitiya, Kegalle.
Kiribathgoda	104/A/B, Kandy Road, Dalugama, Kelaniya.
Kuliyapitiya	122, Hettipola Road, Kuliyapitiya.
Kurunegala	250, Negombo Road, Kurunegala.
Kalutara	365, Galle Road, Kalutara South.
Mahiyanganaya	44 1/2, Padiyathalawa Road, Mahiyanganaya.

The single largest tile manufacturing facility in Sri Lanka



Location : Ranala

Capacity : 16,250 Sq.mt

Capacity utilization during the year: 99.09%

Recent investments: Rs. 2.5 Bn investment made in 2018/19

Proposed expansions: Studying the possibility of expanding the existing kiln.

- Increased productivity during the year as all technical difficulties faced subsequent to the major expansion was addressed.
- Mosaic tile plant was set up and began production, however still not running at full capacity due to technical difficulties

Human Capital

As our main value creator, human capital plays an important role in business operations of Lanka Tiles. Consequently, we make continuous investments to nurture our team while offering them a holistic value proposition to ensure we retain a competent team. During the year we focused on keeping our team safe from the COVID-19 pandemic by offering them a safe workplace by taking all necessary safety precautions.



Highlights

- 178 new recruits
- 364 training hours
- Rs. 7.89 Mn spent on ensuring employee health and safety
- Rs. 3.14 Mn investment in training
- Facilitating work-from-home for Head Office staff

Outlook

- Providing a safe workplace during the ongoing pandemic
- Skill development and driving efficiency through training and development
- Improving employee engagement



Our Team

Lanka Tiles PLC has a total work force of 702 employees comprising permanent, contract and outsourced employees. Our competent manufacturing team comprises of 441 employees while the Sales division is strengthened by 49 employees.

Category	Total		Male		Female	
	No.	%	No.	%	No.	%
By Staff Category						
Senior management and above	30	4	28	5	2	2
Executive	34	5	28	5	6	5
Staff	489	70	463	80	26	21
Operative	149	21	58	10	91	72
By Type						
Permanent	446	64	415	72	31	25
Outsourced	149	21	58	10	91	73
Contract	107	15	104	18	3	2
By Region						
Central Province	41	6	34	6	7	6
Eastern Province	9	1	7	1	2	1
North Central Province	3	0	2	0	1	0
North Western Province	3	0	2	0	1	0
Northern Province	22	3	18	3	4	3
Sabaragamuwa Province	25	4	21	4	4	4
Southern Province	45	6	37	6	8	6
Uva Province	10	2	8	2	2	2
Western Province	544	78	447	78	97	78



Governance

Board of Directors



Managing Director



General Manager- Finance



Group HR



Business Divisions

Our HR framework is developed in line with industry best practices and reflects our culture and values. We maintain a healthy relationship with trade unions.

The Human Resources Department at Lanka Tiles comes under the purview of General Manager-Finance and is responsible for the implementation of HR framework which is in line with our overall business strategy. This Department is also responsible for compliance with regulatory requirements and other policy frameworks.

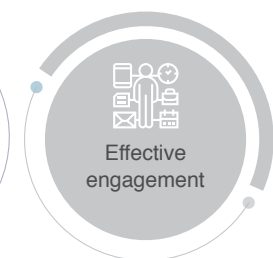
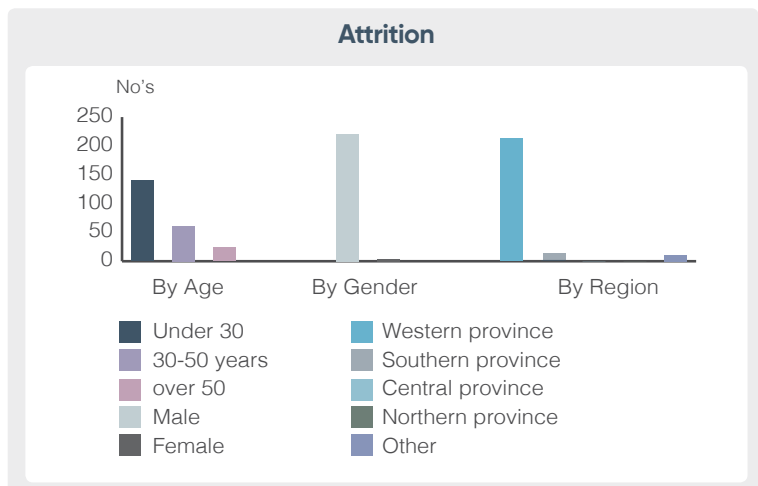
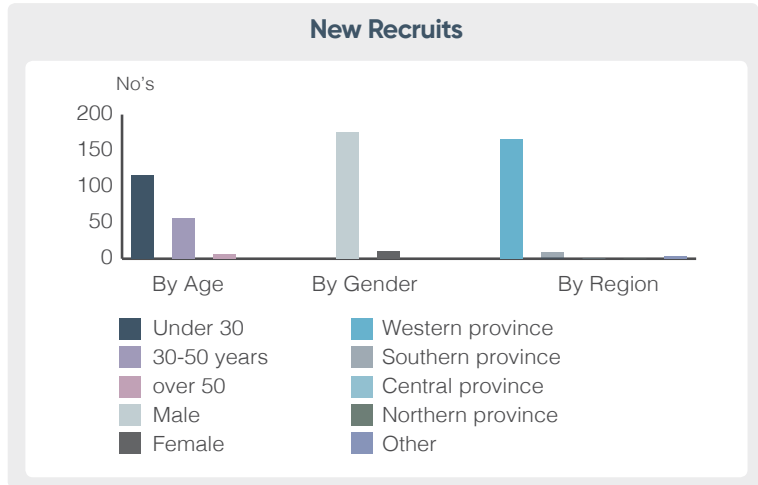
Talent Acquisition and Attrition

During the year we added 178 new employees through a transparent recruitment process that is designed to ensure objectivity and in line with our values of promoting a diverse and inclusive workplace.

We aim to retain top talent by offering them a comprehensive value proposition. During the year we gained employee loyalty by providing them job security while safeguarding their health and safety, all remuneration, allowances and benefits amidst the pandemic. We have maintained an attrition rate of 30% for the years in review.

Fostering our talent

We intend to align our employee’s professional aspirations to our organisational strategy and direction and create mutual benefits. Consequently, we offer a holistic value proposition, allowing us to retain a talented work force with high employee satisfaction.



Recognition and career progression

All employees participate in the performance appraisal system which is designed to recognise and reward deserving talent. Performance appraisals are created based on key performance indicators that are communicated to employees in advance. We maintain a ‘develop from within’ philosophy where existing employees are given priority when fulfilling vacancies. Further, career guidance and professional development programs are conducted to assist career development.

We take measure to identify top performing staff and provide them with the clear succession plan while all employees under 45 are encouraged to take on leadership roles within the Company.

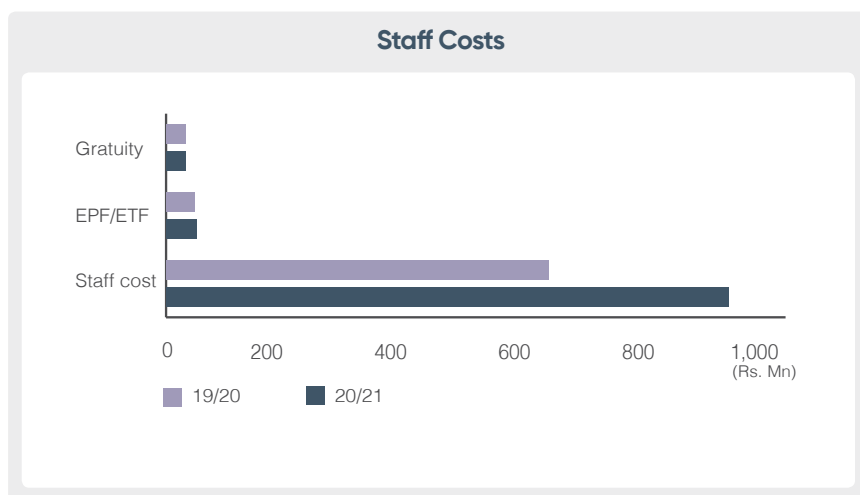
Compensation and benefits

GRI 401-2, 401-3, 402-1

Our remunerations policy ensures consistency, transparency and fairness. These policies are reviewed regularly and revised accordingly to remain competitive. These changes are evaluated by the Group’s Remunerations Committee. We comply with all relevant labour regulations and as an equal opportunity employer a 1:1 ratio of basic salary of men to women is maintained.

The fixed pay comprises basic salary, allowances and statutory contributions while the variable component includes,

- Health insurance
- Reimbursement of medical costs
- Parental leave
- Financial assistance for education qualifications
- Foreign trips for top performing employees



Lanka Tiles ensured all remuneration, allowances and benefits of all employees during the year and did not face any penalties due to non-compliance with labour laws.

Type of Accident	2020/21	2019/20
Minor Accidents	5	20
Major Accidents	-	-
No. of days lost due to accidents	-	07

Health and safety

GRI 403-2

Certified by the Internationally accepted OHSAS 18001 (Occupational Health and Safety Assessment Series) safety standard, health and safety take top priority at Lanka Tiles. This is addressed in the collective bargaining agreement and reviewed on a regular basis. A safety committee that is represented by both the management and factory workers meet monthly discuss incidents (if occurred) and what improvement to be made.

The COVID-19 pandemic emphasized the importance of health and safety practices at the workplace. Lanka Tiles took all necessary safety measures to protect our employees across all premises. Following are the measures taken to manage the contagion;

- Splitting the work force and working on a shift basis.
- Providing staff transport
- Reinforcing good hygiene practices at all premises.
- Conducting random tests
- Adhering to all safety protocols stipulated by health authorities.



Training and Development

	2020/21
Investment in training Rs. Mn	3.14
Total training Hours	352
Number of employees trained	
Male	108
Female	04
Total	112

Up-skilling talent is a necessity for business sustainability as our processes and required skills needs to keep up with evolving technology developments and other changes in the environment. A performance management system is in place to identify such skill gaps and training and development programs are formulated based on these requirements. We take measures to develop not only the occupational skills but also to improve the soft skills that help them in their day to day lives.

Following are the training Programmes conducted during the year,

- Programmes to develop leadership skills
- 5's Training
- Awareness programme on leading a healthy life

Handling of employee grievances

All grievances are handled promptly with strict confidentiality through a structured process to ensure fairness. A grievance committee is in place in accordance with OHSAS 18001 to effectively manage the process.

Freedom of Association

33% of our permanent workforce is represented by trade unions and we maintain harmonious relationships with them. There were no major trade union actions during the year.

Employee engagement

We maintain an open-door policy to encourage engagement and to stimulate collaboration and inclusivity. Input and feedback received from employees are considered in the decision-making process. Further, we promote work life balance and networking among team members through several welfare events. However, this year the Lanka Tiles decided not to hold such events due to the need for social distancing.

Social and Relationship Capital

The relationship we maintain with our stakeholders is vital for uninterrupted business operations and to maintain our market leadership. Our supplier base plays a key role in providing high quality raw material at a timely manner while we depend on our distribution channel to deliver our products to the end users. Effective and favourable relations with regulators are vital for smooth operations while the community we operate in is key for our sustainability.



Highlights

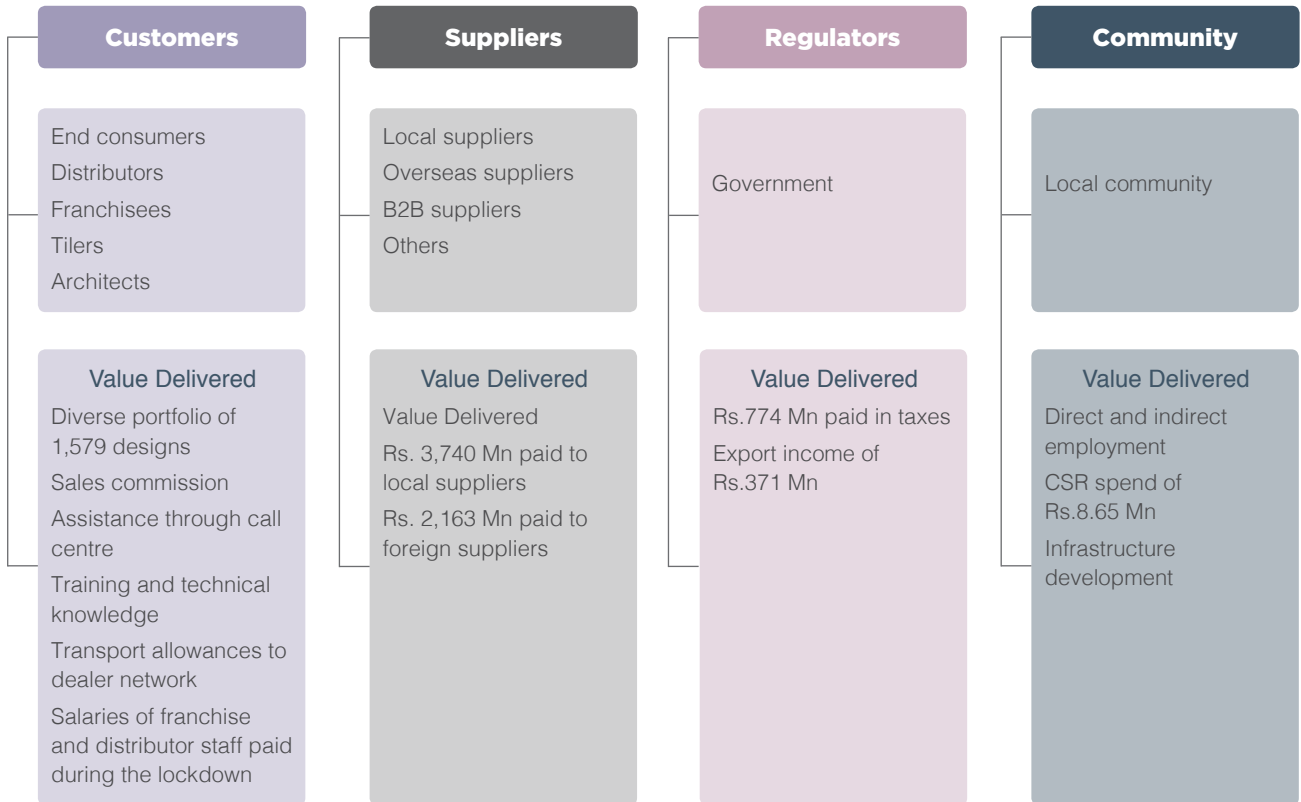
- 130 new tile designs introduced
- 01 new showroom
- CSR spend of Rs. 8,650,000/-
- Rs.774 Mn taxes paid
- 702 jobs created

