

# echoes

## of Sri Lanka



LANKA TILES PLC  
Integrated Annual Report 2023/24







# echoes of Sri Lanka

As the sands of time wash across the shores, the rivers, the mountains and the forests of Sri Lanka, Lanka Tiles PLC stands with our paradise island's natural and infinite wonders. With the beauty of Sri Lanka at the forefront of our new brand, Lanka Tiles PLC has taken our country's various sources of inspiration to the world.

In the year under review, we have risen in quality and in quantity – Lanka Tiles PLC has dominated the local market and has made its mark in overseas markets. Our dedication towards the growth of the quality of our products, the development of business and sales, the continued enrichment of the lives of our staff and partners, the strategic thinking that fosters evolution has been recognised both within and by external stakeholders.

With our priorities set on delivering high quality products, fostering innovation, generating pioneering and collaborative ideas, and on expanding our reach globally, the Company looks towards the future, where our products, a reflection of the greatness of Sri Lanka, are on display in every corner of the world.



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# ABOUT US

Lanka Tiles commenced as a private entity in 1984 registering the Company as a Private Limited Company in the business of manufacture and sale of glazed ceramic floor tiles. In 1986, Lanka Tiles PLC went onto to become a listed Company in the Colombo Stock Exchange expanding our horizon in the tile industry. Today, we are the largest tile manufacturer and leader in the domestic tile sector catering to both a local and international clientele through a wide range of designs, textures and products.



## Vision

*Creating a fine art of living*



## Mission

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



## Values

*Quality, Trust, Sense of heritage,  
Longstanding relationships*

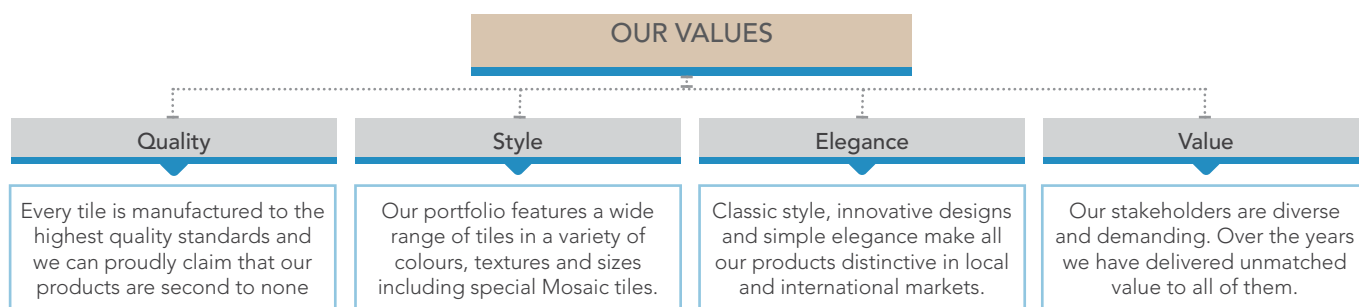


Fine Living Redefined

Registered Name: Lanka Tiles PLC

Company Registration No: PQ 129

Website: [www.lankatiles.com](http://www.lankatiles.com)



## International Standards



ISO 9001: 2015 for Quality Management Systems



ISO 27001: 2013 for Information Security Management Systems



SLS ISO 14001:2015 for Environmental Management Systems



CE Mark Certificate for Quality Export Products



## Our Policies



### 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



### Safety Policy

Lanka Tiles PLC is committed to providing a safe work environment, devoid of health hazards and following accident - free operating practices while complying with safety regulations. The Occupational Health and Safety Management System is documented and communicated to the employees.



The 7th Annual Integrated Report of Lanka Tiles PLC provides a comprehensive overview of the Company’s performance and value creation for the financial year ended 31st March 2024. Over the years, Lanka Tiles PLC has remained an industry leader through our continuous efforts to provide best quality product to the end consumer. We have consistently invested in ensuring our products are manufactured using the best materials, cutting-edge technology, and innovative ideas.

# About this Report

## REPORTING BOUNDARY

The financial and non-financial information of this report encloses the operations of Lanka Tiles PLC and its subsidiaries Beyond Paradise Collections Limited, LTL Development Limited, and Lanka Swisstek Private Limited - India.

Reporting Cycle: Annual

Reporting period: 1st April 2023 to 31st March 2024

The most recent report was issued on: 1st April 2022 to 31st March 2023

The information related to the previous period has not been reinstated during this period unless otherwise stated. There were no significant changes in the organization type, structure or ownership during the reporting period. In addition, no noteworthy changes were observed in the Company’s supply chain.



# R

## REPORTING FRAMEWORKS

The below-mentioned regulatory and voluntary frameworks were adopted in preparing this report.

### REGULATORY

- 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

### VOLUNTARY

- 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 in December 2017
- Communicating Sustainability issued by the Colombo Stock Exchange
- Sustainability Standards issued by the Global Reporting Initiative
- Sustainability Development Goals



### STRATEGIC FOCUS AND FUTURE ORIENTATION

The report shares the Company's strategies, its impact on value creation capabilities, application and on capitals. The capitals identified in this report are:

- Financial capital
- Manufactured capital
- Human capital
- Social and relationship capital
- Intellectual capital
- Natural capital

### STAKEHOLDER RELATIONSHIPS

The report shares the relationships maintained with its multiple stakeholders and the value creation for each stakeholder category. Refer page 30.

### MATERIALITY

The report identifies matters that have impacted the Company's value creation model and the solutions provided in mitigating these concerns. Refer page 28.

### CONCISENESS

All the necessary and vital information is delivered concisely.

### RELIABILITY AND COMPLETENESS

An assurance on the financial statements has been provided by the external auditors, Messrs. Ernst & Young.

### CONSISTENCY AND COMPARABILITY

The financial and non-financial information for the year under review and the comparable periods have been provided in the report.

### BOARD ACKNOWLEDGEMENT

The Annual Report of Lanka Tiles PLC for the year ended 31st March 2024 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 Company, addressing all material issues that may have an impact on the Company'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 2024 is presented in accordance with the <IR> Framework 2024. The report was unanimously approved by the Board on 30 May 2024 and is signed on behalf by:

Chairman  
A M Weerasinghe

Audit Committee Chairman  
J D N Kekulawala

Managing Director  
J A P M Jayasekera

### FOR ANY INQUIRIES, PLEASE CONTACT,

Ms. S U Amarasinghe  
General Manager (Finance)  
Email: sajeewani@lankatiles.com  
Telephone: 011 4526700