Outlook

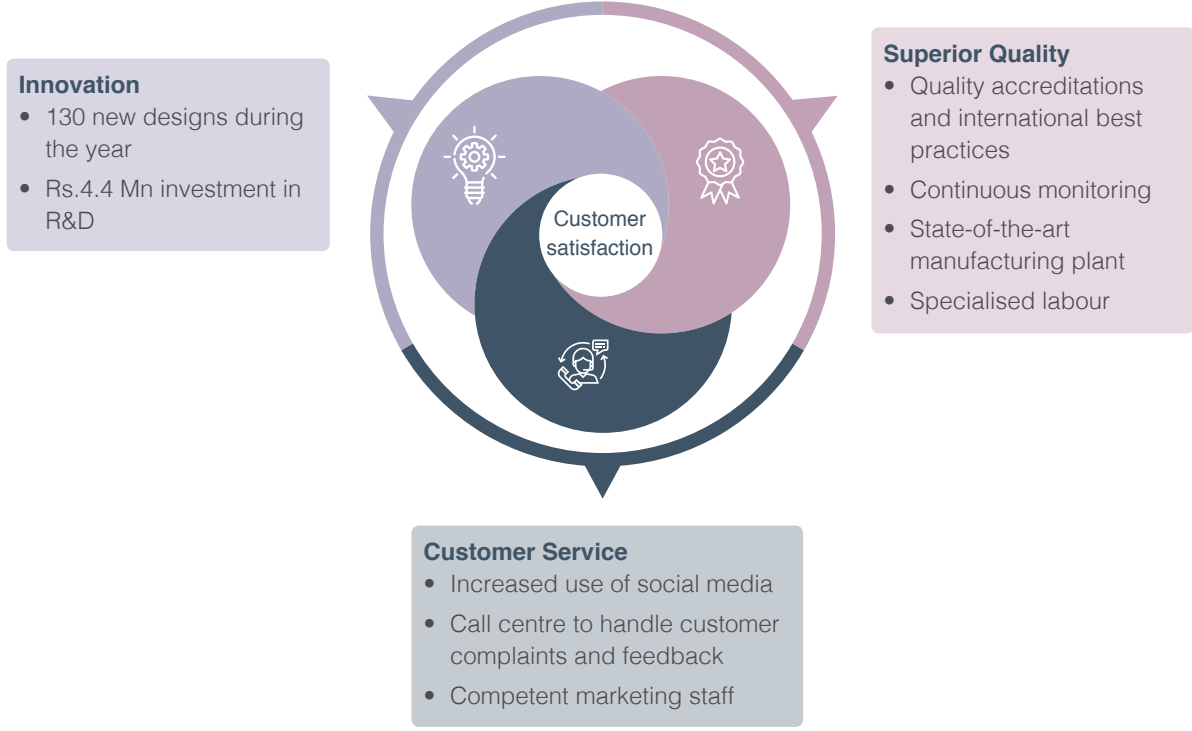
- To maintain our market dominance in Sri Lanka while expanding our export market reach.
- Collaborative partnerships with suppliers to facilitate growth
- Expansion of product portfolio with more complimentary products



Social and Relationship Capital



Our relationship with customers



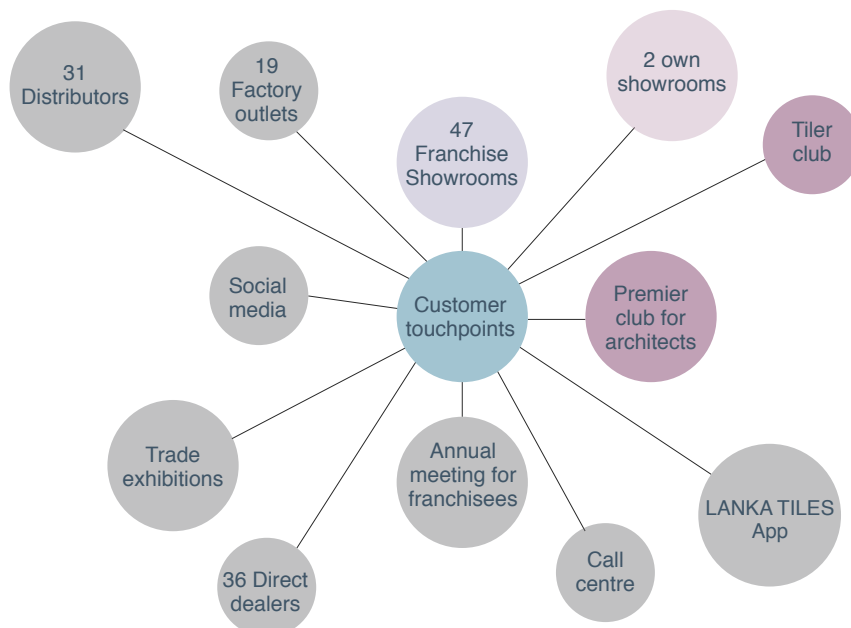
Customer	Value Delivered
End consumers	<ul style="list-style-type: none"> Increasing product portfolio by introduction of innovative designs Increasing number of factory outlets for price conscious consumers Design support by professionals at our showroom network Engagement through the mobile App and call centre
Franchisees and distributors	<ul style="list-style-type: none"> Financial support extended during difficult times Training programs for staff Capacity building Assistance in branding and marketing
Influencers (Architects and tilers)	<ul style="list-style-type: none"> Tiler club with a membership exceeding 3,500 tilers Loyalty program and benefits Training programs Premier club for architects with a membership over 120 architects

Understanding customer needs plays a major role in product development, consequently making ongoing communication a vital aspect in maintaining our market presence and to our business sustainability. Our customer base is comprised of consumers such as residential and commercial direct users, franchise network and distributors, thus having to cater to varying requirements and preferences. Engagement with them is key to understanding demand patterns which will help us in maintaining our competitive advantage.

Lanka Tiles provided assistance to dealers to safeguard salaries of our dealer showroom staff during the lockdown period when showrooms were closed.

We maintain relationships with market intermediaries such as tilers and architects through initiatives such as Tiler Club which has a membership of over 3,500 tilers and premier Club for architects with a membership of over 120.

We engage with customers via multiple channels as illustrated below,



Social and Relationship Capital

Engaging with our suppliers

We source raw material from local and foreign suppliers. Lanka Tiles ensures all suppliers conform to the regulatory and environmental requirement by carrying our supplier assessments both prior to selecting the suppliers periodically.

Effective engagement with suppliers ensures uninterrupted operations and superior quality products. Consequently, we aim to maintain mutually beneficial relationships to ensure efficiencies for both parties.

Fair Dealing

- Annual registration of all suppliers
- Frequent procurement meetings
- Adherence to contracts
- Transparency
- Site Visits

Knowledge Sharing

- Quality inspections
- Continuous feedback
- Ensuring all suppliers confirm to regulatory requirements
- Ensuring that suppliers are certified by the Central Environmental Authority

Value Delivered

- On time payments
- Financial support
- Assistance with technical support
- Providing feedback

Community Engagement

We strive to give back to the community by uplifting the quality of life and by developing infrastructure. Over the years we have conducted many community developments projects to improve healthcare, education, infrastructure and sanitization within the community.



Intellectual Capital

Intellectual capital is the combination of our Intangible assets comprising of skills and expertise, capabilities, processes and our brand value.

These assets gives us the market edge and ensure that we retain our market leadership.



Highlights

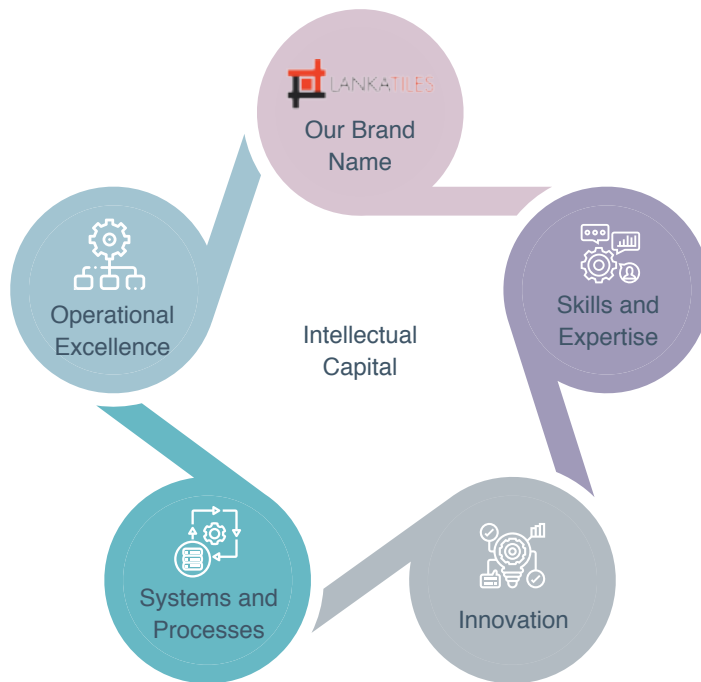
- Portfolio expansion by adding large format tiles
- New innovative designs
- Increase in brand value by Rs.270 Mn

Outlook

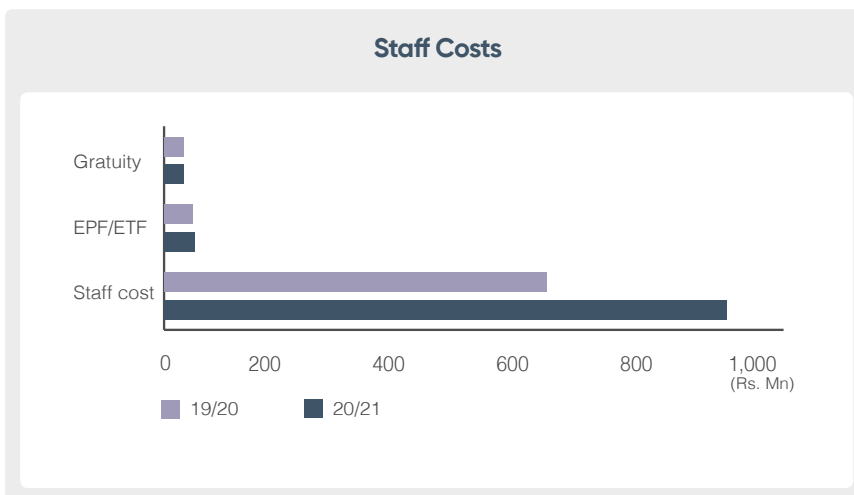
- Continuing innovation
- Continuing TPM and other productivity and efficiency programs



Intellectual Capital



Lanka Tiles brand is valued at Rs. 1,409Mn by Brand Finance Sri Lanka in 2021



A trusted brand

Lank Tiles brand is built on superior quality and our innovative and modern product range designed by leading architects. As a home grown brand, we have been able to maintain our competitive edge in the local market while making steady progress in establishing ourselves as a leading contender in the export market.

Skills and expertise

We require Specialised skills and expertise to maintain the quality of the products we offer. Our efficient recruitment process and comprehensive value proposition has enabled us to acquire and retain a competent skill set. The tried and tested recipes we have developed over the years together with the industry know-how has made a leading contender in the industry with a strong competitive edge. The years of experience our employees have gathered by working within the industry adds to our knowledge expertise.

Innovation

130 new designs were added to our ever-expanding product portfolio. Our Research and Development team is responsible for analysing market trends and customer preferences while the dedicated business development team identify 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

Through continued dedication and investments, we strive to improve our processes, products and customer service we offer. With the assistance of technology, we are constantly adjusting our processes to reduce waste, improve quality and maximize human potential. Automation of processes were carried out while minimizing any wastage was achieved through various cost saving mechanisms. These initiatives include,

1. Automotive maintenance

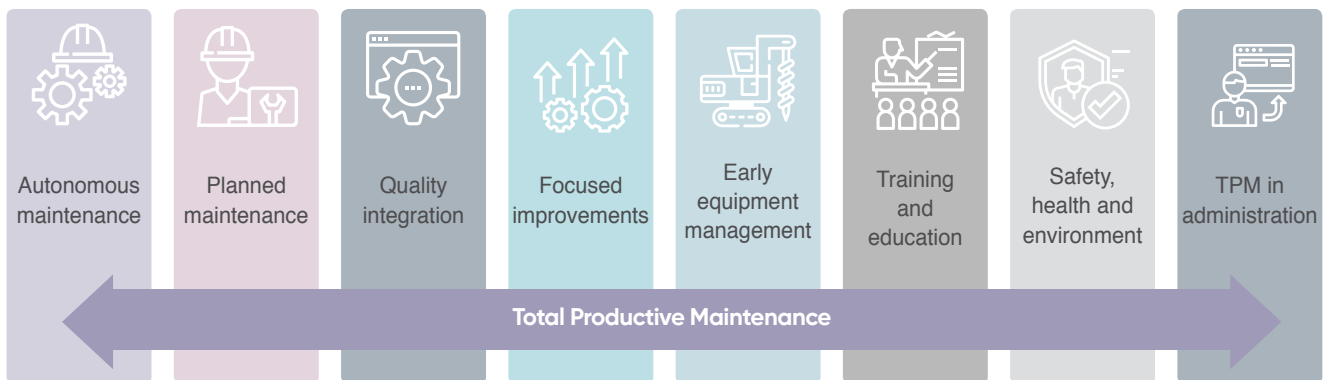
2. Planned maintenance
3. Quality Integration
4. Focus Improvement
5. Early Equipment Management

Systems and Processes

We maintain robust systems and processes to ensure productivity and efficiency in our operations. These include,

- A production quality system in the manufacturing facility where best practices for workflows, health and safety environmental safety are implemented.

- Employee performance management system implemented across the Group.
- Total Productive Maintenance (TPM), a Group wide in-depth and wide-reaching productivity improving initiative. This includes a comprehensive evaluation of existing production flows and procedures and will identify modifications needed to enhance overall productivity. This process also eliminates any repetitive activities, duplications and redundant steps within the system.



Certifications

	Description
	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
	Quality Managements system certification from Sri Lanka Standards Institution
	Certificate for Ceramic Tiles by QSA International, UK
	Occupational Health and Safety Management System certification from SLSI
	Product Certification Mark (SLS Mark)



Natural Capital

We are conscious of the impact our mining and manufacturing process have on the environment and constantly explore avenues to minimize any harmful impact.

We maintain a structured ISO14000 certified Environment Management System to ensure efficient use of natural resources while minimizing any negative impact on the environment.



Highlights

- Energy savings of 550 KVA
- Reduction in carbon footprint with the implementation of waste heat recovery project
- Reduction in water consumption of 5,511,191 Litres

Outlook


- Continuation and expansion of waste heat recovery project
- Implement solar energy project in the manufacturing plant
- Increase energy savings through energy savings initiatives






Raw material management

- Ensuring all suppliers comply with environmental regulations
- Recycle and reuse




Energy consumption

- Conducting staff awareness programs
- Monitoring energy consumption
- Implementation of energy saving initiatives



Water consumption

- Monitoring water consumption
- Ensuring waste water is treated before discharging
- Awareness programs



Controlling emission

- Heat recovery systems
- Minimizing carbon emission
- Testing air quality

Monetized Natural Capital

This is inclusive of clay mining land and other freehold land used for commercial purposes such as manufacturing plants, warehouses and showrooms. Access to mining land is key for our business sustainability and Lanka Tiles holds over 5.25 acres of mining land to procure our clay requirement.

Managing our raw material GRI 301-1, 301-2

Ball and feldspar are the main natural resources used as raw material and we apply the 3R models of reduce, reuse and recycle to ensure efficient use of the same. We also take steps to rehabilitated mines after extraction. During the year we consumed 74.355 MT of raw material of which 3.55% was reused after recycling.

Energy GRI 302-1, 302-3, 302-4

We have implemented several energy saving initiatives to ensure sustainable use and to maintain our profit margins. These initiatives include,

- Heat recovery - Heat from spray dryer and pre dryer is used in kilns
- Monitoring energy consumption
- Continuous efforts in identifying and implementing energy efficiency processes.