# Our Product Portfolio

## Majestica

Finest finished and largest sized porcelain tile collection



## Mosaics

Mosaic modern and competitive tile collection



## Essential +

Fine art tile collection



## Xilosophy

The wood tile collection



## Hearts of Earth

The crystal tile collection



## Senses

Sense nature tile collection

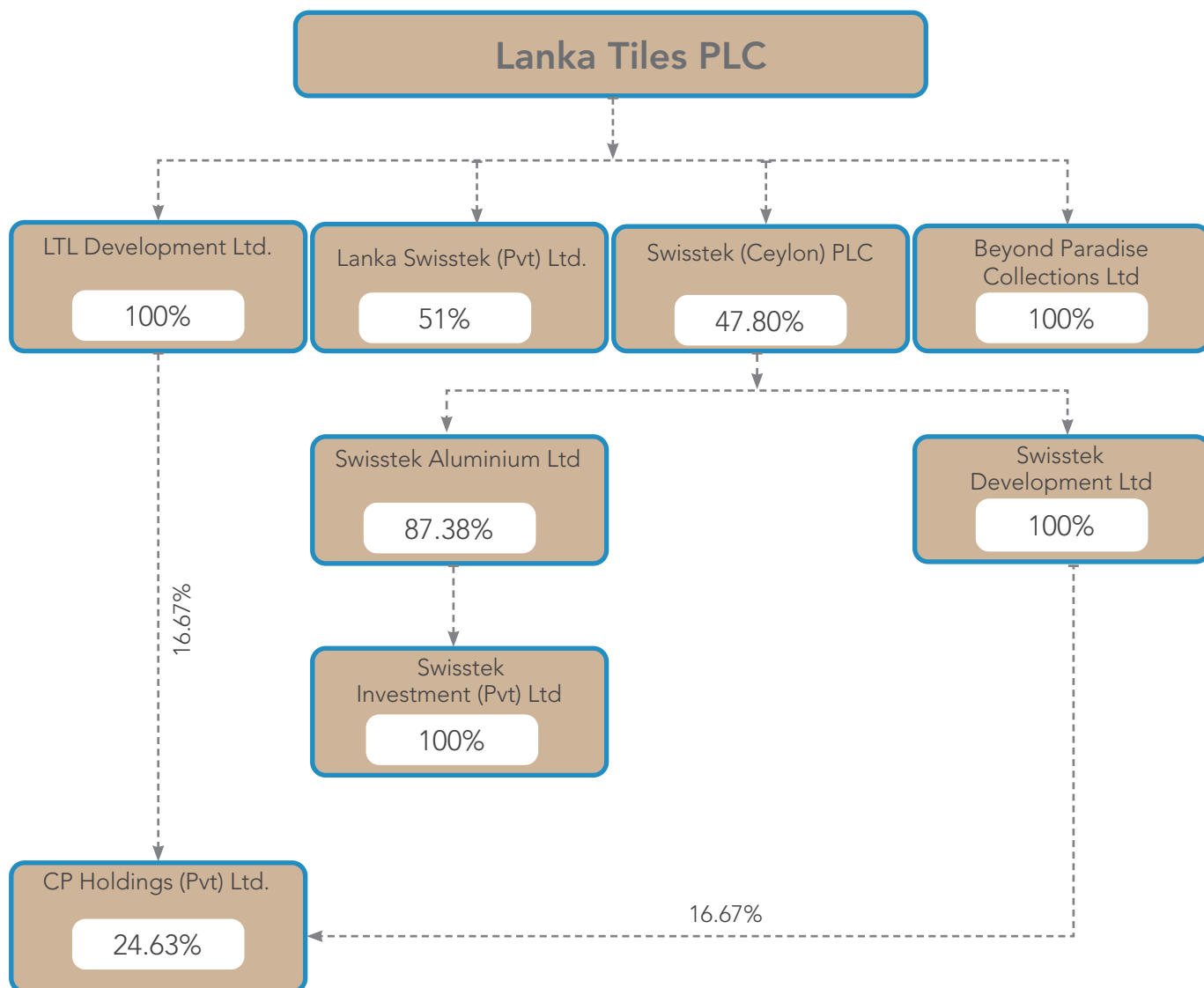


## Concrete

Solid concrete tile collection

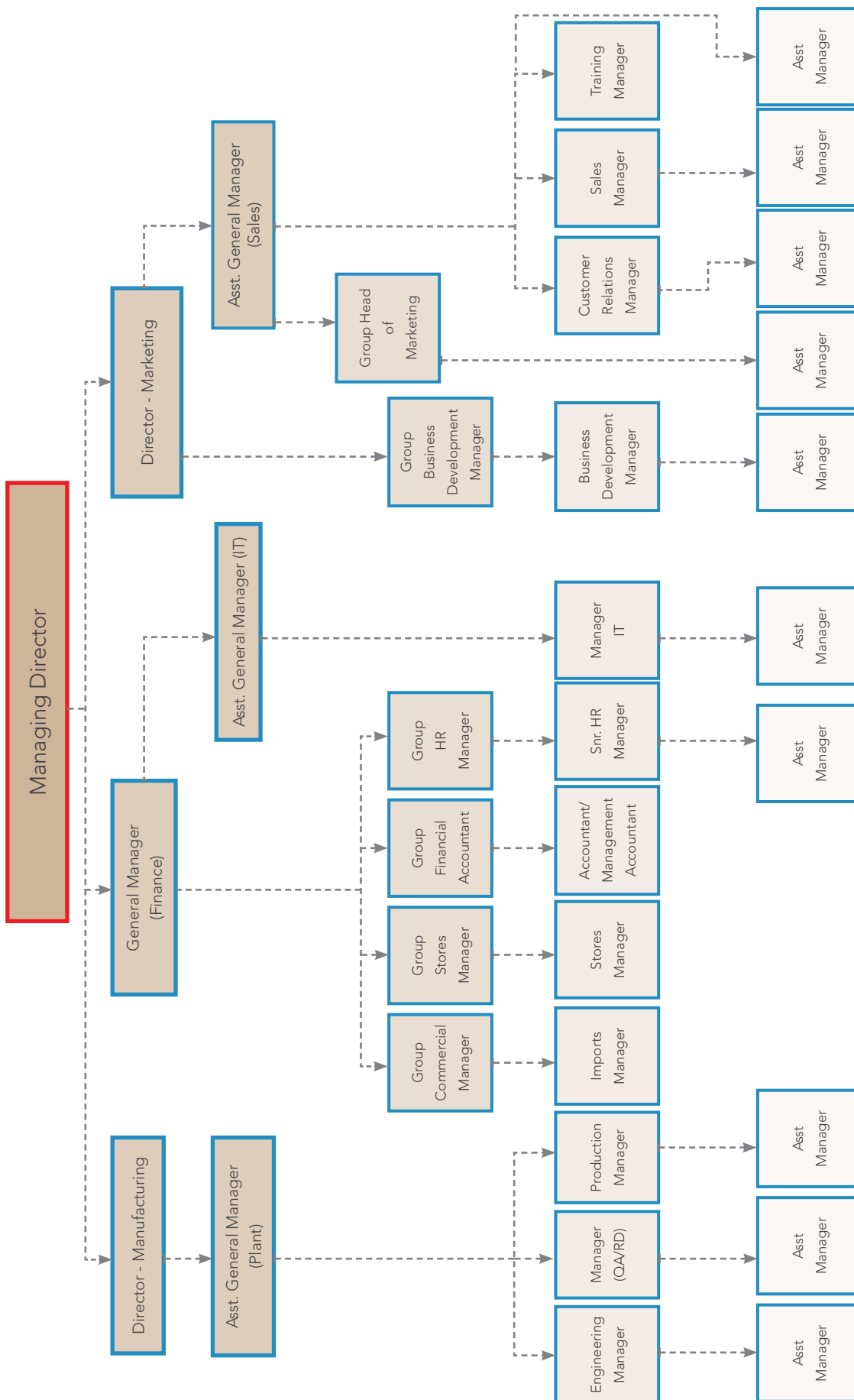


# Our Group Structure





## Organization Structure (Executive Grade)



# Our Presence

Expanding our distribution network further, we have reached a wider customer base. Lanka Tiles PLC, primarily serves the local market, 3% of its production to several international destinations.



# Milestones And Key Events

2024

## Lanka Tiles PLC completed 40 years on 30th March 2024

On 30th March 2024, Lanka Tiles PLC completed 40 years of tile manufacturing excellence in Sri Lanka. Since our inception in 1984, we have become a global brand reflective of Sri Lanka's vibrant beauty in the form of high quality, aesthetic and innovative products.

- Lankatiles Ranks No. 01 In The Manufacturing Industry In LMD's Most Respected Entities In Sri Lanka 2023
- Lankatiles Rises To 39th Place In Brand Finance's Most Valuable Consumer Brands 2023 Ranking
- Lankatiles Ranked No.01 In The Most Loved Brands 2023 Rankings Under The Home Finishing (Tiles) Category
- The Smart Classroom Initiative From LANKATILES

## An identity revamp was conducted last financial year.

A comprehensive identity revamp was instituted for Lanka Tiles last year. The change included a new brand logo, new branding of our showrooms, factory outlets and distributor/dealer outlets, as well as a newly developed brand personality, focusing on youthfulness, contemporariness and cheerfulness.

## Opened a new showroom in Kiridiwela

The showroom showcases a wide array of tiles, including large format tiles from the MAJESTICA and the new aesthetic wave of MOSAICS collection, along with sanitary ware, faucets, accessories and many other products.

2023

## Recognized at the Architect Exhibition 2023

Lanka Tiles was adjudged the "Overall Best Trade Stall" and "Most Innovative and Informative Trade Stall" at the "Architect 2023" Exhibition, organised by the Sri Lanka Institute of Architects, held at BMICH from the 23rd to the 26th of February.

2022

## Opened a new showroom in Dambulla

The showroom showcases a wide array of tiles including large format tiles from the MAJESTICA and the newest aesthetic wave of the MOSAICS collection along with sanitary ware, faucets, accessories and many other products.

## Opened a new showroom in Trincomalee

The showroom displays a wide range of products such as large format tiles from MAJESTICA, COLOMA sanitary ware, faucets and accessories, MOSAICS tiles and many other complementary products.

## Opened a new showroom in Dickwella

The showroom displays a wide range of products such as large format tiles from MAJESTICA, COLOMA sanitary ware, faucets and accessories, MOSAICS tiles and many other complementary products



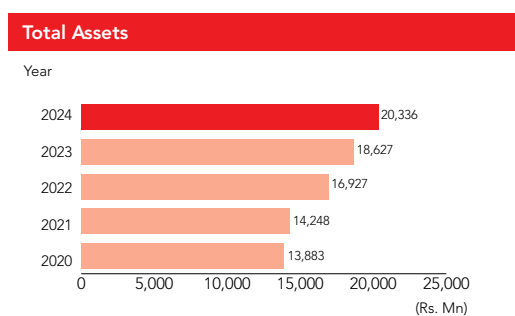
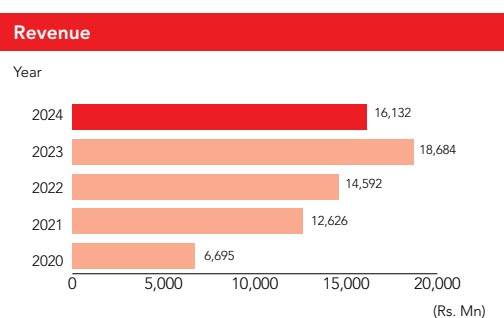


# Financial Highlights

FINANCIAL PERFORMANCE	Unit	2024	2023	%
Revenue	Rs. '000	16,131,536	18,684,042	(14)
Gross profits	Rs. '000	7,462,133	8,427,646	(11)
Earnings before Interest and Tax (EBIT)	Rs. '000	4,279,009	5,549,527	(23)
Profit before tax	Rs. '000	4,108,733	5,284,885	(22)
Profit after tax	Rs. '000	2,906,870	3,687,802	(21)
Profits attributable to shareholders	Rs. '000	2,912,276	3,687,589	(21)
Gross profit margin	%	46	45	3
Net profit margin	%	18	20	(9)
Return on assets (ROA)	%	14	20	(30)
Return on equity (ROE)	%	19	29	(34)
Interest cover	No. of times	25	21	20

FINANCIAL POSITION	Unit	2024	2023	%
Assets	Rs. '000	20,335,680	18,626,599	9
Capital expenditure on PPE	Rs. '000	1,030,470	1,070,835	(20)
Debt	Rs. '000	1,153,255	1,750,288	(34)
Other liabilities	Rs. '000	4,191,201	3,944,128	6
Shareholders' equity	Rs. '000	14,935,262	12,922,261	16
Gearing	%	8	14	(43)
Net assets per share	Rs./share	56	49	16
Current ratio	No. of times	3.0	2.6	13
Quick assets ratio	No. of times	0.8	1.3	(39)

SHAREHOLDER INFORMATION	Unit	2024	2023	%
No. of shares in issue	No.	265,252,050	265,252,050	-
Dividend per share	Rs./share	6.1	8.4	(27)
Earnings per share	Rs./share	11	14	(21)
Market capitalisation	Rs. Mn	3,871	3,240	19
Dividend payout ratio	%	56	60	(8)



# Non Financial Highlights

MANUFACTURED CAPITAL	Unit	2024	2023	%
No. of suppliers	No.	629	632	(0.5)
Payment to suppliers	Rs. Mn	16,316	15,710	4
Value of PPE	Rs. Mn	8,413	7,002	20
Capital expenditure	Rs. Mn	1,030	1,071	33
Depreciation and amortization	Rs. Mn	526	457	15

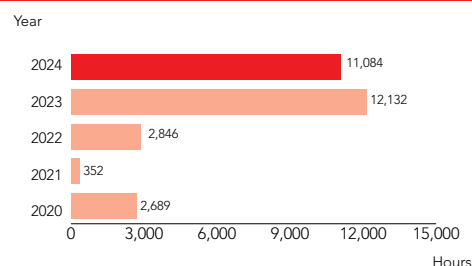
HUMAN CAPITAL	Unit	2024	2023	%
No. of employees	No.	843	744	13
Female participation	No.	156	108	44
New recruits	No.	135	164	(18)
Minor injury rate	%	0.24	0.67	(65)
Investment in training	Rs. Mn	10.79	10.88	(1)
Training hours	Hrs	11,084	12,132	(9)

INTELLECTUAL CAPITAL	Unit	2024	2023	%
Brand value (by Brand Finance Sri Lanka)	Rs. Mn	2,084	2,084	-
No. of new designs	No.	122	46	165
Quality certifications	No.	6	6	-
Investment in R&D	Rs. Mn	10.06	13.14	(23)

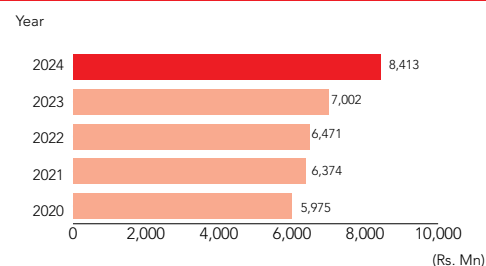
SOCIAL AND RELATIONSHIP CAPITAL	Unit	2024	2023	%
Own showroom	No.	2	2	-
Factory outlets	No.	19	20	(5)
Franchise network	No.	53	52	2
Dealer network	No.	53	47	13
Exports	Rs. Mn	497	525	(5)
Members of Tilers Clubs	No.	4,073	4,073	-
CSR	Rs. Mn	2.45	3.1	(21)

NATURAL CAPITAL	Unit	2024	2023	%
Raw materials consumed	MT	108,667	94,745	15
Electricity consumption	Kwh	23,295,070	21,985,884	6
LPG consumed	Kg/Mn	11	11	(2)
Water usage	Litres Mn	197	194	2
Water recycled	Litres Mn	17	17	(1)
Waste disposed	MT	13,282	14,221	(7)

## Training Hours



## Value of PPE



# Echoes of Perception



**Executive Reviews**



# Chairman's Message



"The brand name LANKATILES has a strong reputation, which is a significant asset for us. Our products continued to maintain superior quality standards."