Water GRI 303-1, 3

We continuously monitor our water consumption while conducting regular awareness programs to educate our staff about water preservation. During the year we consumed 22,438,809 Litres of water in our manufacturing process and daily use by employees. 8.98% was recycled and reused.

Lanka Tiles owns freehold and clay mining land valued Rs. 53,000/-. The clay mining land is rehabilitated as extraction leads to diminution of natural resources. Rehabilitated land exceeds the standards specified in the mining licenses due to a passion for rejuvenating the environment.

Raw Material Consumed

	2020/21	2019/20
Ball Clay MT	24,178	30,501
Feldspar MT	49,159	53,538
Silica sand MT	1,018	6,919

Energy Consumption by type

		2020/21	2019/20
Type			
Non-renewable			
Diesel	Litres	342,954	513,671
LPG	Kg	8,780,001	8,776,881
Electricity	kwh	18,161,423	18,379,807

Water Consumption by type

		2020/21	2019/20
Type			
Municipal Water	Litres	8,569	8,569
Surface water	Litres	22,430,240	27,941,431
Total		22,438,809	27,950,000



Effluent discharge

We comply with all the regulatory requirements while ensuring solid waste after segregation. Periodic internal audits are carried out to ensure conformity to guidelines stipulated by the Central Environmental Authority (CEA). An Effluent water treatment plant is installed to ensure all waste water is treated prior to being discharged.

Type of Impact	Action Taken	What we have achieved
Dust Emission	To minimize the dust emissions arising from the firing process we have installed dust collectors at containment points. Collected dust is reused in the production process.	Dust emission of Lanka Tiles is well within the parameters set by the CEA
Sound Pollution	<ul style="list-style-type: none"> Outsourcing the crushing process to an outside party who complies with the regulations. Purchasing the land surrounding the factory premises in order to minimize disturbance. Soundproofing System introduced for new Ball Mill. 	<ol style="list-style-type: none"> Maintaining CEA Standards Reduce the complaints from the outsider Increase the relationship with our suppliers
Effluents and waste Management	<ul style="list-style-type: none"> Upgraded treatment plant to comply with regulations set by the Environmental Protection Authority. Testing of effluents and waste before releasing to the environment. 	2 Mn Litres of water recycled during the year

A modern bedroom interior with a white dresser, a bed, and a lamp. The room features a white dresser with gold handles, a bed with a grey headboard and white bedding, and a white lamp on a bedside table. The walls are a light blue-grey color, and the floor is a light grey. The text is overlaid on the left side of the image.

Designed for Progress

Governance Reports

"We are focused on establishing a stronger and progressive presence as we dominate the industry in which we operate in."

Corporate Governance

The Board holds the responsibility for setting up a sound governance framework and management of risks for Lanka Tiles PLC. The Board takes charge in deciding the strategic direction of the Group and provide leadership and direction in achieving strategic goals.

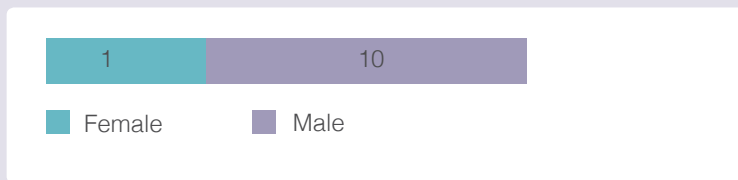
Board Composition

The Board comprises of 11 members as illustrated below,

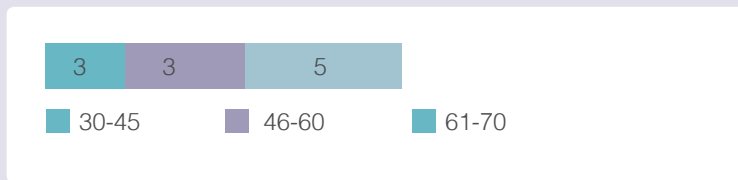
Composition



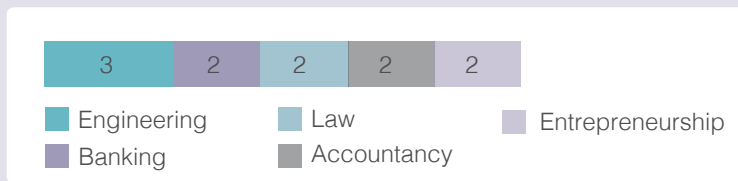
Composition by Gender



Composition by Age



Composition by Expertise

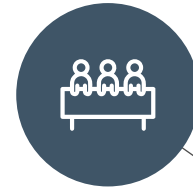


Compliance Framework

Please refer page 69 About this Report for the list of mandatory and voluntary frameworks we comply with.

Internal and Procedures

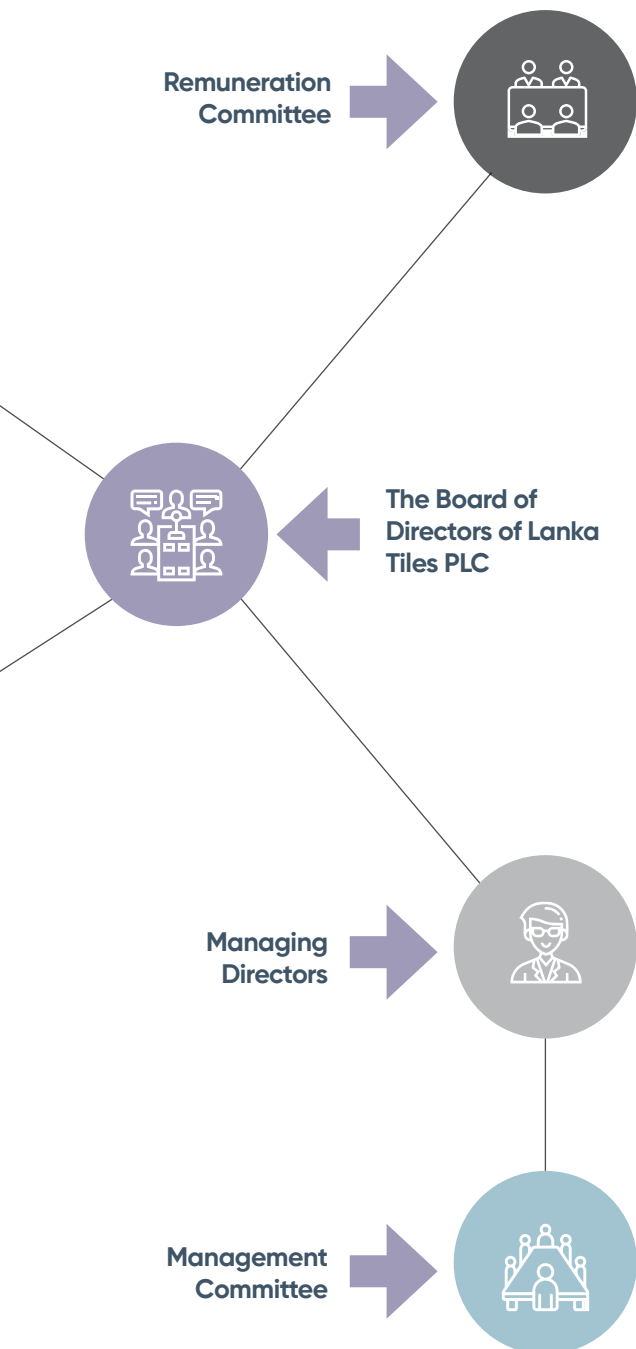
- Articles of Association
- HR Policy
- Health and Safety Policy



Audit Committee

Related Party Transaction Review Committee





Governance in 2020/21

It was a year on unprecedented uncertainty as the COVID-19 pandemic pushed economies across the world into recessions, the Board of Lanka Tiles PLC played key role in managing the risks while seizing the opportunities.

The Board prioritised the health and safety of all stakeholders, particularly of employees while focusing on cash flow and supply chain management. This was done by enhancing interaction with the management and the Board members via strong communication lines. The Board was supported by the sub committees in managing uncertainty while moving towards strategic goals.

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

The Board provided the disclosures required by the Colombo Stock Exchange about the impacts of the pandemic on the Group.

Shareholders

As of 31st March 2021, shares of Lanka Tiles PLC were held among 3,327 shareholders with our parent Company, Lanka Walltiles PLC holding 68.2%. Each share held on 26th March 2021 was subdivided in to five shares, increasing the total number of shares in issue to 265,252,050 shares.

Communication with shareholders

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

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

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

Role of the Chairman and Managing Director

Our Company acknowledges and respects the clear distinction between the roles and responsibilities of the Chairman and the Managing Director. This ensures a balance of power and no one person has unconstrained power in decision making and implementation.

Appointment of Directors

Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Director, containing the nature of his/her expertise in relevant functional areas, other directorships held, memberships on Board Committees and the nature of the appointment.

Re-election of Directors

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

Independence of Non-Executive Directors

Independence of the Directors is determined by the Board based on the annual declarations submitted by the Non-Executive Directors in accordance with the Listing Rules of the Colombo Stock Exchange. Directors are able to exercise their independent judgement as they do not participate in day-to day management nor have any business relationships with the Company.

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

Mr. J R Gunaratne qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

Board Committees

Three Board Committees are established by the Board to assist with discharging its duties and responsibilities effectively, and efficiently namely Audit Committee, Related Party Transactions Review Committee and Remuneration Committee. The committees are provided with all essential resources to empower them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the committees, and the recorded minutes of each committee meeting are circulated to all directors on completion.

The composition and role of each Committee is summarized below.

Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Composition		
Three Non-Executive Directors (two of whom are independent) of Lanka Walltiles PLC the parent Company of Lanka Tiles PLC. Mr. J D N Kekulawala (Chairman) Dr. S Selliah Mr. T G Thoradeniya	Three Independent Non-Executive Directors of Royal Ceramics Lanka PLC Mr. S H Amarasekera - Chairman Mr. R N Asirwatham Mr. L N De S Wijeyeratne	Three Non-Executive Directors of Lanka Walltiles PLC two of whom are Independent. Dr. S Selliah (Chairman) Mr. J D N Kekulawala Mr. T G Thoradeniya
Mandate		
Monitor and supervise management's financial reporting process in ensuring: <ol style="list-style-type: none"> The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. The External Auditor's independence and performance. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process 	The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company	Committee conducts an independent review of all related party transactions to ensure that the Company complies with the rules set out in the Code of Best Practice issued by the SEC
Refer page 86 for Audit Committee Report	Refer page 85 for Remuneration Committee Report	Refer page 84 for Related Party Transactions Review Committee Report

Meeting and Attendance

Meetings for the year ended 31.03.2021 and the attendance at the same given below.

Name	Attendance			
	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Dhammika Perera	6/12	-	-	-
A M Weerasinghe	12/12	-	-	-
J A P M Jayasekara	12/12	-	-	-
Dr. S Selliah	12/12	5/5	-	4/4
T G Thoradeniya	11/12	4/5	-	4/4
K D D Gunaratne	11/12	-	-	-
A M L Page	11/12	-	-	-
J A N R Adhihetty	12/12	-	-	-
S M Liyanage	12/12	-	-	-
G A R D Prasanna (Alternate Director)	11/12	-	-	-
S R Jayaweera (Appointed w.e.f 09.10.2020)	6/6	-	-	-
J R Gunaratne (Appointed w.e.f 15.03.2021)	1/1	-	-	-
J D N Kekulawala (Parent Company Board Member)	-	5/5	-	4/4
S H Amarasekara (Director of Royal Ceramics Lanka PLC)	-	-	1/1	-
R N Asirwatham (Director of Royal Ceramics Lanka PLC)	-	-	1/1	-
L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)	-	-	1/1	-

Compliance

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

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
Directors			
A.1	The Board		
A. 1.1	Board Meetings	Held every month and special meetings held as and when necessary	<input checked="" type="checkbox"/>
A1.2	Role of the Board	Focus is on developing strategies for business development and to provide guidance to the management. Sets the budget for the financial year and review progress at the monthly meetings. Approving of major capital expenditure. Ensure that effective internal control and risk management framework is in place.	<input checked="" type="checkbox"/>
A. 1.3	Compliance with laws and access to independent professional advice	The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further, the Board is always mindful of the new laws/regulations which are implemented and ensures compliance with same.	<input checked="" type="checkbox"/>

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A 1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	All Directors have access to the advice of the Company Secretary. The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary.	☑
A 1.5	Independent judgment of the Directors	Board comprises mainly of independent professionals who in turn exercise independent judgement in discharging their duties.	☑
A 1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare.	☑
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are recorded.	☑
A 1.8	Induction & Training of Directors	At the time a Director is appointed, a letter confirming such appointment together with details on the duties of a Director in terms of the Act and Listing Rules are forwarded to them. All Directors have considerable experience in the industry. Relevant local and foreign training opportunities are made available.	☑
A.2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director pages 14 & 18	☑
A.3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/concerns on matters.	☑
A.4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	☑
A.5	Board Balance		
A.5.1/A5.2/A.5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a)	Presence of Non-Executive Directors Independence of Non-Executive Directors	Please refer an Effective Board in 66	☑
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence is obtained by the secretary annually.	☑
A.5.6	Alternate Director to a Non-Executive Director	Mr. G A R D Prasanna is appointed as the alternate Director to Mr. Dhammika Perera and meets the criteria for and Independent Director	☑
A.5.7/5.8	Senior Independent Director	There is one senior independent director to advice the board in important matter.	☑
A.5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and Members of staff are excused from meetings.	☑
A.5.10	Recording concerns	Concerns of directors are recorded in minutes even in the case of disagreement.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least one week before the meeting.	☑
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	☑
A.7	Appointments to the Board		
A.7.1 / A.7.2	Nomination Committee and the assessment of composition of the Board	All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of directors. The board skill and knowledge is assessed by the parent company board annually and informed to the directors.	☑
A.7.3 7.10.3(d)	Disclosure of Appointment of a New Director	Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non Executive/Executive Director.	☑
A.8	Re-election		
A.8.1 /A.8.2	Re-election	At each AGM, 1/3rd of the Non-Executive Director presents themselves for re-election. Newly appointed directors are re-elected at the 1st AGM following their appointment.	☑
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director. Disclose to CSE.	☑
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	The Board regularly self-evaluates its performance based on achievement of corporate objectives, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements. In addition, the Remuneration Committee also evaluates the performance of the Board and makes necessary recommendations.	☑
A.10	Disclosure of Information in Respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 22 to 25.	☑
A.11	Appraisal of Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	Appraisal of the MD is done when considering increments/bonuses to be paid. Achievement of the budget is a key factor that is considered.	☑