A M WEERASINGHE  
CHAIRMAN

# D

## ear Shareholder,

I am pleased to share that your Company Lanka Tiles PLC has once again performed commendably despite macroeconomic and market challenges. The FY 2023/24 saw the government lift the ban on tile imports which significantly impacted our revenue and profitability during this period, which also resulted in greater market competition. The Company also continued to bear a heavy tax burden imposed by the state which impacted our bottom line. In the face of challenges, the Company steered strategically demonstrating resilience, upholding our reputation for delivering high-quality and affordable products, thereby maintaining our strong presence in the domestic market. Moreover, we leveraged this challenge to expand our potential reach in the export market successfully.

### Building through challenges

During the previous financial year, Lanka Tiles PLC faced a major challenge due to the uncontrolled influx of competitively priced tiles from India and China, resulting in a decline in its domestic market share. However, the Group strategically controlled this situation to pivot towards expanding export revenues in the United States market. Despite initial obstacles such as staffing issues and sample provision, efforts to address these challenges are yielding positive results. The alignment of production with market demands, particularly catering to the USA market, has been a significant development.

Additionally, in the domestic market landscape, Lanka Tiles PLC embarked on an expansion strategy, marked by the establishment of 01 franchise showrooms and a concerted focus on bolstering its marketing presence.

### Strengths

During the last financial year, Lanka Tiles PLC strategically leveraged its strengths to maintain a competitive edge in the market. With an extensive product range readily available, LANKATILES prioritized convenience by bringing our products directly to the customer's doorstep. This not only enhanced accessibility but also ensured a seamless shopping experience for our clientele. Moreover, our commitment to continuous design supply throughout the financial year 2023/24 set

us apart, providing assurance to customers that their preferred choices will remain available over time.

### Governance & Sustainability

The brand name LANKATILES has a strong reputation, which is a significant asset for us. Our products continued to maintain superior quality standards. The steps taken by the Group during the year under review to enhance cost-effectiveness by implementing initiatives such as Total Productive Maintenance (TPM) was successful in reducing manufacturing costs while upholding high-quality standards, thereby further strengthening our competitive position in the market.

### Sustainability

During the year under review, our sustainability initiatives played a pivotal role in fortifying our raw material supply chain. By maximizing the utilization of limited resources and implementing TPM initiatives, the Group strived towards achieving zero waste and zero defects, albeit with ongoing efforts to attain perfection in these areas. Significant investments have been directed towards environmental rehabilitation, particularly in mitigating the impact of resource extraction activities such as ball clay mining.

Recognizing the inherent conflict between industrial operations and environmental preservation, our Group has prioritized minimizing our ecological footprint and mitigating adverse impacts on both human and wildlife habitats. Additionally, efforts have been made to diversify raw material sourcing to mitigate localized impacts. While the nature of our industry poses challenges in fully transitioning to renewable energy sources for production processes.

### Vision for future

In previous years, Lanka Tiles PLC prioritized substantial investments in technology and automation, a strategy that has propelled our operations forward. As the Group charts our vision for the future, we remain steadfast in our commitment to further technological advancements. LANKATILES' shareholders can anticipate its commitment to positioning the Company to meet and overcome future challenges, building on its track record of resilience and success.

### Acknowledgement

I extend my heartfelt gratitude to our Managing Director and the esteemed members of the Board of Directors for their invaluable guidance and support, which has been instrumental in ensuring our commendable performance amidst challenging circumstances.

I offer sincere appreciation to our Senior Management and dedicated staff, for their commitment and steadfast support throughout the year. Moreover, I extend warm thanks to our business partners for their steadfast collaboration and I express deep appreciation to our shareholders for their invaluable contributions and confidence in Lanka Tiles PLC's ability to overcome challenges.

I am grateful to the valuable customers of LANKATILES for their continued patronage. We eagerly anticipate the opportunity to further strengthen our partnerships and continue delivering excellence in the coming year



A M Weerasinghe  
Chairman

30 May 2024

# Managing Director's Message



“We have made notable advancements, particularly in expanding our footprint in the USA market. Currently, Lanka Tiles PLC is actively engaging with suppliers who control approximately 70% of the USA tile market which is a significant milestone for the Company.”

J A P M JAYASEKERA  
MANAGING DIRECTOR



# D

## ear Shareholder,

It is with pleasure that I present the annual report for the financial year 2023/24. Despite macroeconomic and industrial challenges, LANKA TILES reported a profit of Rs.2.9 Bn in the year under review driven by the expansion in the export market and strategic initiatives implemented to overcome influx of imported tiles in the market. However, we are hopeful that international political developments may prove beneficial in our export business .

### Performance

The financial year 2023/24 was challenging for the price-driven tile market in Sri Lanka. However, Lanka Tiles PLC successfully navigated through the tough competition from Indian products in the domestic market. The Group's revenue recorded Rs. 16.1 Bn, which is lower than the expected budgeted results of Rs. 19.9 Bn for the financial year 2023/24, representing a decline of 14% compared to the previous financial year.

The market share of LANKA TILES was recorded at 23% in the financial year 2023/24, marking a 11% drop compared to its market share in the previous financial year. To enhance our brand visibility and market penetration throughout the country, the Group invested to open new franchise showrooms in Kiridiwela. This strategic move enabled LANKA TILES to reduce dependence on dealer and distributor sales, resulting in better control over the market and improved margins.

Lanka Tiles PLC also invested in incorporating latest technology and automation. During the year under review, the quality level of tiles went up compared to previous financial year.

Our floor tiles range accounted for 88% of the total revenue which was Rs. 14 Bn while Mosaic tile range accounted for 5% of the revenue.

### Challenging the Challengers

During the year under review, our strategy for opening franchise showrooms resulted in securing prime locations and partnering with top businessmen in each area. While this approach has been successful, it also presented challenges, such as ensuring adherence to our systems and procedures

while accommodating the diverse working styles of our partners. However, the Group managed to use local knowledge, contacts, and reputation which proved advantageous, with each showroom operated according to the best practices in its respective area.

Lanka Tiles PLC faced challenges during the financial year 2023/24 as employees sought overseas opportunities, making talent retention difficult. Given the complexity of the ceramic industry and the need for expertise in managing natural resources, the Group augmented their skills and capacity through technical assistance programs. Additionally, the Company continued to attract top talent from the industry to manage operations.