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B.1	Remuneration Procedure		
B.1.1	Set up a Remuneration Committee with agreed terms of reference	The Report of the Remuneration Committee on 85 gives the composition of the Committee and a description of its activities during the year.	☑
B.1.2 7.10.5(a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors of Royal Ceramics Lanka PLC.	☑
B.1.3	List names of Remuneration Committee in Annual Report	Please refer 85.	☑
B.1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	☑
B.1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	☑
B.2	The Level & Makeup of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management Team while remaining within the industry standards and Annual performance approved.	☑
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	☑
B.2.6	Executive share options	Company does not have a ESOP	NA
B.2.7	Designing schemes of performance based remuneration	Refer the Report of the Remuneration Committee on 85.	☑
B.2.8/B.2.9	Early Termination of Directors	There is no compensation for early termination of non-executive directors. Compensation for early termination of non-executive directors is determined based on their employment contracts.	☑
B.3	Disclosure of Remuneration		
B.3.1 7.10.5.(c)	Disclosure of Remuneration	Report of the Remuneration Committee on 85 Notes 27.3 in the financial statements on 136	☑
Relations with Shareholders			
C.1	Constructive use of AGM and Conduct of Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 days as required by the Articles of Association and the Code.	☑
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are passed for each matter taken up at the AGM	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	<input checked="" type="checkbox"/>
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairman of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	<input checked="" type="checkbox"/>
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	<input checked="" type="checkbox"/>
C.2	Communications with shareholders		
C.2.1 to C.2.7	Communications with Shareholders	<p>The AGM and EGM (if any) are used as the method for communicating with the shareholders.</p> <p>All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE.</p> <p>The Company Secretaries/Registrars are the main contact people for the shareholders.</p> <p>All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/ Subcommittee meetings.</p> <p>All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.</p>	<input checked="" type="checkbox"/>
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major 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 page 84	<input checked="" type="checkbox"/>
D. Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on 82 & 83	<input checked="" type="checkbox"/>
D.1.2	Interim and price sensitive reports to public and regulators	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>	<input checked="" type="checkbox"/>
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Managing Director and the Chief Financial Officer.	<input checked="" type="checkbox"/>
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on pages 77 to 81.	<input checked="" type="checkbox"/>

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.1.5	Statements on responsibilities for preparation of financial statements and internal control	Refer the following: Statement of Board responsibility for preparation of financial statements – 82. Statement from Auditors' on their reporting responsibilities – 90 to 93. Statement on Internal Control – 37.	☑
D.1.6	Management discussion & analysis	Refer Annual Report from 27 to 42 which provides a comprehensive management discussion and analysis of the Group's operations.	☑
D.1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	☑
D.1.8	Related Party transactions	Refer the following disclosures on Related Party Transactions: Related Party Transactions Review Committee Report on 84. Annual Report of the Board of Directors on 77 to 81. Note 27 to the financial statements.	☑
D.2	Risk Management & Internal Control		
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements: Risk Report on 35.	☑
D.2.2	Confirm assessment of the principal risks of the company	Risk & Internal Control on 35. Directors' Statement on Internal Controls on 37.	☑
D.2.3	Internal Audit	Audit Committee Report on 86.	☑
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures		☑
D.2.5	Compliance with Directors' responsibilities as set out by the Code		☑
D.3	Audit Committee		
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive Directors of which at least 2 must be independent	Audit Committee comprises 03 non-executive directors of whom 02 are independent. Refer Audit Committee on 86.	☑
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarized in the Audit Committee Report on 86.	☑
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on 86.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer report of the Related Party Transactions Review Committee on 84.	<input checked="" type="checkbox"/>
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on 76.	<input checked="" type="checkbox"/>
D.5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	<input checked="" type="checkbox"/>
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on 84.	<input checked="" type="checkbox"/>
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on 76 and The Board of Directors' Statement on Internal Controls on 37.	<input checked="" type="checkbox"/>
D.6	Corporate Governance disclosures	The Corporate Governance Report on 66 and 76 together with its Annexes comply with this requirement.	<input checked="" type="checkbox"/>
E. Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	<input checked="" type="checkbox"/>
E.2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	<input checked="" type="checkbox"/>
F. Other Investors			
F1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	<input checked="" type="checkbox"/>
F.2.	Encouraging shareholder participation	Refer Shareholder Relations on 150 The Company encourages individual shareholders to participate in general meetings and exercise their voting rights.	<input checked="" type="checkbox"/>
G. Internet of things and cybersecurity			
G	Internet of things and cybersecurity	The Company has implemented a cybersecurity policy and has robust cybersecurity risk management process and has a designated Chief Information Security Officer in place.	<input checked="" type="checkbox"/>

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 43 to page 64.	<input checked="" type="checkbox"/>
	Principle 3 - Reporting on Labour Practices (Human Capital)	Refer Human Capital Report in page 50.	<input checked="" type="checkbox"/>
	Principle 4 - Reporting on Society (Social Impact)	Refer Social Capital Report in pages 55 to 58.	<input checked="" type="checkbox"/>
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Refer Social and Relationship Capital on pages 55 to 58.	<input checked="" type="checkbox"/>
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Refer Stakeholder Engagement report page 32.	<input checked="" type="checkbox"/>
	Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	Refer GRI Index in pages 87 and 88.	<input checked="" type="checkbox"/>

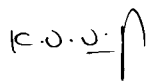
Statement of Compliance

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

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

Therefore the Board concludes and declares that the Company is fully compliant to with the Corporate Governance Codes of Institute of Chartered Accountants of Sri Lanka, Securities and Exchange Commission and Corporate Governance Rules

of Colombo Stock Exchange has in place a robust Corporate Governance Framework to govern the business.



Dhammika Perera
Chairman



J A P M Jayasekera
Managing Director

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

The Board of Directors of Lanka Tiles PLC is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiary (collectively referred to as 'the Group') for the year ended 31st March 2021 as set out on pages 94 to 141.

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

Formation

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

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

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

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

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

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

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

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 90 to 141. Summarised financial results (Group)

Year ended 31st March	2021 Rs.'000	2020 Rs.'000
Revenue	12,626,485	6,694,824
Total comprehensive income for the year	2,911,495	581,304

Independent Auditor's Report

The Report of the Independent Auditor's on the Financial Statements of the Company is given on page 90.

Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Financial Reporting Standards (LKASs) relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). The significant accounting policies adopted in the preparation of financial statements are given on pages 98 to 109.

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 22 to 25.

Executive Director

Mr. J A P M Jayaskera - Managing Director

Non - Executive Directors

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

Mr. A M Weerasinghe - Deputy Chairman

Mr. T G Thoradeniya - Director

Mr. S M Liyanage - Director

Independent Non - Executive Directors

Dr. S Selliah - Director

Mr. K D G Gunaratne - Director

Ms. A M L Page - Director

Mr. J A N R Adhihetty - Director

Mr. S R Jayaweera - Director (Appointed w.e.f. 09th October 2020)

Mr. J R Gunaratne - Director (Appointed w.e.f. 15th March 2021)

Mr. T G Thoradeniya, Ms. A M L Page and Mr. J A N R Adihetty retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Mr. S R Jayaweera and Mr. J R Gunaratne who were appointed to the Board on 9th October 2020 and 15th March 2021 respectively, will retire under Article 110 of the Articles of Association, and being eligible, are recommended by the Directors for election.

Directors of the subsidiary Company

Beyond Paradise Collection Ltd
Mr. M H Jamaldeen

Mr. K D H Perera

Mr. J A P M Jayasekera

Lankatiles Private Limited
Mr. A.M Weerasinghe

Mr. J A P M Jayasekera

Mr. Fatheraj Singhvi

Mr. Praveen Kumar Singhvi

LTL Development Ltd
Mr. K D A Perera

Mr. J A P M Jayasekera

Mr. A M Weerasinghe

Interests Register

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

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 27.3 to the Financial Statements on page 136.

Directors' Interests in Contracts

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

Directors' responsibility for Financial Reporting

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

Independent Auditor

Messrs PricewaterhouseCoopers, Chartered Accountants resigned as the Auditor of the Company on 25th September 2020 and Messrs Ernst & Young, Chartered Accountants were appointed by the Board to fill the casual vacancy arising from such resignation.

Messrs Ernst & Young Chartered Accountants served as the Auditor 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. 2,008,000 (2020 – Rs.1,912,000/-) is payable by the Company to the Auditor for the year under review comprising Rs. 918,000 (2020 – Rs.874,000/-) as audit fees and Rs. 1,090,000 (2020 – Rs. 1,038,000/-) for non audit services.

The Auditor 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 Auditor. A resolution to appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Independence of Auditor

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

Stated Capital

The Stated Capital of the Company is Rs.900,967,696/- (2020 - Rs.900,967,696/)

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 53,050,410 to 265,252,050.

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	633,050	135,683
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	2,500
Mr. J A R N Adhihetty	-	-
Mr. S M Liyanage	-	-
Mr. S. R. Jayaweera	-	-
Mr. J. R. Gunarathna	-	-

Shareholders

There were 3,327 shareholders registered as at 31st March 2021 (2,256 shareholders as at 31st March 2020). The details of distribution are given on page 145 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 145 to 146 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, 702 persons were in employment (749 persons as at 31st March 2020).

Reserves

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 120.

Capital Expenditure

The total capital expenditure during the year amounted to Rs. 433 Mn on property, plant and equipment compared to Rs. 613 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-

in-progress are given under Note 03 to the financial statements. Additions of intangible assets of the Company and Group during the year amounted to Rs. 1.5 Mn, and all other related movements are disclosed in Note 04 to the Financial Statements.

Dividends

An interim dividend of Rs. 3.85 per share for the year ending 31st March 2021 was paid on 08th December 2020. A second interim dividend of Rs. 12.30 per share for the year ending 31st March 2021 was paid on 17th March 2021.

A third interim dividend of Rs. 2.20 per share for the year ended 31st March 2021 will be paid on 28th June 2021.

Substantial Shareholdings

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

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2021 are given in Notes 05 and 06 to the Financial Statements on pages 115 to 117.

Public Holding

28.014% (2020 - 38.086%) of the issued shares of the Company are widely held by the public.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 6,374 Mn (2020- Rs. 5,975 Mn).

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

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

Location	No. of Buildings	Lands in extent	Valuation/Cost (Rs. '000) 2021	Valuation/Cost (Rs. '000) 2020
Factory at Jaltara, Ranala	42	28A-02R-32.69P	1,708,900	1,449,111
Land adjacent to the factory	17	08A-02R-08.56P	252,100	248,513
Warehouse at Biyagama	5	02A-00R-15.93P	528,400	499,270
Ball Clay land at Kalutara	-	5A-01R-0.83P	53	52
Nawala Land	-	00A-00R-32.03P	240,200	232,218
Land at Madampe	-	13A-00R-02P	42,900	39,038
Total			2,772,553	2,468,202

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

Donations

The Company made donations amounting to Rs. 8,650,000 (2020 - Rs. 1,904,926) in total, during the year under review.

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 to 37.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note 28 to the Financial Statements on page 137 there were no material Contingent Liabilities as at the Balance Sheet date.

Events after the Reporting Period

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

Corporate Governance

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

An Audit Committee and a Related Party Transaction Review Committee of Lanka Walltiles PLC 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 Transaction Review Committee

Dr. S Selliah- Chairman

Mr. J D N Kekulawala

Mr. T G Thoradeniya

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 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 66 to 76 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme.

Environmental Protection

After making adequate enquiries from the Management, the Directors are satisfied that the Company operates in a manner that 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

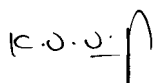
In determining the basis of preparing the financial statements for the year ended 31st March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

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

Annual General Meeting

The Notice of the Thirty Seventh (37th) Annual General Meeting appears on page 150.

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

Statement of Directors' Responsibility

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 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 TILES PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

31st May 2021

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

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

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

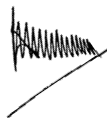
Our internal auditor have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls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

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

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

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

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



B T T Roche
General Manager - Finance



J A P M Jayasekera
Managing Director

31st May 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 Tiles PLC and to ensure that the Company complies with the rules set out in the Listing Rules. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the Company's Policy governing the review, approval and oversight of related party transactions.

Responsibilities of the Related Party Transactions Review Committee

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

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

Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

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

Composition of the Committee

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

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

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

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

Meetings

The Committee held four meetings during the year.

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

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

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

Procedures for Reporting RPT's

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

approved related party transactions actually entered into by the Company.

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

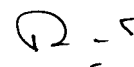
Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2020/21 and has communicated the comments and observation to the Board of Directors. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year aggregative value of which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 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 27 to the Financial Statements, on pages 133 to 136 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on page 77 of this Annual Report.



Dr. S Selliah
Chairman - Related Party
Transactions Review Committee

31st May 2021

Remuneration Committee Report

Role of the Remuneration Committee

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

Composition of the Remuneration Committee

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

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

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

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

Meetings

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

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

Functions performed by the Remuneration Committee

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

- Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.
- Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

Conclusion

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



S H Amarasekera
Chairman of the 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 Director

Dr. S Selliah

Committee Member - Independent Non – Executive Director

Mr. T G Thoradeniya

Committee Member- Non – Executive Director

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

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

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

Meetings

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

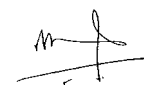
Mr. J D N Kekulawala	- 5/5
Dr. S Selliah	- 5/5
Mr. T G Thoradeniya	- 4/5

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

GRI Index

GRI Standards	Disclosure			Page Reference
General Disclosure: Core option				
Organizational profile				
GRI 102	General Disclosures	102-1	Name of the organization	3
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	9
GRI 102	General Disclosures	102-3	Location of headquarters	148
GRI 102	General Disclosures	102-4	Location of operations	49
GRI 102	General Disclosures	102-5	Ownership and legal form	3
GRI 102	General Disclosures	102-6	Markets served	40
GRI 102	General Disclosures	102-7	Scale of the organization	12
GRI 102	General Disclosures	102-8	Information on employees and other workers	50
GRI 102	General Disclosures	102-9	Supply chain	40
GRI 102	General Disclosures	102-10	Significant changes to the organization and its supply chain	36
Strategy				
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	19
Governance				
GRI 102	General Disclosures	102-18	Governance structure	8
Stakeholder engagement				
GRI 102	General Disclosures	102-40	List of stakeholder groups	32
GRI 102	General Disclosures	102-41	Collective bargaining agreements	32
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	32
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	32
GRI 102	General Disclosures	102-44	Key topics and concerns raised	32
Reporting practice				
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	4
GRI 102	General Disclosures	102-46	Defining report content and topic Boundaries	4
GRI 102	General Disclosures	102-47	List of material topics	28
GRI 102	General Disclosures	102-48	Restatements of information	4
GRI 102	General Disclosures	102-49	Changes in reporting	4
GRI 102	General Disclosures	102-50	Reporting period	4
GRI 102	General Disclosures	102-51	Date of most recent report	4
GRI 102	General Disclosures	102-52	Reporting cycle	4
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	5
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	5
GRI 102	General Disclosures	102-55	GRI content index	87
GRI 102	General Disclosures	102-56	External assurance	90
Specific Disclosures				
Economic				
GRI 201	Economic Performance	201-1	Direct economic value generated and distributed	31
GRI 201	Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	37
GRI 201	Economic Performance	201-3	Defined benefit plan obligations and other retirement plans	125
GRI 202	Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	53
GRI 203	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	48
GRI 204	Procurement Practices	204-1	Proportion of spending on local suppliers	29

GRI Standards	Disclosure			Page Reference
General Disclosure: Core option				
Environmental				
GRI 301	Materials	301-1	Materials used by weight or volume	63
GRI 301	Materials	301-2	Recycled input materials used	63
GRI 302	Energy	302-1	Energy consumption within the organization	63
GRI 302	Energy	302-2	Energy consumption outside of the organization	63
GRI 302	Energy	302-4	Reduction of energy consumption	63
GRI 303	Water	303-1	Water withdrawal by source	64
GRI 303	Water	303-2	Water sources significantly affected by withdrawal of water	64
GRI 303	Water	303-3	Water recycled and reused	64
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	64
GRI 305	Emissions	305-2	Energy indirect (Scope 2) GHG emissions	64
GRI 305	Emissions	305-3	Other indirect (Scope 3) GHG emissions	64
GRI 305	Emissions	305-4	GHG emissions intensity	64
GRI 305	Emissions	305-5	Reduction of GHG emissions	64
GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	64
GRI 308	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	58
GRI 308	Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	64
Social				
GRI 401	Employment	401-1	New employee hires and employee turnover	52
GRI 401	Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	53
GRI 401	Employment	401-3	Parental leave	53
GRI 402	Labour/Management Relations	402-1	Minimum notice periods regarding operational changes	53
GRI 403	Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	53
GRI 403	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	53
GRI 403	Occupational Health and Safety	403-3	Workers with high incidence or high risk of diseases related to their occupation	53
GRI 403	Occupational Health and Safety	403-4	Health and safety topics covered in formal agreements with trade unions	53
GRI 404	Training and Education	404-1	Average hours of training per year per employee	54
GRI 404	Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	54
GRI 404	Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	53
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	54
GRI 407	Freedom of Association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	54
GRI 413	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	56
GRI 416	Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	53



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Independent Auditor's Report



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TO THE SHAREHOLDERS OF LANKA TILES PLC

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Lanka Tiles PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 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.