### International Reach

We have made notable advancements, particularly in expanding our footprint in the USA market. Currently, Lanka Tiles PLC is actively engaging with suppliers who control approximately 70% of the USA tile market which is a significant milestone for the Company. This achievement underscored our resilience and positioned us with increased confidence for the future.

Our focus on aligning factory production with USA market demands and maximizing the opportunities presented by anti-dumping investigations targeting Indian tiles has positioned us positively. LANKA TILES' approach to the USA market involved direct engagement with prominent retailers such as Home Depot, as well as potential collaborations with other major players like Daltile. Additionally, our subsidiary, Lanka Swisstek Private Limited, became operational last year, alongside the commencement of marketing efforts for LANKA TILES mosaic products in India. These efforts coincided with the establishment of an aluminium fabrication factory, set to launch in the near future, aimed at bolstering exports to India, particularly targeting the USA market.

While it entailed a financial loss of Rs.13 Mn initially, the investment was necessary to prevent the loss of our market presence. Moreover, the current tariff policy on India has created new opportunities for this operation, highlighting the strategic significance of our investment.

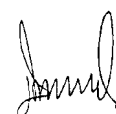
### Recognition

LANKATILES ranked No.01 in the most Loved Brands 2023 ranking under the Home Finishing (Tiles) Category by Brand Finance. Additionally, in Brand Finance's research on the most valuable brands , LANKATILES improved from the 48th to the 39th position. Moreover, LANKATILES was ranked No.01 in the Manufacturing industry in LMD'S Most Respected Entities in Sri Lanka 2023. As per the overall ranking ascended from its previous rank of 92nd to an impressive 37th position.

### Appreciation

I extend my deepest appreciation to our Chairman and the Board of Directors for their commendable support and invaluable guidance throughout the challenging year. The dedication, determination, and focus exhibited by the LANKA TILES team have been instrumental in ensuring the Group's success amid adversity.

A heartfelt thank you goes out to our partners and distributors whose collaboration has significantly enhanced our brand value and facilitated optimal inventory management. I express sincere gratitude to our shareholders for their trust in the leadership of the Board of Directors and the entire team at Lanka Tiles PLC. Lastly, I extend profound gratitude to our loyal customers for choosing LANKA TILES as their preferred brand for creating sophisticated interiors. Your continued patronage is deeply appreciated, and we eagerly anticipate the opportunity to serve you further in the future.



J A P M Jayasekera  
Managing Director

30 May 2024

# Board of Directors



**Mr. A M Weerasinghe**  
Chairman / Non-Executive

Founder of Royal Ceramics Lanka PLC in 1990 and currently serving as Chairman of the Company. A Gem Merchant by profession. Mr. Weerasinghe has been in the business field for more than 38 years involved in Real Estate, Construction, Transportation & Hospital Industry, and has been a Landed Proprietor.

He holds directorships in fourteen other companies : Executive Chairman of Rocell Bathware Limited, Executive Deputy Chairman of Royal Ceramics Lanka PLC, Non-Executive Chairman of Lanka Walltiles PLC, Lanka Ceramic PLC, Ever Paint and Chemical Industries (Private) Limited, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd, Trade Huts (Pvt) Ltd, and Weerasinghe Gems (Pvt) Ltd, Non-Executive Director of Swisstek (Ceylon) PLC, Swisstek Aluminum Limited, Biscuits and Chocolate Company Ltd, Rocell Properties Limited and Royal Ceramics Distributors (Private) Ltd.



**Mr. J A P M Jayasekera**  
Executive Director

Mr. Mahendra Jayasekera is the Chairman of the Sri Lanka Cost and Management Accounting Standards Board. He has an honors degree in Business Administration from the University of Sri Jayewardenapura and is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He holds a Master of Arts degree in Buddhist Studies (Distinction Pass) from the University of Kelaniya. He is the President of the Colombo Young Men's Buddhist Association.

He holds directorships in 16 other companies : Managing Director of Lanka Walltiles PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC, M N Properties (Pvt) Ltd, M N L Properties (Pvt) Ltd, M N J Properties (Pvt) Limited, Swisstek Aluminium Limited, Swisstek Development Ltd, LTL Development Ltd, Swisstek Investment (Pvt) Ltd and LW Plantation Investment Ltd. Executive Director of Uni Dil Packaging Limited, Uni Dil Packaging Solutions Limited, Beyond Paradise Collection Limited and LWL Development (Pvt) Limited and Non-Executive Director of Lanka Swisstek (Pvt) Ltd.

In addition, he is the Chairman of Valley View Ceramics LLC and President / Secretary of Lankatiles USA Inc.



**Dr. S Selliah**  
Independent Non-Executive Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil) and has over two decades of diverse and extensive experience in serving on the Boards related to varied fields including Manufacturing, Healthcare, Insurance, Banking, Logistics, Packaging, Renewable Power, Plantation, Retail etc. He currently serves on the Boards of many Public listed and Private companies. Has extensive experience on serving on Board sub committees as Chairman or Member which include, Human Resource and Remuneration committee, Investment committee, Strategic Planning committee, Related Party Transaction committee, Nomination and Governance committee, Audit committee, Risk Management committee etc.

Dr. Selliah serves on a non executive capacity in the following company Boards. Dr.Selliiah is the Chairman of JAT Holdings PLC and serves as a Director of Commercial Bank of Ceylon PLC, Swisstek (Ceylon) PLC, Lanka Walltiles PLC, ACL Cables PLC, Arunodhaya Private Ltd, Arunodhaya Industries (Pvt) Ltd. He is the Deputy Chairman of Asiri Surgical Hospital PLC, Asiri Hospital Holdings PLC and Central Hospitals Private Ltd. He is also the Chairman of Cleanco Lanka (Private) Ltd and Vydexa Lanka Power Corporation (Pvt) Ltd and Andysel (Private) Ltd. He also is a director of Arunodhaya Investments (Pvt) Ltd. He has also served on many other Listed company Boards in the past.

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



**Mr. T Thoradeniya**  
Non-Executive Director

Mr. Tharana Thoradeniya holds over two decades of senior management experience across diverse industries.

He holds directorships in thirteen other companies : Group Director of Marketing and Business Devolvement at Royal Ceramics Lanka PLC, Executive Director of Rocell Bathware Limited, Non-Executive Director of Lanka Ceramic PLC, Lanka Walltiles PLC, Biscuits and Chocolate Company Ltd, Delmege Limited, Fentons Limited, Greener Water Ltd, Rocell Properties Limited, Royal Ceramics Distributors (Private) Limited, Swisstek Aluminium Limited, Unidil Packaging Limited., Vallibel Plantation Management Limited.

Recognized as a pioneer in business innovation, Mr. Thoradeniya's expertise spans various sectors. He is a Chartered Marketer, distinguishing himself as a skilled professional in strategic planning, new market and product innovation, and business development



**Mr. K D G Gunaratne**  
Independent Non-Executive Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Provincial Council during the period 1989 to 2009.

He holds directorships in nine other companies : Non-Executive Chairman of Lanka Hotel & Residencies (Pvt) Ltd and Independent Non-Executive Director of Lanka Ceramic PLC, Lanka Walltiles PLC, Dipped Products PLC, Hayleys PLC, Horana Plantations PLC, Regnis Lanka PLC, Singer Industries (Ceylon) PLC and Swisstek (Ceylon) PLC



**Ms. A M L Page**  
Independent Non-Executive Director

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

Ms. Page has experience across the financial services and humanitarian development industries, with a focus on strategy, project and stakeholder management and marketing. Her career includes working extensively across Sri Lanka as well as overseas.

She holds directorships in two other companies : Independent Non-Executive Director of Lanka Walltiles PLC and Lanka Ceramic PLC.

# Board of Directors



**Mr. J A N R Adhihetty**  
Independent Non-Executive

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

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

He holds directorships in four other companies : Executive Director of Delmege Forsyth & Co. Ltd, Non-Executive Director of Grip Delmege (Pvt) Ltd, Grip Nodic (Pvt) Ltd and Summer Season Mirissa (Pvt) Ltd.



**Mr. S M Liyanage**  
Non-Executive Director

Mr. Liyanage is a respected professional with over 10 years' experience and a record for exceptional performance.

He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group. He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya.

He holds a Diploma in Information Technology from the University of Colombo.

He currently serves as a Group Director of Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new businesses and coordinating manufacturing excellence projects at the Vallibel Group of Companies.

He holds directorships in six other companies : Managing Director of Unidil Packaging Limited, Non-Executive Director of Lanka Walltiles PLC, Lanka Ceramic PLC, Horana Plantations PLC, Royal Ceramics Lanka PLC and Swisstek Aluminium Limited.

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**  
Independent Non-Executive 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 Delmege Ltd.





**Mr. J R Gunaratne**  
Independent Non-Executive Director

Mr. Jitendra R Gunaratne had over 40 years career experience at John Keells Holdings (JKH) PLC, leading the teams in Consumer Foods, Plantations and Leisure sectors of the Group.

He was a former Member of the Food Advisory Council of the Ministry of Health, Sri Lanka (2016-2018), Founder Chairman of the Beverage Association of Sri Lanka (2012-2018), Member of the Council for Hotel & Tourism of the Employer's Federation of Ceylon (2018-2020) and held Directorships and served on several public listed and private Companies within the JKH Group.

He holds directorships in seven other companies : Chairman of Delmage Limited, independent Non-Executive Director of C I C Holdings PLC, Royal Ceramics Lanka PLC and The Fortress Resorts PLC, Deputy Chairman of Link Natural Products (Private) Limited and Non-Executive Director of C I C Feeds (Private) Limited and C.I.C. Poultry Farms Limited



**Ms. K A D B Perera**  
Non-Executive Director

Ms. Brindhiini Perera has earned a Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She holds directorships in fifteen other companies : Non-Executive Director of Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC, Singer (Sri Lanka) PLC, Royal Ceramics Lanka PLC, Vallibel One PLC, Lanka Walltiles PLC, The Fortress Resorts PLC,. Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation. She also serves on the Board of Eurocarb Products Ltd (UK).

# Senior Management



**Mahendra Jayasekera**  
Managing Director



**Nandajith Somaratne**  
Director - Manufacturing



**Shirley Mahendra**  
Director - Group Marketing



**Patrick Piyasena**  
Group Technical Consultant



**Sajeewani Amarasinghe**  
General Manager (Finance)



**Prasad Keerthiratna**  
Assistant General Manager (IT)



**Kaushalya Sudasinghe**  
Assistant General Manager (Sales)



**Sumeda Madawela**  
Assistant General Manager (Plant)



**Daminda Perera**  
Group Head of Marketing



**Anura Ratnayake**  
Group Business Development Manager



**B A M Thilakasiri**  
Group Stores Manager



**Athula Hewapathirana**  
Group HR Manager



**Kapila Ranatunga**  
Group Commercial Manager

# Echoes of Scrutiny



## Management Discussion & Analysis

Lanka Tiles PLC has over the years, grown from a traditional Sri Lanka tile maker to an export oriented designer tile manufacturer by placing careful and focused strategies across the business. The dynamic strategic inputs from the Company have been a key driver in the success. New challenges have been seen as an opportunity to innovate, strategize and rethink our status quo and come out on top, whilst taking every opening to optimize our resources and opportunities towards progress. Some of the Company's key strategic focus areas during the year are given below:



## Profitability

Measures	KPIs
<ul style="list-style-type: none"> <li>Ensure favourable margins to ensure profitability</li> <li>Expand and optimize opportunities in the overseas / export markets for mosaic tiles</li> <li>Expanding our presence in Europe and USA through stronger partnerships and investments</li> <li>Strengthening our efforts in India</li> <li>Widening the distribution channel by adding new dealers and new showrooms</li> <li>Keep costs on non-essentials under close scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>Gross Profit at - Rs.7,462 Mn</li> <li>Sales Revenue at - Rs.16,132 Mn</li> </ul>

## Financial Stability

Measures	KPIs
<ul style="list-style-type: none"> <li>Maintaining a favourable cash flow position to drive the Company's growth</li> <li>Negotiate supplier advance requirements that impact on working capital</li> <li>Effective working capital management to ensure an uninterrupted production cycle</li> <li>Widen the funding capacity to generate more sales and profits</li> </ul>	<ul style="list-style-type: none"> <li>Return on Equity - 19%</li> <li>Interest cover - 25 times</li> <li>Gearing ratio - 8%</li> </ul>



## Innovation

Measures	KPIs
<ul style="list-style-type: none"> <li>• Introduction of capacity enhancement methods within the factories</li> <li>• Waste reduction techniques expanded</li> <li>• New product launched</li> <li>• New learning management system</li> <li>• Automation of HR process in the field</li> </ul>	<ul style="list-style-type: none"> <li>• New showrooms - 01</li> <li>• Investments in R&amp;D - Rs.10 Mn</li> <li>• New Design Introduced -122</li> <li>• New Product Introduced -13</li> </ul>

## Efficiency and Productivity

Measures	KPIs
<ul style="list-style-type: none"> <li>• Increasing the efficiency of manufacturing plants through continuous upgrades to technology</li> <li>• Efficiency improvement through workflow automation</li> <li>• Enhanced working conditions, benefits and support to increase staff productivity</li> <li>• Reduced production cost caused by waste of raw material, energy and water and other resources</li> <li>• SAP system implementation to ease the resource planning process of the organization</li> <li>• Continuous engagement with employees to improve their well-being</li> </ul>	<ul style="list-style-type: none"> <li>• Profit per employee - Rs.3.45 Mn</li> <li>• Revenue per employee - Rs. 19 Mn</li> <li>• Introduction of heat recovery system to reduce the energy wastage and recovered energy was utilized for spray dryer and verticle dryers production.</li> <li>• Employee retention rate - 93%</li> <li>• Staff welfare spend at - Rs.39 Mn</li> </ul>

## Sustainability

Measures	KPIs
<ul style="list-style-type: none"> <li>• Compliance with state and other regulatory benchmarks</li> <li>• Improving the manufacturing and waste reduction process to ensure minimum environment impact</li> <li>• Continuous monitoring of natural resource consumption</li> <li>• Support to community and other local stakeholders in ensuring strong partnerships</li> <li>• Providing communities with employment opportunities</li> <li>• Continuous training and development for staff to ensure knowledge upgrades and up skill capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Obtained 07 certifications / Licenses</li> <li>• Water consumption - 196 Mn Litres</li> <li>• Electricity consumption - 23 Mn KWH</li> <li>• Raw material consumption - 108,667 MT</li> <li>• Expenses on CSR activities - Rs. 2.5 Mn</li> <li>• New recruitments - 135</li> <li>• Training Activites - 11,084 hours</li> </ul>