Other matters

The financial statements of the Company and its subsidiaries for the year ended 31 March 2020, were audited by another auditor who expressed an unmodified opinion on those statements dated 1 July 2020.

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. 2,773 Mn and Rs. 395 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 3.3 and 3.6 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.

Independent Auditor's Report

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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



31st May 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

Consolidated Statement of Financial Position

As at 31 March	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3.2	6,373,888	5,974,804	6,373,888	5,974,804
Investment properties	3.6	394,819	394,819	-	-
Intangible assets	4	11,295	12,594	11,295	12,594
Investments in subsidiaries	5	-	-	6,242	6,242
Investments in associates	6	1,339,684	1,005,793	1,283,017	1,005,793
Right of use assets	3.7	63,878	106,187	63,878	106,187
		8,183,564	7,494,197	7,738,320	7,105,620
Current assets					
Inventories	7	2,322,116	4,780,594	2,322,116	4,780,594
Trade and other receivables	8	1,026,460	1,003,662	1,026,380	1,003,601
Amounts due from related parties	9	386,286	527,441	611,843	698,891
Cash and cash equivalents	25	2,329,621	76,741	2,316,965	64,953
		6,064,483	6,388,438	6,277,304	6,548,039
Total assets		14,248,047	13,882,635	14,015,624	13,653,659
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	10	900,968	900,968	900,968	900,968
Reserves	11	1,582,908	1,190,736	1,582,523	1,190,666
Retained earnings		7,443,205	5,781,070	7,262,288	5,606,252
Shareholders' funds		9,927,081	7,872,774	9,745,779	7,697,886
Non controlling interest		6,192	5,769	-	-
Total equity		9,933,273	7,878,543	9,745,779	7,697,886
Non-current liabilities					
Interest bearing liabilities	12	971,206	1,270,881	971,206	1,270,881
Deferred tax liabilities	13	781,531	824,689	740,486	776,804
Retirement benefit liability	14	198,598	181,034	198,598	181,034
		1,951,335	2,276,604	1,910,290	2,228,719
Current liabilities					
Trade and other payables	15	1,630,048	1,238,352	1,628,073	1,237,977
Contract liability	15.2	27,024	-	27,024	-
Income tax liabilities		263,175	2,224	262,947	2,222
Amounts due to related parties	16	121,465	144,562	119,784	144,505
Current portion of interest bearing liabilities	12	321,727	2,342,350	321,727	2,342,350
		2,363,439	3,727,488	2,359,555	3,727,054
Total equity and liabilities		14,248,047	13,882,635	14,015,624	13,653,659

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



B T T Roche

General Manager (Finance)

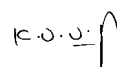
The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,



J A P M Jayasekara

Managing Director



Dhammika Perera

Chairman

The accounting policies and notes on pages 98 to 141 form an integral part of the financial statements.

The figures in brackets indicate deductions.

31st May 2021

Colombo

Consolidated Statement of Comprehensive Income

For the Year ended 31 March	Notes	GROUP		COMPANY	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Revenue from contracts with customers	17	12,626,485	6,694,824	12,626,485	6,694,824
Cost of sales		(7,880,382)	(4,278,797)	(7,880,382)	(4,278,797)
Gross profit		4,746,103	2,416,027	4,746,103	2,416,027
Other Income/(expenses)	18	44,339	28,671	42,624	26,833
Distribution costs		(1,462,202)	(1,028,280)	(1,462,202)	(1,028,280)
Administrative expenses		(492,682)	(389,453)	(490,572)	(388,677)
Finance cost	19	(223,839)	(334,565)	(223,839)	(334,565)
Finance income	20	16,366	273	16,366	273
Other operating expenses		(59,962)	-	(59,962)	-
Share of net profit of associate		286,545	82,602	286,545	82,602
Profit before tax	21	2,854,668	775,275	2,855,063	774,213
Income tax expense	22	(403,774)	(193,330)	(410,388)	(193,316)
Profit for the year		2,450,894	581,945	2,444,675	580,897
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	3.1	385,163	-	385,163	-
Actuarial Gain/(Loss) on Retirement Benefit Liability	14	(13,005)	551	(13,005)	551
Deferred tax on components of other comprehensive income	22	9,165	(154)	9,165	(154)
Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods		381,323	397	381,323	397
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)	-	-
Share of other comprehensive income of associate investment accounted for using the equity method		78,659	(733)	78,659	(733)
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		79,277	(1,038)	78,659	(733)
Other Comprehensive Income/(loss) for the Year, net of tax		460,600	(641)	459,982	(336)
Total Comprehensive Income for the Year, net of tax		2,911,494	581,304	2,904,657	580,561
Profit attributable to :					
Equity holders of the parent		2,450,773	581,787	2,444,675	580,897
Non controlling interest		121	158	-	-
Profit for the year		2,450,894	581,945	2,444,675	580,897
Total comprehensive income attributable to :					
Equity holders of the parent		2,911,071	581,295	2,904,657	580,561
Non controlling interest		423	9	-	-
Total Comprehensive Income for the Year		2,911,494	581,304	2,904,657	580,561
Adjusted basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	23	9.24	2.19	9.22	2.19

The accounting policies and notes on pages 98 to 141 form an integral part of the financial statements.

The figures in brackets indicate deductions.

Statement of Changes in Equity

As at 31 March	Stated capital	Revaluation reserve	Amalgamation reserve	Retained Earnings	Exchange translation reserve	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP							
Balance as at 1st April 2019	900,968	730,515	460,151	5,199,619	226	5,760	7,297,239
Profit for the Year	-	-	-	581,787	-	158	581,945
Other Comprehensive Income	-	-	-	(336)	(156)	(149)	(641)
	900,968	730,515	460,151	5,781,070	70	5,769	7,878,543
Balance as at 1st April 2020	900,968	730,515	460,151	5,781,070	70	5,769	7,878,543
Profit for the Year	-	-	-	2,450,773	-	121	2,450,894
Other Comprehensive Income	-	-	-	68,125	316	302	68,743
Revaluation gain	-	391,857	-	-	-	-	391,857
Total Comprehensive Income	-	391,857	-	2,518,898	316	423	2,911,494
Dividends							
1st Interim 2020/21 (Rs. 3.85 per share)	-	-	-	(204,244)	-	-	(204,244)
2nd Interim 2020/21 (Rs. 12.30 per share)	-	-	-	(652,520)	-	-	(652,520)
	-	-	-	(856,764)	-	-	(856,764)
Balance as at 31 March 2021	900,968	1,122,372	460,151	7,443,204	386	6,192	9,933,273
COMPANY							
Balance as at 01 April 2019			900,968	730,515	460,151	5,025,691	7,117,325
Profit for the Year			-	-	-	580,897	580,897
Other Comprehensive Income			-	-	-	(336)	(336)
Total Comprehensive Income			-	-	-	580,561	580,561
Balance as at 01 April 2020			900,968	730,515	460,151	5,606,252	7,697,886
Profit for the Year			-	-	-	2,444,675	2,444,675
Other Comprehensive Income			-	-	-	68,125	68,125
Revaluation gain			-	391,857	-	-	391,857
Total Comprehensive Income			-	391,857	-	2,512,800	2,904,657
Dividends							
1st Interim 2020/21 (Rs. 3.85 per share)			-	-	-	(204,244)	(204,244)
2nd Interim 2020/21 (Rs. 12.30 per share)			-	-	-	(652,520)	(652,520)
			-	-	-	(856,764)	(856,764)
Balance as at 31 March 2021			900,968	1,122,372	460,151	7,262,288	9,745,779

The accounting policies and notes on pages 98 to 141 form an integral part of the financial statements.

The figures in brackets indicate deductions.

Consolidated Statement of Cash Flows

For the Year ended 31st March	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax		2,854,668	775,275	2,855,063	774,213
Adjustments for					
Depreciation & amortisation	21	419,769	379,991	419,769	379,991
Depreciation of right of use lease assets	3.7	37,622	26,519	37,622	26,519
Profit/(loss) on sale of property, plant & equipment	18	(6,845)	237	(6,845)	237
Interest income	20	(16,366)	(273)	(16,366)	(273)
Finance costs	19	213,400	316,693	213,400	316,693
Provision for retirement benefit obligations	14	32,318	31,959	32,318	31,959
Share of Net Profit of Associate		(286,545)	(82,602)	(286,545)	(82,602)
Allowance/(reversal) for obsolete and slow moving inventories	7	44,427	14,467	44,427	14,467
Allowance for impairment of trade receivable unrealised (Profit)/ losses on inventory purchased from associate	8	5,400	4,000	5,400	4,000
Foreign exchange (gain)/ loss		(1,040)	3,421	(1,040)	3,421
Interest expense on lease liability		(7,960)	10,622	(7,960)	10,622
		10,439	7,250	10,439	7,250
Operating profit/(loss) before working capital changes		3,299,287	1,487,559	3,299,682	1,486,497
Working capital adjustments:					
(Increase)/decrease in inventories		2,415,091	(1,778,713)	2,415,091	(1,778,713)
(Increase)/decrease in trade and other receivables		(23,511)	(42,220)	(23,492)	(42,200)
(Increase)/decrease in due from related parties		141,155	90,201	87,048	91,106
Increase/(decrease) in due to related parties		(23,097)	27,724	(24,721)	27,723
Increase/(decrease) in trade and other payables		426,680	(225,054)	425,080	(225,231)
Cash generated from/(used in) operations		6,235,605	(440,503)	6,178,688	(440,818)
Interest received		16,366	273	16,366	273
Finance costs paid		(213,400)	(316,693)	(213,400)	(316,693)
Retirement benefit plan costs paid	14	(27,759)	(22,888)	(27,759)	(22,888)
Income tax paid		(176,818)	(34,369)	(176,818)	(34,355)
Net cash flows from/(used in) operating activities		5,833,994	(814,180)	5,777,077	(814,481)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment and intangible assets		(434,648)	(626,304)	(434,648)	(626,304)
Proceeds from sale of property, plant & equipment		9,104	1,805	9,104	1,805
Investment in Associate		(56,667)	-	-	-
Dividend Received		87,980	-	87,980	-
Net cash flows from/(used in) investing activities		(394,231)	(624,499)	(337,564)	(624,499)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained	12	1,172,021	1,723,686	1,172,021	1,723,686
Repayment of interest bearing borrowings	12	(2,713,094)	(727,622)	(2,713,094)	(727,622)
Repayment of lease liability		(43,938)	(37,938)	(43,938)	(37,938)
Dividends paid - on Ordinary Shares	24	(856,764)	-	(856,764)	-
Net cash flows from/(used in) financing activities		(2,441,775)	958,126	(2,441,775)	958,126
Net increase/(decrease) in cash and cash equivalents		2,997,988	(480,553)	2,997,738	(480,854)
Foreign exchange difference arising on translation of foreign operation		618	(305)	-	-
Cash and cash equivalents at the beginning of the year		(726,732)	(245,874)	(738,520)	(257,666)
Cash and cash equivalents at the end of the year	25	2,271,874	(726,732)	2,259,218	(738,520)

The accounting policies and notes on pages 98 to 141 form an integral part of the financial statements.

The figures in brackets indicate deductions.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Lanka Tiles 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 glazed ceramic and porcelain floor tiles for export and local markets and holding investments.

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

1.3 Parent enterprise and ultimate parent enterprise

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

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

1.4 Date of authorization for issue

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS") as issued by the

Institute of Chartered Accountants of Sri Lanka.

2.1.1 Basis of measurement

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

1. Property, Plant and Equipment – Land and Buildings

2. INVESTMENT PROPERTIES

The financial statements are presented in Sri Lankan Rupees (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 06 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 5.1 to the financial statements.

2.1.7 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.

2.2 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 14 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 7).

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

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being 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 3.3 and 3.6 to the financial statements.

d) Impairment of debtors

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. (Note 8)

e) Impairment of Non Financial Assets

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

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign currency translation

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

fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Fair Value Measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarized in the Note 3.3 and 12.4 to the financial statements.

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

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

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

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

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

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

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

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

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

2.3.3 Taxation

Current taxes

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

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

Deferred taxation

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax

rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity statement is 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”.

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 formulae:-

Manufacturing goods

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

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, first in first out basis.

Goods in transit

At actual cost

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 to

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 is subsequently measured at fair value.

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

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal,

any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2.3.8 Intangible assets

Basis of recognition

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The 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 life of assets are as follows:

Accounting Software 05 Years

2.3.9 Leases

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

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

a) Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is

classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

b) Group as the Lessee

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

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 1 to 5 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The

right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.3.13 - 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.

(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.

2.3.10 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 derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is 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.

2.3.11 Provisions

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

2.3.12 Retirement benefit obligations

(a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended

by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

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

2.3.13 Impairment of non-financial assets

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

2.3.14 Revenue recognition Revenue from contracts with customers

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

a) Sale of goods - tiles and associated items

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to 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.

(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.

2.4 Cash & 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.

2.5 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 SLFRS 3: Reference to Conceptual Framework

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. IASB also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

d) 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.

e) 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.