# Materiality

## MATERIALITY 2024

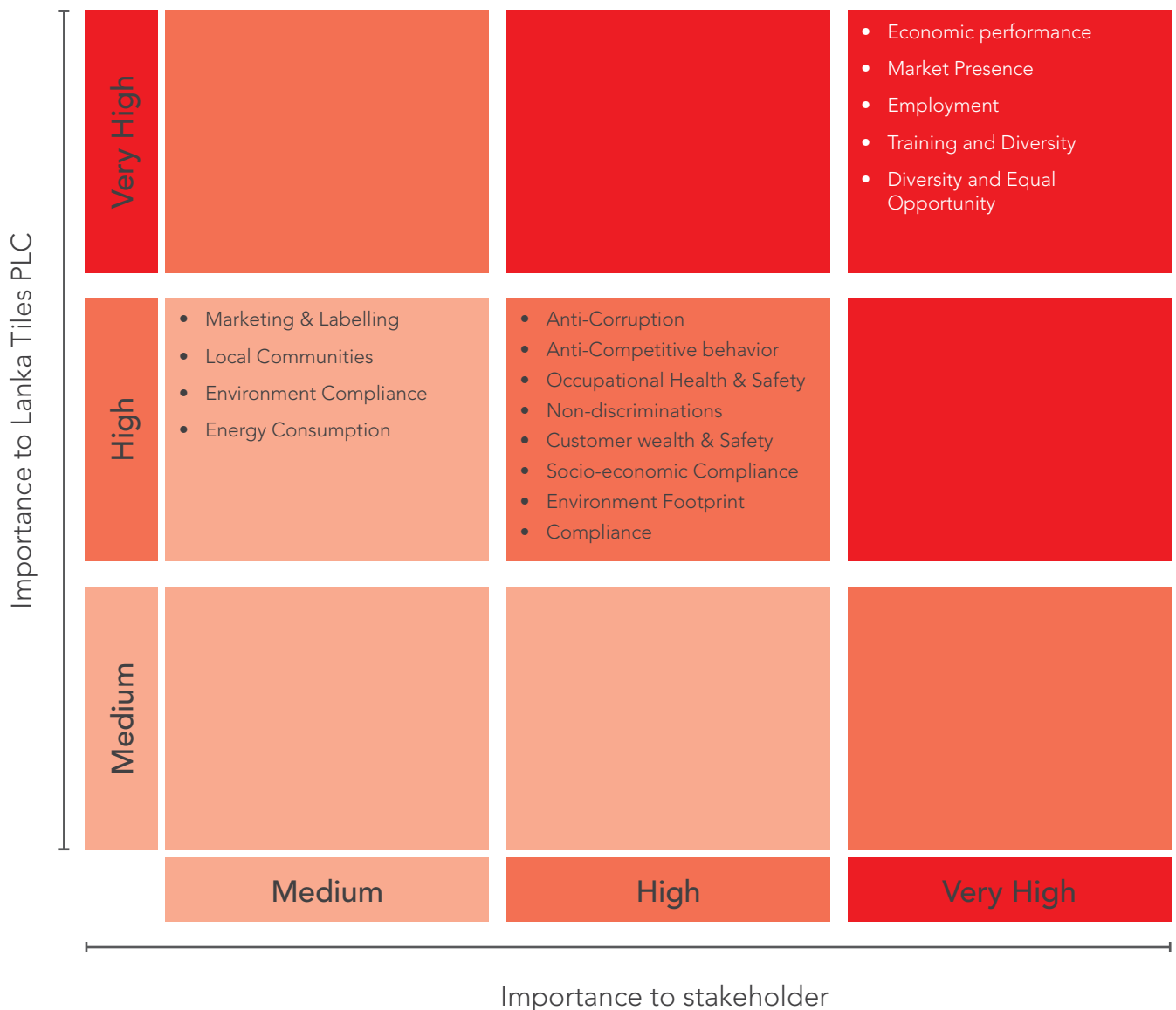
Lanka Tiles PLC materiality identified and shared the importance placed by the Company on financial and non-financial factors that contribute towards stakeholders. The relevance and value awarded by the Company to each area of information shared in this annual report is indicated in the materiality discussion below.

In this report, we have shared our strategies and resource allocation in overcoming material concerns during the year. Through effective engagement with stakeholders at varying levels, Lanka Tiles has prioritized our stakeholder and material concerns.

	Financial	Manufactured	Intellectual	Human	Social	Natural	Importance to Lanka Tiles	Importance to Stakeholders
<b>Economic</b>								
Economic Performance	√	√	√				Very High	Very High
Market Presence	√	√		√	√		Very High	Very High
Anti-Corruption			√		√		High	High
Anti-Competitive Behavior			√		√		High	High

	Financial	Manufactured	Intellectual	Human	Social	Natural	Importance to Lanka Tiles	Importance to Stakeholders
<b>Social</b>								
Employment	√	√		√	√		Very High	Very High
Occupational Health & Safety	√			√	√		High	High
Training and Diversity	√		√	√			Very High	Very High
Diversity and Equal Opportunity			√	√	√		Very High	Very High
Non-discriminations			√	√	√		High	High
Customer Health and Safety					√		High	High
Marketing and Branding	√				√		High	Medium

	Financial	Manufactured	Intellectual	Human	Social	Natural	Importance to Lanka Tiles	Importance to Stakeholders
<b>Environment</b>								
Local Communities	√				√	√	High	Medium
Socio-economic Compliance					√	√	High	High
Energy consumption		√				√	High	Medium
Environment Footprint		√				√	Medium	Medium
Compliance with Environment						√	High	Medium




Detailed Discussion on Material Topics inside this Report:

Material Topic	Our approach
1. Health and safety	Human Capital - page 54
2. Earnings growth	Financial Capital - page 44
3. Availability of raw material	Natural Capital - page 66
4. Stability	Financial Capital - page 44
5. Customer satisfaction	Social and Relationship Capital - page 60
6. Capital investments	Manufactured Capital – page 48
7. Compliance	Corporate Governance - page 73
8. Efficiency	Natural Capital -page 66
9. Environmental sustainability	Natural Capital -page 66
10. Technology	Intellectual Capital – page 70




# Stakeholder Engagement

## STAKEHOLDER ENGAGEMENT 2024

Our stakeholders are the lifeline of the Lanka Tiles PLC business. They ensure that the business operates smoothly through supply, production, marketing, sales, to customers. Lanka Tiles PLC believes continuous and active stakeholder engagement is a key to our success.