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

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

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

Notes to the Financial Statements

3. PROPERTY, PLANT & EQUIPMENT

3.1 Property, Plant & Equipment

GROUP/COMPANY

	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
Gross Carrying Amounts					
At Cost					
Plant and Machinery	5,155,680	327,998	-	(12,664)	5,471,014
Water Supply, Electricity Distribution Scheme	449,030	20,498	-	-	469,528
Tools, Implements, Furniture & Fittings and Electrical Appliances	399,006	135,557	-	(1,029)	533,534
Transport & Communication Equipment	150,510	5,891	-	(6,064)	150,337
	6,154,226	489,944	-	(19,757)	6,624,413
At Valuation					
Freehold Land	1,175,496	-	164,485	-	1,339,981
Buildings	1,292,706	15,392	220,678	(96,203)	1,432,573
	2,468,202	15,392	385,163	(96,203)	2,772,554
In the Course of Construction					
Capital Work In Progress Building & Others	155,957	16,857	-	(89,072)	83,742
	155,957	16,857	-	(89,072)	83,742
Total	8,778,385	522,193	385,163	(205,032)	9,480,709

	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					
Buildings	59,748	36,455	(96,203)	-	-
Plant and Machinery	2,129,099	296,533	-	(10,588)	2,415,044
Water Supply, Electricity Distribution Scheme	235,497	31,839	-	-	267,336
Tools, Implements, Furniture & Fittings and Electrical Appliances	282,931	45,166	-	(847)	327,250
Transport & Communication Equipment	96,306	6,950	-	(6,065)	97,191
Total	2,803,581	416,943	(96,203)	(17,500)	3,106,821

3.2 Net Book Value of Assets

As at 31 March	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
At Valuation		
Freehold Land	1,339,981	1,175,496
Buildings	1,432,573	1,232,958
At Cost		
Plant and Machinery	3,055,970	3,026,581
Water Supply, Electricity Distribution Scheme	202,192	213,533
Tools, Implements, Furniture & Fittings and Electrical Appliances	206,284	116,075
Transport & Communication Equipment	53,146	54,204
	6,290,146	5,818,847
Capital Work in Progress	83,742	155,957
Total	6,373,888	5,974,804

3.3 Assets At Valuation

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

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

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

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

Notes to the Financial Statements

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

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

Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000'
Factory Premises , Jaltara, Ranala - Land	28A - 02R32.69P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	Rs. 50,000/- to 120,000/- per perch	517,878
Factory Premises, Jaltara, Ranala - Building	415,638 sq. ft.	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's method	Rs. 1000/- to Rs. 4250/- per sq. ft.	1,191,022
Land adjacent to the Factory Premises , Jaltara, Ranala - Land	08A-02R-08.56P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	Rs. 120,000/- to 200,000/- per perch	203,001
Land adjacent to the Factory Premises, Jaltara, Ranala - Building	25,604 sq. ft.	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's method	Rs. 1,200/- to Rs. 4500/- per sq. ft.	49,099
Lanka Tiles Warehouse, Samurdhi Mawatha Biyagama - Land	02A-00R-15.93P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	Rs. 1,000,000/- per perch	335,949
Lanka Tiles Warehouse, Samurdhi Mawatha Biyagama - Building	48,531 sq. ft.	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's method	Rs. 1500/- to Rs. 4000/- per sq. ft.	192,451
Ball Clay Land Kalutara' - Land	5A-01R-0.83P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	Rs. 10,000/- per acre	53
Nugegoda - Land	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 - Land	13A-00R-02P	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market approach	Rs. 3,300,000/- per acre	42,900

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

3.4 During the financial year, the Group/Company acquired property, plant and equipment to the aggregate value of Rs. 433.12 Mn (2019/20 - Rs.612.63 Mn). Cash payments amounting to Rs. 433.12 Mn (2019/20- Rs.612.63 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.5 Property, plant and equipment of the Group / Company include fully depreciated assets in use as 31st March 2021, the cost of which amounted to the Group / Company Rs. 1,906.04 Mn (2019/2020 - Rs.1,127.55 Mn). Which are still in use.

The Useful lives of the assets are estimated as follows ;

	2020/21	2019/20
Buildings	50 years	50 years
Plant & Machinery	12 - 20 years	12 - 20 years
Water Supply, Electricity Distribution Scheme	10 years	10 years
Tools, Implements, Furniture & Fittings and Electrical Appliances	02-05 years	02-05 years
Transport & Communication Equipment	03-05 years	03-05 years
Right of Use Assets	01- 05 years	01- 05 years

Property, plant and equipment with a Carrying value of Rs. 127 Mn (2020- Rs. 127 Mn) for the Group/Company has been pledged as a Security for term loans obtained. The details are shown in Note 26 to the Financial Statements.

3.6 Investment property

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April	394,819	394,819	-	-
Balance as at 31 March	394,819	394,819	-	-

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

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

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

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

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

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

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

Amounts recognised in profit or loss in relation to investment properties	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rental income derived from investment Properties	1,200	1,200	-	-
Direct costs related to investment properties	(1,646)	(172)	-	-
	(446)	1,028	-	-

Notes to the Financial Statements

3. PROPERTY, PLANT & EQUIPMENT (Contd.)

3.7 Right of use Assets

Right of Use Assets/Lease Liabilities- Group/Company

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

	Building	Total
	Rs.'000	Rs.'000
Right of Use Asset		
As at 1 April 2020	106,187	106,187
Additions	-	-
Less: Depreciation Expense	(37,622)	(37,622)
Advance Settlement	(4,687)	(4,687)
As at 31 March 2021	63,878	63,878
Lease Liability		
As at 1 April 2020	102,018	102,018
Additions	-	-
Interest Expense	10,439	10,439
Less: Payments	(43,938)	(43,938)
As at 31 March 2021	68,519	68,519

The following are the amounts recognised in Statement of Comprehensive Income

	2021	2020
	Group/Company	
	Rs.'000	Rs.'000
Depreciation expense of right-of-use assets	37,622	26,519
Interest expense on lease liabilities	10,439	7,250
Expense relating to short-term leases (included in selling & distribution expenses)	24,624	24,624
Total amount recognised in statement of comprehensive income	72,685	58,393

	2021	2020
	Group/Company	
	Rs.'000	Rs.'000
Payable as follows :		
Payable within One Year	13,980	47,479
Payable within One to Five Years	54,539	54,539
Lease Liabilities as at 31st March	68,519	102,018

4. Intangible Assets

Software	Group/Company	
	2021	2020
	Rs.'000	Rs.'000
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
Cost	15,200	13,673
Accumulated amortisation	(3,905)	(1,079)
Balance as at 31 March	11,295	12,594

5. INVESTMENTS IN SUBSIDIARIES COMPANY

Non-quoted	Holding %		Cost	Market Value/ Directors' Valuation*	Cost	Market Value/ Directors' Valuation*
	2021	2020				
	2021	2021				
LTL Development Limited	100.00	100.00	0.01	0.01	0.01	0.01
Beyond Paradise Collection Limited	100.00	100.00	0.01	0.01	0.01	0.01
Lankatiles (Pvt) Ltd (Foreign Subsidiary)	51.00	51.00	6,242	6,242	6,242	6,242
Total Non-quoted Investments in Subsidiaries			6,242	6,242	6,242	6,242

Notes to the Financial Statements

5. INVESTMENTS IN SUBSIDIARIES (Contd.)

5.1 Details of those companies in which Lanka Tiles PLC, held a controlling interest, as at 31 March 2021 directly or indirectly (Group) are set out below:

Name of Company	Percentage of share holding in subsidiaries Group		Principal activities of the company	Auditors
	2021	2020		
1. Beyond Paradise Collection Limited	100.00	100.00	Property Holding Company	M/s. Ernst & Young
2. Lankatiles (Pvt) Ltd (Foreign Subsidiary)	51.00	51.00	Distribution of Tiles in India	M/s. K S Muralidhar
3. LTL Development Limited	100.00	100.00	Property Holding Company	M/s. Ernst & Young

6. Investment in Associates (Equity Accounted Investees)

Company

	Holding Percentage		Cost	
	2021	2020	2021	2020
			Rs.'000	Rs.'000
Quoted Investment				
Swisstek Ceylon PLC	47.80	47.80	1,283,017	1,005,793
As at 31st March	47.80	47.80	1,283,017	1,005,793

Group

	Holding Percentage		Cost	
	2021	2020	2021	2020
			Rs.'000	Rs.'000
Quoted Investment				
Swisstek Ceylon PLC	47.80	47.80	1,283,017	1,005,793
Non-quoted Investment				
CP Holdings (Pvt) Ltd*	24.63	-	56,667	-
Net book amount			1,339,684	1,005,793

*During the year the Company invested 16.67% and 7.96% in CP Holdings (Pvt) Ltd through its subsidiary, LTL Development Limited and associate Company, Swisstek Ceylon PLC respectively. Accordingly, the effective investment holding is 24.63% as at the reporting date.

Movement in Associate - Swisstek Ceylon PLC	2021	2020
	Rs.'000	Rs.'000
01 April 2020	1,005,793	923,924
Share of results of associates	286,545	82,602
Dividends	(87,980)	-
Share of Other Comprehensive Income	78,659	(733)
As at 31 March 2021	1,283,017	1,005,793

Movement in Associate - CP Holdings (Pvt)Ltd

01 April 2020	-	-
Investment During the Year	56,667	-
As at 31 March 2021	56,667	-

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

The market value of quoted associate investment as at date of last traded is Rs.1,413,199,440/- (2020 - Rs. 353,299,860).

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

Swisstek Ceylon PLC
Summarised Statement of Financial Position

As at 31 March	2021	2020
	Rs.'000	Rs.'000
Current Assets		
Cash and cash equivalents	217,164	155,342
Other current assets	3,209,964	3,108,831
Total current assets	3,427,128	3,264,173
Non current assets	3,148,809	2,852,202
Current liabilities	3,044,591	3,026,850
Non current liabilities	650,418	822,128
Net Assets	2,880,928	2,267,397

Summarised Statement of Comprehensive Income

As at 31 March	2021	2020
	Rs.'000	Rs.'000
Revenue	5,393,229	4,634,962
Gross profit	1,506,959	973,616
Profit for the year		
Profit attributable to owners of the company for the year	599,466	172,807
Other comprehensive income attributable to owners of the company	164,559	(1,533)
% interest held	47.8	47.8
Share of profit	286,545	82,602
Share of other comprehensive income	78,659	(733)

CP Holdings (Pvt) Ltd
Summarised Statement of Financial Position

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

Notes to the Financial Statements

7. INVENTORIES

As at 31 March	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Raw materials	1,718,245	1,353,801
Work in progress	48,016	47,956
Finished goods	414,894	2,772,175
Goods in transit	-	137,664
Trading stocks	283,160	566,770
Provision for obsolete and slow moving stocks	(142,199)	(97,772)
Total	2,322,116	4,780,594

7.1 Provision for obsolete and slow moving stocks

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Provision as at 01 April	97,772	83,305
Provided during the year	44,427	14,467
Provision as at 31 March	142,199	97,772

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade debtors	686,546	607,655	686,546	607,655
Less: Allowances for doubtful debts	(20,708)	(15,308)	(20,708)	(15,308)
	665,838	592,347	665,838	592,347
Advance and prepayments	246,896	385,110	246,896	385,110
Other debtors	113,726	26,205	113,646	26,144
Total	1,026,460	1,003,662	1,026,380	1,003,601

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Allowances for doubtful debts		
Balance as at 1 April	15,308	11,308
Provided during the year	5,400	4,000
Balance as at 31 March	20,708	15,308

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

Group/Company

	Past due but not impaired					Total
	Neither past due not impaired	< 3 Months	3- 12 Months	> 1 Year	Impaired	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
2021	618,090	34,278	8,514	4,956	20,708	686,546
2020	225,179	264,722	95,124	10,650	11,980	607,655

9. AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	GROUP		COMPANY	
		2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Walltiles PLC	Parent Company	43,646	191,145	43,646	191,145
Beyond Paradise Collection Ltd	Subsidiary Company	-	-	175,680	175,484
Rocell Bathware Limited	Affiliated Company	913	380	913	380
LWL Development Ltd	Affiliated Company	341,727	335,916	336,327	331,716
LTL Developments Ltd	Subsidiary company	-	-	55,277	166
Total		386,286	527,441	611,843	698,891

Notes to the Financial Statements

10. STATED CAPITAL - GROUP/COMPANY

10.1 Issued & fully paid

	2021		2020	
	Number	Rs.'000	Number	Rs.'000
Balance as at 01st April	53,050,410	900,968	53,050,410	900,968
Share Split*	212,201,640	-	-	-
Balance as at 31st March	265,252,050	900,968	53,050,410	900,968

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

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

11. RESERVES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation reserve (Note11.1)	1,122,372	730,515	1,122,372	730,515
Amalgamation reserve (Note11.2)	460,151	460,151	460,151	460,151
Exchange translation reserve	385	70	-	-
Total	1,582,908	1,190,736	1,582,523	1,190,666

11.1 Revaluation reserve

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
On: Property Plant & Equipment		
As at 01 April	730,515	730,515
Revaluation of freehold land and building net of deferred tax	391,857	-
As at 31 March	1,122,372	730,515

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

12. INTEREST BEARING LIABILITIES

	GROUP / COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Non Current		
Long term loans (Note 12.1)	916,667	1,216,342
Lease liability (Note 3.7)	54,539	54,539
Total	971,206	1,270,881
Current		
Long term loans (Note 12.1)	250,000	250,000
Lease liability (Note 3.7)	13,980	47,479
Short term loans (Note 12.2)	-	1,241,398
Bank overdrafts (Note 25)	57,747	803,473
Total	321,727	2,342,350
Total	1,292,933	3,613,231

12.1 Long term loans

	GROUP / COMPANY	
	2021	2020
	Rs.'000	Rs.'000
As at 01 April	1,466,342	1,455,336
Loans obtained	-	44,664
Repayments	(299,675)	(33,658)
As at 31 March	1,166,667	1,466,342
Amount payable within 12 months	250,000	250,000
Amount payable after 12 months	916,667	1,216,342
Total	1,166,667	1,466,342

Notes to the Financial Statements

12.2 Short term loans

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
As at 01 April	1,241,398	256,340
Loans obtained	1,172,021	1,679,022
Repayments	(2,413,419)	(693,964)
As at 31 March	-	1,241,398

12.3 Details of long term loans of the Group / Company

Financial Institution	Repayment terms	Principal	Interest rate per annum	Security	Annual repayment	Balance as at 31/3/21	Balance as at 31/3/20
		Rs.'000			Rs.'000	Rs.'000	Rs.'000
Lanka Tiles PLC							
DFCC Bank	72 monthly instalment (12 month Grace period)	1,500,000	AWPLR+0.75%	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1,500 Mn	250,000	1,166,667	1,466,342
Company Total	Lanka Tiles PLC					1,166,667	1,466,342

12.4 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

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

Group

	Carrying Amount		Fair value	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	779,564	618,552	779,564	618,552
Amounts due from related parties	386,286	527,441	386,286	527,441
Cash and cash equivalents	2,329,621	76,741	2,329,621	76,741
Total	3,495,471	1,222,734	3,495,471	1,222,734
Financial Liabilities				
Trade Payables	839,893	876,325	839,893	876,325
Contract Liability	27,024	-	27,024	-
Amounts due to related parties	121,465	144,562	121,465	144,562
Loans and Borrowings- Current	321,727	2,342,350	321,727	2,342,350
Loans and Borrowings- Non Current	971,206	1,270,881	971,206	1,270,881
Total	2,281,315	4,634,118	2,281,315	4,634,118

Company

	Carrying Amount		Fair value	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	779,484	618,491	779,484	618,491
Amounts due from related parties	611,843	698,891	611,843	698,891
Cash and cash equivalents	2,316,965	64,953	2,316,965	64,953
Total	3,708,292	1,382,335	3,708,292	1,382,335
Financial Liabilities				
Trade Payables	839,893	876,325	839,893	876,325
Contract Liability	27,024	-	27,024	-
Amounts due to related parties	119,784	144,505	119,784	144,505
Loans and Borrowings- Current	321,727	2,342,350	321,727	2,342,350
Loans and Borrowings- Non Current	971,206	1,270,881	971,206	1,270,881
Total	2,279,634	4,634,061	2,279,634	4,634,061

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

Assets for which Fair Value Approximates Carrying Value

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

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

Notes to the Financial Statements

13. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April	824,689	763,292	776,804	715,407
Income/ (expense) arising during the year (Note 22.2)				
- Arising on During the Year Movement	154,097	61,243	160,937	61,243
- Due to Change in Tax Rates	(188,090)	-	(188,090)	-
Deferred tax release on components of other comprehensive income (Note 22.2)				
- Arising on During the Year Movement	67,823	154	52,432	154
- Due to Change in Tax Rates	(76,988)	-	(61,597)	-
As at 31 March	781,531	824,689	740,486	776,804

13.1 Statement of Financial Position

Deferred Tax Liability				
Capital Allowances	516,055	666,508	522,896	666,508
Revaluation surplus	232,826	239,519	184,940	191,634
Lease Liability	-	1,167	-	1,167
Provision for Undistributed Associate Profits	102,753	-	102,753	-
Deferred Tax Assets				
Retirement Benefit Liability	(37,734)	(50,844)	(37,734)	(50,844)
Lease Liability	(1,416)	-	(1,416)	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(27,018)	(27,375)	(27,018)	(27,375)
Allowances for Doubtful Debts	(3,935)	(4,286)	(3,935)	(4,286)
	781,531	824,689	740,486	776,804

13.2 Statement of Comprehensive Income

Deferred income tax reported in income statement				
Capital Allowances	(150,454)	69,985	(143,614)	69,985
Retirement Benefit Liability	15,582	(2,694)	15,582	(2,694)
Lease Liability	(2,583)	1,167	(2,583)	1,167
Provision for Obsolete and Slow Moving, Consumables and Spares	357	(4,049)	357	(4,049)
Provision for Undistributed Associate Profits	102,753	-	102,753	-
Allowances for Doubtful Debts	352	(3,166)	352	(3,166)
Deferred taxation charge/(reversal)	(33,993)	61,243	(27,153)	61,243

Deferred income tax reported in other comprehensive income

Revaluation Surplus	(6,694)	-	(6,694)	-
Retirement Benefit Liability	(2,471)	154	(2,471)	154
Income/ (expense) arising during the year (Note 22.2)	(9,165)	154	(9,165)	154

Deferred Tax has been computed using the liability method providing for temporary difference between the written down value of assets and liabilities for the financial reporting purpose and the amount used for taxation purpose at the effective tax rate of 19% (2020- 28%)

14. RETIREMENT BENEFIT LIABILITY

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
As at 01 April	181,034	172,514
Current service cost	14,214	12,862
Net interest on the net defined benefit liability (asset)	18,104	19,097
	32,318	31,959
Net Actuarial gain / loss for the year	13,005	(551)
Payments made during the Year	(27,759)	(22,888)
	(14,754)	(23,439)
As at 31 March	198,598	181,034

Group / Company

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

	2021	2020
	Rs.'000	Rs.'000
<u>Discount Rate as at 31 March</u>		
Effect on DBO due to decrease in the discount rate by 1%	210,104	189,650
Effect on DBO due to increase in the discount rate by 1%	(188,414)	(173,282)
<u>Salary Escalation Rate as at 31 March</u>		
Effect on DBO due to decrease in the salary escalation rate by 1%	(188,060)	(172,827)
Effect on DBO due to increase in the salary escalation rate by 1%	210,259	189,991

Group / Company

Distribution of present value of defined benefit obligation	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2021					
Defined Benefit Obligation	62,377	28,684	30,927	76,610	198,598

Notes to the Financial Statements

14. RETIREMENT BENEFIT LIABILITY (Contd.)

The Group and the Company 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%
Future salary increase rate (per annum) - Executives	8.60%	12.50%
- Non Executives	10.00%	10.00%
Retirement Age	55 Years	55 Years
Staff Turnover ratio	8% up to 49 years, thereafter 0%	7% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	5.76	4.90

15. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade creditors - other	678,523	807,402	678,523	807,402
- related parties [15.1]	161,370	68,923	161,370	68,923
	839,893	876,325	839,893	876,325
Sundry creditors including accrued expenses	790,155	362,027	788,180	361,652
Total	1,630,048	1,238,352	1,628,073	1,237,977

15.1 Trade creditors - related parties

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Company		
Relationship		
Swisstek Ceylon PLC	161,370	68,923
	161,370	68,923

15.2 Contract Liabilities

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
As at 1st April	-	-
Advance received	27,024	-
As at 31st March	27,024	-

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

16. AMOUNTS DUE TO RELATED PARTIES

Current		GROUP		COMPANY	
		2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company	Relationship				
Lanka Ceramic PLC	Affiliated Company	13,195	16,668	13,195	16,668
Royal Ceramics Lanka PLC	Affiliated Company	6,549	41	6,549	41
Swisstek Ceylon PLC	Associate Company	8,494	67,516	8,494	67,516
Uni Dil Packaging Limited	Affiliated Company	17,896	17,834	17,896	17,834
Swisstek Aluminium Limited	Associate Company	12,949	19,000	12,949	19,000
Vallibel One PLC	Ultimate Parent Company	60,701	23,446	60,701	23,446
LWL Development Limited	Affiliated Company	1,681	57	-	-
		121,465	144,562	119,784	144,505

Notes to the Financial Statements

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31st March	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Sale of tiles & associated items		
Export sales	370,670	108,622
Local sales	12,255,815	6,586,202
	12,626,485	6,694,824
Turnover net of tax	12,626,485	6,694,824

17.1 Contract Balances

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables (Note 08)	1,026,460	1,003,662	1,026,380	1,003,601
Contract liability (Note 15.2)	27,024	-	27,024	-
	1,053,484	1,003,662	1,053,404	1,003,601

18. OTHER INCOME / (EXPENSES)

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Disposal Gain/(Loss) on property, plant and equipment	6,845	(237)	6,845	(237)
Sundry income	29,534	28,908	27,819	27,070
Exchange gain	7,960	-	7,960	-
	44,339	28,671	42,624	26,833

19. FINANCE COST

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Interest expense on overdrafts	26,304	50,801
Interest expense on bank loans	187,096	265,892
Finance charges on lease liabilities	10,439	7,250
Exchange loss	-	10,622
	223,839	334,565

20. FINANCE INCOME

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Interest income	16,366	273
	16,366	273

21. PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in cost of sales				
Depreciation and Amortization cost	398,944	364,551	398,944	364,551
Defined benefit plan costs - gratuity	22,781	24,368	22,781	24,368
Defined contribution plan costs - EPF & ETF	30,738	29,619	30,738	29,619
Other staff cost	671,836	448,904	671,836	448,904
Inventory written off and allowances	4,696	6,004	4,696	6,004
Included in administration expenses				
Depreciation and Amortization cost	11,227	6,979	11,227	6,979
Defined benefit plan costs - gratuity	5,253	3,717	5,253	3,717
Defined contribution plan costs - EPF & ETF	10,164	9,656	10,164	9,656
Other staff cost	122,302	87,859	122,302	87,859
Audit Fee	1,063	1,012	918	874
Technical Fee	198,352	101,453	198,352	101,453
Inventory written off and allowance	39,731	8,463	39,731	8,463
Included in distribution cost				
Depreciation and Amortization cost	9,598	8,461	39,731	8,461
Defined benefit plan costs - gratuity	4,284	3,874	4,284	3,874
Defined contribution plan costs - EPF & ETF	8,305	7,309	8,305	7,309
Other staff cost	114,514	80,187	114,514	80,187
Allowance for doubtful Debts	5,400	4,000	5,400	4,000

Notes to the Financial Statements

22. INCOME TAX EXPENSES

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

Year ended 31st March	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Current income tax				
Current income tax charge	435,888	128,532	435,662	128,518
Under/(over) provision of current taxes in respect of prior years	(6,966)	3,555	(6,966)	3,555
Tax effect on Inter company Dividends	8,845	-	8,845	-
	437,767	132,087	437,541	132,073
(b) Deferred income tax				
Deferred taxation charge/(reversal)	(33,993)	61,243	(27,153)	61,243
Income tax expense reported in the Income statement	403,774	193,330	410,388	193,316

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

Year ended 31st March	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accounting profit before income tax	2,854,668	775,275	2,855,063	774,213
Non deductible expenses	569,327	189,958	569,327	189,958
Deductible expenses	(1,063,116)	(506,190)	(1,063,116)	(505,178)
Total Statutory Income	2,360,879	459,043	2,361,274	458,993
Net Taxable profit	2,360,879	459,043	2,361,274	458,993
Current income tax expense				
Taxation -14%	9,665	-	9,665	-
Taxation -18%	365,674	-	365,448	-
Taxation -24%	60,549	-	60,549	-
Taxation -28%	-	128,532	-	128,518
	435,888	128,532	435,662	128,518

Year ended 31st March	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred income tax reported in income statement				
Capital Allowances	(150,454)	69,985	(143,614)	69,985
Retirement Benefit Liability	15,582	(2,694)	15,582	(2,694)
Lease Liability	(2,583)	1,167	(2,583)	1,167
Provision for Obsolete and Slow Moving, Consumables and Spares	357	(4,049)	357	(4,049)
Provision for Undistributed Associate profits	102,753	-	102,753	-
Allowances for Doubtful Debts	352	(3,166)	352	(3,166)
Deferred taxation charge/(reversal)	(33,993)	61,243	(27,153)	61,243
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	(6,694)	-	(6,694)	-
Retirement Benefit Liability	(2,471)	154	(2,471)	154
	(9,165)	154	(9,165)	154
Effective Income Tax Rate	14.14%	24.94%	14.37%	24.97%

23. EARNINGS PER SHARE

23.1 Earnings per share - basic

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

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

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

	GROUP		COMPANY	
	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	2,450,773	581,787	2,444,675	580,897
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	265,252	265,252	265,252	265,252
Basic earning per share	9.24	2.19	9.22	2.19

*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.

Notes to the Financial Statements

24. DIVIDENDS PAID

	GROUP/ COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Declared and paid during the year		
Equity dividends on ordinary shares :		
1st Interim 2020/21 (Rs. 3.85 per share)	204,244	-
2nd Interim 2020/21 (Rs. 12.30 per share)	652,520	-
	856,764	-
Dividend Payout Ratio	35%	0%

25. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

Favourable cash & cash equivalents balance	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash & bank balances	2,329,621	76,741	2,316,965	64,953
Unfavourable cash & cash equivalent balances				
Bank overdrafts (Note 12)	(57,747)	(803,473)	(57,747)	(803,473)
Total cash and cash equivalents for the purpose of Statement of Cash Flows	2,271,874	(726,732)	2,259,218	(738,520)

26. ASSETS PLEDGED

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

Lanka Tiles PLC

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

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

27. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

27.1 Company

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April	167,699	297,721	317,764	282,326	485,463	580,047
Purchase of raw materials	(9,728)	(4,601)	(870,801)	(698,804)	(880,529)	(703,405)
Sale of raw materials & spares	14,151	16,517	9,995	9,048	24,146	25,565
Settlements/(Recoveries) by the Company	155,543	89,070	889,539	833,423	1,045,082	922,493
Rent received/(paid)	(7,538)	(14,243)	(9,391)	(11,958)	(16,929)	(26,201)
Expenses apportioned	(48,448)	(64,863)	-	-	(48,448)	(64,863)
Commission on sales	-	-	(36,584)	(57,619)	(36,584)	(57,619)
Expenses incurred and transferred	(21,528)	18,822	1,552	668	(19,976)	19,490
Credit Cards Collected On Behalf Of Subsidiary	(74,408)	(68,246)	-	-	(74,408)	(68,246)
Cash/Goods in transit	-	-	67,092	(27,934)	67,092	(27,934)
Technical Fees	(192,798)	(102,478)	(21,422)	(11,386)	(214,220)	(113,864)
Balance as at 31 March	(17,055)	167,699	347,744	317,764	330,689	485,463
Included Under						
Trade and other payable	-	-	(161,370)	(68,923)	(161,370)	(68,923)
Amount due from related parties	43,646	191,145	568,197	507,746	611,843	698,891
Amount due to related parties	(60,701)	(23,446)	(59,083)	(121,059)	(119,784)	(144,505)
Balance as at 31 March	(17,055)	167,699	347,744	317,764	330,689	485,463

27.1 RELATED PARTY DISCLOSURES (Contd.)

The above subsidiaries and affiliates include following companies;

Company

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

Terms and conditions with related parties

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

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

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

27.2 Group - Related Party Transactions

27.2.1 Lanka Tiles PLC

Name of the company	Relationship	Nature of the transaction	2021	2020
			Rs.'000	Rs.'000
(a) Sale of goods /services to				
Lanka Walltiles PLC	Parent	Raw materials	14,151	16,517
Royal Bathware Ltd	Affiliated Company	Raw materials	534	375
		Spares	-	4
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	8,875	6,590
		Spares	586	2,067
		Packaging	-	11
(b) Purchase of goods/Services from:				
Lanka Walltiles PLC	Parent	Raw materials	616	2,349
		Consumables	9,113	2,252
		Services	-	844
Lanka Ceramic PLC	Affiliated Company	Raw materials	76,406	132,875
Swisstek Aluminium Ltd	Associate Company	Trading Items	76,446	65,121
Swisstek (Ceylon) PLC	Associate Company	Trading Items	586,400	380,317
		Sales Commission	36,584	57,619
		Reimbursement of Operational Expenses	5,495	7,014
Uni-Dil Packing (Pvt) Ltd	Affiliated Company	Packing Material	122,235	115,144
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	130	777
		Spares	107	114
		Consumables	7,695	3,093
		Technical fees	19,834	10,162
Vallibel One PLC	Ultimate Parent	Technical fees	178,509	91,454
Delmage Freight Services (Private) Limited	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
(c) Receipts of funds from:				
Lanka Walltiles PLC	Parent	Expense reimbursement settlement	95,768	101,363
		Raw Material Sale-Settlement	4,119	2,458
(d) Transfer of funds to:				
Lanka Walltiles PLC	Parent	Expense Reimbursement - settlement	144,504	114,064
		Service fee Settlement	-	844
		Raw Material Sale-Settlement	9,343	2,569
Swisstek (Ceylon) PLC	Associate Company	Settlement of Trading Item purchase	493,954	404,561
LWL Development Ltd	Affiliated Company	Fund Transfer	3,483	26,000
LTL Development Limited	Subsidiary Company	Fund Transfer	55,110	84

Notes to the Financial Statements

27. RELATED PARTY DISCLOSURES (Contd.)

27.2.1 Lanka Tiles PLC

				2021	2020
				Rs.'000	Rs.'000
(e) Expenses incurred and transferred to/(from)					
Lanka Walltiles PLC	Parent	- Administration expenses	84,988	25,946	
		- Distribution expenses	129,596	121,152	
Swisstek (Ceylon) PLC	Associate Company	- Administration expenses	8,229	6,312	
Swisstek Alumimium Ltd	Associate Company	- Administration expenses	1,705	4,293	
Beyond Paradise Collection Limited	Subsidiary Company	- Administration expenses	196	211	
LTL Development Limited	Subsidiary Company	- Administration expenses	-	2	
LWL Development Limited	Affiliated Company	- Administration expenses	1,129	1,291	

27.3 Transactions with key management personnel of the company

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

Key management personnel compensation

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
Short Term Employment Benefits	54,028	48,042
Post Employment Benefits	27,698	25,280
	81,726	73,322

28. COMMITMENTS AND CONTINGENCIES

28.1 Capital commitments

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

Lease commitments

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.

28.2 Contingencies

There were no material contingent liabilities outstanding at the end of the reporting period

29. 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 26th May 2021, the Board of Directors has declared a dividend of Rs. 583,554,510/- and will be paid on 28th June 2021, for the year ended 31st March 2021.

Other than the above there have been no material events occurring after the reporting date that require adjustment or disclosure in the financial statements.

30. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

- (i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- (ii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Foreign currency exchange risk

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

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

Foreign exchange risk arises mainly as a result of foreign exchange gains/losses on translation of US dollar - denominated 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 profit before tax		
	Change in	Group	Company
		Rs.'000	Rs.'000
2021	5.0%	8,707	8,707
2020	5.0%	19,420	19,420

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 sensitivity

	Change in	Change in profit before tax	
		Group	Company
		Rs.'000	Rs.'000
2021	0.05	6,465	6,465
2020	0.05	18,136	18,136

Cash flow and fair value interest rate risk

Credit risk

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

The group places its cash and cash equivalents with a number of creditworthy financial institutions. The group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the group is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. (Please refer Note 8.1 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 analysing cash flow management in order to preserving and increasing liquidity, particularly on account of the impact of COVID-19.

Notes to the Financial Statements

30. 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)					
Interest Bearing Loans and Borrowings	124,351	208,218	286,287	840,749	-
Lease Liability on Right of Use Assets	3,128	11,927	20,662	49,084	-
Trade and other payables	1,657,072	-	-	-	-
Amounts due to related parties	121,465	-	-	-	-

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)					
Interest Bearing Loans and Borrowings	2,131,429	280,944	346,299	1,250,866	-
Lease Liability on Right of Use Assets	12,827	38,900	15,999	78,166	-
Trade and other payables	1,238,352	-	-	-	-
Amounts due to related parties	144,562	-	-	-	-

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)					
Interest Bearing Loans and Borrowings	124,351	208,218	286,287	840,749	-
Lease Liability on Right of Use Assets	3,128	11,927	20,662	49,084	-
Trade and other payables	1,655,097	-	-	-	-
Amounts due to related parties	119,784	-	-	-	-

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)					
Interest Bearing Loans and Borrowings	2,131,429	280,944	346,299	1,250,866	-
Lease Liability on Right of Use Assets	12,827	38,900	15,999	78,166	-
Trade and other payables	1,237,977	-	-	-	-
Amounts due to related parties	144,505	-	-	-	-

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	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Borrowings	1,292,933	3,613,231	1,292,933	3,613,231
Total equity	9,933,274	7,878,543	9,745,779	7,697,886
Gearing ratio; Debt to Equity	13%	46%	13%	47%

Designed for Stability

Supplementary Information

"Our unique portfolio is designed to serve the evolving needs of our stakeholders, while maintaining remarkable stability within a competitive market."



Five Year Summary Statement of Comprehensive Income

GROUP

Year ended 31st March	2017	2018	2019	2020	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	5,176,372	6,126,307	7,008,992	6,694,824	12,626,485
Operating profit	1,300,253	1,098,833	751,879	1,026,965	2,775,596
Finance income/(costs)	118,971	88,576	(14,161)	(334,292)	(207,473)
Share of results of associate-Net of Tax	185,284	165,383	7,888	82,602	286,545
Profit before income tax	1,604,508	1,352,792	745,606	775,275	2,854,668
Income tax expense	(359,170)	(348,795)	(217,594)	(193,330)	(403,774)
Profit for the year	1,245,338	1,003,997	528,012	581,945	2,450,894
Profit attributable to the equity holders of the Company	1,245,338	1,004,494	527,968	581,787	2,450,774
Dividends	(397,878)	(530,504)	(167,109)	-	(856,764)
Retained profit for the year	847,460	473,990	360,859	581,787	1,594,010
Adjusted earnings per share - basic (Rs.)	4.69	3.79	1.99	2.19	9.24

COMPANY

Year ended 31st March	2017	2018	2019	2020	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	5,176,372	6,126,307	7,008,992	6,694,824	12,626,485
Operating profit	1,247,570	1,098,784	579,812	1,025,903	2,775,990
Finance income/(costs)	118,971	88,576	(14,161)	(334,292)	(207,473)
Share of results of associate-Net of Tax	185,284	165,383	7,888	82,602	286,545
Profit before income tax	1,551,825	1,352,743	573,540	774,213	2,855,062
Income tax expense	(359,002)	(348,721)	(169,925)	(193,316)	(410,388)
Profit for the year	1,192,823	1,004,022	403,615	580,897	2,444,675
Profit attributable to the equity holders of the Company	1,192,823	1,004,022	403,615	580,897	2,444,675
Dividends	(397,878)	(530,504)	(167,109)	-	(856,764)
Retained profit for the year	794,945	473,518	236,506	580,897	1,587,911
Adjusted earnings per share - basic (Rs.)	4.50	3.79	1.52	2.19	9.22

Five Year Summary Statement of Financial Position

As at 31st March	2017	2018	2019	2020	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	3,608,790	3,855,576	5,743,130	5,974,804	6,373,888
Right of Use Assets	-	-	-	106,187	63,878
Intangible Assets	-	-	-	12,594	11,295
Investment in subsidiary	-	6,242	6,242	6,242	6,242
Investments in associates	881,052	933,633	923,924	1,005,793	1,283,017
Loan given to related companies	20,422	10,898	-	-	-
	4,510,264	4,806,349	6,673,296	7,105,620	7,738,320
Current assets					
Inventories	1,434,412	1,945,726	3,019,769	4,780,594	2,322,116
Trade and other receivables	1,187,787	1,514,996	1,801,542	1,702,492	1,638,223
Income tax assets	-	-	51,570	-	-
Cash and cash equivalents	1,227,119	433,975	132,717	64,953	2,316,965
	3,849,318	3,894,697	5,005,598	6,548,039	6,277,304
Total assets	8,359,582	8,701,046	11,678,894	13,653,659	14,015,624
EQUITY					
Capital and reserves					
Stated capital	900,968	900,968	900,968	900,968	900,968
Retained earnings	4,394,551	4,778,698	5,025,691	5,606,252	7,262,288
Revaluation reserve	838,856	730,515	730,515	730,515	1,122,372
Amalgamation reserve	460,151	460,151	460,151	460,151	460,151
	6,594,526	6,870,332	7,117,325	7,697,886	9,745,779
LIABILITIES					
Non-current liabilities					
Lease Liabilities	-	-	-	54,539	54,539
Borrowings	56,224	7,374	1,351,169	1,216,342	916,667
Deferred income tax liabilities	443,787	634,246	715,407	776,804	740,486
Defined benefit obligations	124,394	166,370	172,514	181,034	198,598
	624,405	807,990	2,239,090	2,228,719	1,910,290
Current liabilities					
Lease Liabilities	-	-	-	47,479	13,980
Trade and other payables	583,540	781,972	1,571,590	1,382,482	1,774,881
Current income tax liabilities	68,558	46,724	-	2,222	262,947
Borrowings	488,553	194,028	750,889	2,294,871	307,747
	1,140,651	1,022,724	2,322,479	3,727,054	2,359,555
Total liabilities	1,765,056	1,830,714	4,561,569	5,955,773	4,269,845
Total equity and liabilities	8,359,582	8,701,046	11,678,894	13,653,659	14,015,624

Shareholder Information

Year ended 31st March		2017	2018	2019	2020	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Authorised share capital	(Rs.Mn)	500.0	500.0	500.0	500.0	500.0
Stated capital	(Rs.Mn)	900.0	900.0	900.0	900.0	900.0
Shares in issue (as at end of year)	(Mn)	53.05	53.05	53.05	53.05	265.25
Shareholders						
- Institutions	(Number)	143	140	137	172	244
- Individuals	(Number)	1,644	1,595	1,625	2,084	3,083
Total		1,787	1,735	1,762	2,256	3,327
Shares held by						
- Institutions	(%)	92.13	93.15	93.26	90.10	87.40
- Individuals	(%)	7.87	6.86	6.74	9.89	12.60
Total		100.0	100.0	100.0	100.0	100.0

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2021

Size of shareholdings			Shareholders Number	Shares Number	Holdings %
1	-	1,000	1,597	498,475	0.19
1,001	-	10,000	1,177	4,748,935	1.79
10,001	-	100,000	463	14,517,510	5.47
100,001	-	1,000,000	79	21,873,690	8.25
Over	-	1,000,000	11	223,613,440	84.30
			3,327	265,252,050	100.00

CATEGORIES OF SHAREHOLDERS

Size of shareholdings	No of Holders	No of Shares	%
Local Individuals	3,031	31,262,360	11.79%
Local Institutions	237	231,547,860	87.29%
Foreign Individuals	52	2,155,835	0.81%
Foreign Institutions	7	285,995	0.11%
	3,327	265,252,050	100%

PUBLIC HOLDING

The Percentage of shares held by the Public as at 31st March 2021	28.104%
No of public shareholders representing the above percentage	3,321

The float adjusted market capitalization as at 31st March 2021 is Rs. 2,769,365,882.25*

**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. 185.75, 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. 185.75 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.

20 Major Shareholders

Name	No of Shares		No of Shares	
	31.03.2021		31.03.2020	
1 Lanka Walltiles PLC	180,945,975	68.217	36,189,195	68.217
2 Employees Provident Fund	24,841,565	9.365	4,968,313	9.365
3 Royal Ceramics Lanka PLC	6,942,405	2.617	1,388,481	2.617
4 Mr. A A Page	2,169,695	0.818	433,939	0.818
5 Mr. K R Kamon	1,774,975	0.669	537,628	1.013
6 Hatton National Bank PLC / Astrue Alpha Fund	1,344,075	0.507	-	-
7 Mr. M N Deen	1,330,675	0.502	-	-
8 Mr. M Z Mohamed Ghouse	1,160,000	0.437	-	-
9 Hatton National Bank PLC / Mr. Gerard Shamil Niranjan Peris	1,083,300	0.408	-	-
10 Mrs. Saraswathi & Mr. S Vasudevan	1,015,000	0.383	57,500	0.108
11 Deutsche Bank Ag-National Equity Fund	1,005,775	0.379	417,707	0.787
12 National Equity Fund / Hennasy Geeth Balasuriya	875,000	0.330	-	-
13 Hatton National Bank PLC / Rizmy Ahamed Rishard	815,980	0.308	-	-
14 Mr. S A Cooray	697,500	0.263	-	-
15 Commercial Bank of Ceylon PLC / Metrocorp (Pvt) Ltd	677,010	0.255	238,894	0.450
16 Capital Trust Holdings Ltd	663,795	0.250	-	-
17 People's Leasing & Finance PLC / Mr. T S Gabbalage	661,670	0.249	-	-
18 Aruna Enterprises (Pvt) Ltd	642,500	0.242	128,500	0.242
19 DFCC Bank PLC / Mr W G D C Ranaweera	641,985	0.242	-	-
20 Mr. A M Weerasinghe	633,050	0.239	135,863	0.256
Sub Total	229,921,930	86.681	44,496,020	83.875
Other 3,307 shareholders	35,330,120	13.319	8,554,390	16.125
Issued Capital	265,252,050	100.00	53,050,410	100.00

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

Name of Director	No of Shares	%
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	633,050	0.239
Mr. J A P M Jayasekara	-	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	0.005
Mr. J A N R Adhihetty	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera (Appointed w.e.f 09th October 2020)	-	-
Mr. J R Gunaratne (Appointed w.e.f 15th March 2021)	-	-
Mr. G A R D Prasanna (Alternative Director to Mr. Dhammika Perera)	-	-

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

SHARE PRICE FOR THE YEAR

Market price per share	As at 31/03/2021	As at 31/03/2020
Highest during the year	Rs. 342.00 (27-01-2021)	Rs. 93.90 (24-07-2019)
Lowest during the year	Rs. 50.00 (12-05-2020)	Rs. 50.00 (20-03-2020)
As at end of the year	Rs. 37.15* (26-03-2021)	Rs. 50.10

*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	24,818
Number of Shares traded during the year	20,517,090
Value of shares traded during the year	Rs. 3,503,733,211.45

Statement of Value Added

Year ended 31st March	2017		2018		2019		2020		2021	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Sales	5,805,556		6,126,307		7,008,992		6,694,824		12,626,485	
Other income	26,154		19,447		25,328		26,833		42,624	
Less:										
Cost of materials & services bought in	(2,899,677)		(3,096,393)		(4,447,365)		(3,761,960)		(7,540,481)	
Value added	2,932,033		3,049,361		2,586,955		2,959,697		5,128,628	
Distribution of Value Added										
Employees as remuneration & welfare	571,757	19.50	630,588	20.68	588,870	22.76	719,188	24.30	1,017,259	19.83
Government as taxes	1,140,843	38.91	1,320,290	43.30	1,214,934	46.96	985,604	33.30	774,179	15.10
Lenders of capital as interest	30,789	1.05	23,492	0.77	40,740	1.57	316,693	10.70	223,839	4.36
Shareholders as dividends	397,878	13.57	530,504	17.40	167,109	6.46	-	-	856,764	16.71
Retained in the business as										
- Depreciation/deferred tax	181,106	6.18	236,352	7.75	346,685	13.40	440,154	14.87	393,526	7.67
- Profits	609,660	20.79	308,135	10.10	228,617	8.84	498,058	16.83	1,863,060	36.33
Total	2,932,033	100.0	3,049,361	100.0	2,586,955	100.0	2,959,697	100	5,128,628	100

Corporate Information

NAME OF THE COMPANY

Lanka Tiles PLC

LEGAL FORM

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

DIRECTORS

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

SECRETARIES

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

REGISTERED OFFICE

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

FACTORY

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

BANKERS

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

AUDITORS

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Thirty Seventh (37th) Annual General Meeting of Lanka Tiles PLC will be held by way of electronic means on the 30th day of June 2021 at 9.30 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. 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
3. To re-elect Ms. A M L Page, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. J A N R Adhihetty, 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 Article 110 of the Articles of Associations, as a Director of the Company.
6. To elect Mr. J R Gunaratne who retires in terms of Article 110 of the Articles of Associations, as a Director of the Company.
7. To appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine Donations for the ensuing year.

By Order of the Board
LANKA TILES PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
31st May 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/We.....of.....being a *Shareholder /Shareholders of Lanka Tiles PLC, do hereby appointofor failing him/her

Mr. Dhammika Perera	of Colombo or failing him *
Mr. Amarakone Mudiyanseelage Weerasinghe	of Colombo or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	of Colombo or failing him*
Dr. Sivakumar Selliah	of Colombo or failing him*
Mr. Tharana Gangul Thoradeniya	of Colombo or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him*
Ms. Anjalie Maryanne Letitia Page	of Colombo or failing her*
Mr. John Amrith Nishan Ratnatunga Adhihetty	of Colombo or failing him*
Mr. Sameera Madushanka Liyanage	of Colombo or failing him*
Mr. Sanjeeewa Renuka Jayaweera	of Colombo or failing him*
Mr. Jithendra Romesh Gunaratne	of Colombo or failing him*

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th June 2021 at 9.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To re-elect Mr. T G Thoradeniya, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. A M L Page, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. J A R N Adhihetty, 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 elect Mr. J R Gunaratne, who retires in terms of Article 110 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To 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"/>
7) 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

- 1) *Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to tile.pwcs@gmail.com 48 hours before the time fixed for the meeting.

Designed & produced by

emagewise

LANKA TILES PLC

215, Nawala Road,
Narahenpita,
Colombo 05,
Sri Lanka.