Stakeholders	Method of Engagement	Frequency of Engagement	Interest/ Expectations	Managing concerns/ expectations
 Regulators	<ul style="list-style-type: none"> <li>Filing returns</li> <li>Facilitating visits</li> <li>Obtaining licenses and certifications</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> <li>As needed</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with regulations</li> <li>Timely filing of returns and payments</li> <li>Foreign currency earnings</li> </ul>	<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Socio economic progress</li> <li>Environment related issues</li> <li>Support for community needs</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Direct interaction with Senior Management</li> <li>Formal performance appraisals</li> <li>Regular meetings with unions</li> <li>Communication of Company performance</li> </ul>	<ul style="list-style-type: none"> <li>Regular</li> <li>As needed</li> <li>Regular</li> <li>Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Fair remuneration</li> <li>Employee benefits</li> <li>Workplace health and safety</li> <li>Conducive workplace</li> <li>Training &amp; Development</li> <li>Job security</li> <li>Career progression</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration packages in line with the industry</li> <li>Open door policy with senior management</li> <li>Fair and transparent performance appraisal system</li> </ul>
 Customers	<ul style="list-style-type: none"> <li>Direct interactions at own showrooms</li> <li>Customer hotline</li> <li>Trade exhibitions</li> <li>Customer feedback</li> <li>Social media platforms</li> <li>Call centre</li> </ul>	<ul style="list-style-type: none"> <li>Regular</li> <li>24/7</li> <li>Annually</li> <li>As needed</li> <li>Regular</li> <li>Regular</li> </ul>	<ul style="list-style-type: none"> <li>Value for money</li> <li>Product quality</li> <li>Choice of products</li> <li>Availability and accessibility</li> </ul>	<ul style="list-style-type: none"> <li>Quality certifications</li> <li>Product quality assurance processes</li> <li>Driving cost efficiencies</li> <li>Managing price and volume growth</li> <li>Island-wide presence</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>Supplier assessment and feedback</li> <li>Managing relationships</li> <li>Visits</li> </ul>	<ul style="list-style-type: none"> <li>As needed</li> <li>Regularly</li> <li>As needed</li> </ul>	<ul style="list-style-type: none"> <li>Increased business</li> <li>Transparent procurement processes</li> <li>Timely payments</li> <li>Constructive feedback</li> </ul>	<ul style="list-style-type: none"> <li>Established procurement processes</li> <li>Quality assurance processes to provide constructive feedback</li> <li>Ensured timely payments</li> </ul>



Stakeholders	Method of Engagement	Frequency of Engagement	Interest/Expectations	Managing concerns/expectations
 <b>Distributors</b>	<ul style="list-style-type: none"> <li>Dedicated teams to handle distribution networks</li> <li>Regular assessments on performance and feedback</li> </ul>	<ul style="list-style-type: none"> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>Incentives &amp; Rewards</li> <li>Customer demand</li> <li>Marketing communications</li> <li>Logistics</li> <li>Support for growth</li> </ul>	<ul style="list-style-type: none"> <li>Advertising and marketing communications to create demand</li> <li>Product innovation to drive customer demand</li> </ul>
 <b>Community</b>	<ul style="list-style-type: none"> <li>Recruit from local communities where skills are available</li> <li>Entertain grievances from community</li> </ul>	<ul style="list-style-type: none"> <li>As needed</li> <li>Regularly</li> </ul>	<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Socio-economic progress</li> <li>Environment related issues</li> <li>Support for community needs</li> </ul>	<ul style="list-style-type: none"> <li>Recruit from local communities where possible</li> <li>Provide opportunities for local entrepreneurs where possible</li> <li>Managing environmental impacts in compliance with CEA requirements</li> </ul>
 <b>Shareholders</b>	<ul style="list-style-type: none"> <li>Quarterly Financial Statements</li> <li>Press Releases</li> <li>Annual Report</li> <li>Annual General Meeting</li> <li>CSE announcements</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>As needed</li> <li>Annually</li> <li>Annually</li> </ul>	<ul style="list-style-type: none"> <li>Earnings &amp; Dividends</li> <li>Growth prospects</li> <li>Transparency</li> <li>Environment &amp; social impact</li> <li>Governance</li> <li>Share price and liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Safeguarding our market position</li> <li>Improving manufacturing capacity and efficiency</li> <li>Corporate Governance and Risk Management</li> </ul>

# Strategic Value Creation Model

Lanka Tiles PLC strategic value creation model is based on adding value to the Company's key stakeholders and business pillars and through honouring our commitment to People, Planet and Profit. The Company has strengthened the capitals during the year through developments across the capitals which has translated into improvements in the outputs and outcomes of the capitals. In return, this has helped our dedication to support our people, planet and profit contribution.

## THE COMPANY'S VALUE CREATION RELIES ON



### FINANCIAL CAPITAL

Revenue Rs.16,131 Mn  
 Profit Rs.2,907 Mn  
 Dividend payment Rs.1,618 Mn  
 Return on equity 19%

### MANUFACTURED CAPITAL

Property, plant and equipment  
 Rs. 8,413 Mn  
 Property, plant and equipment  
 increase by Rs.1,541 Mn  
 Production capacity 5,626,250 sq.m  
 Production capacity  
 increase by 3%  
 Capacity utilization 91%  
 New showrooms 01

### HUMAN CAPITAL

Employees 843  
 Investment in training and  
 development Rs.11 Mn  
 Employee payments Rs.1,515 Mn

### SOCIAL & RELATIONSHIP CAPITAL

Domestic supplier base  
 593  
 Foreign supplier base  
 36  
 Community value creation  
 through CSR initiatives  
 Rs. 2.5 Mn

### INTELLECTUAL CAPITAL

Brand strength Rs.2,084 Mn  
 New designs introduced 122  
 New product introduced 13  
 Investments in R&D Rs.10 Mn

### NATURAL CAPITAL

Material consumption 108,667 MT  
 LPG consumption 10,902 MT  
 Water consumption 196 Mn Litres  
 Electricity consumption 23 Mn kWh

## Output



### To the Economy

Economic value added by the Group

Revenue

Rs. 16,131 Mn

PAT

Rs. 2,907 Mn

Export income

Rs. 497 Mn

Taxes paid by the Company

Rs. 3,143 Mn



### To the Community

Expenses on CSR

Rs.2.5 Mn

## Outcome



To the People Economic value added by the Group

New recruits

135

Expenses on employee health and safety

Rs.39 Mn

Expenses on training and development

Rs.11 Mn

## Value Delivered



### To the Environment

Water recycled

16 Mn Litres

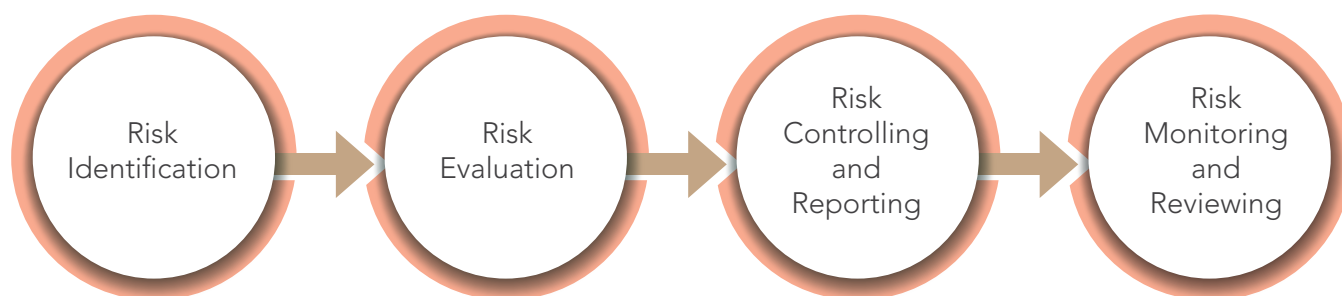
Material recycled & reused

6,561 MT



# Risk Management

Lanka Tiles PLC, as an integral player in the manufacturing sector of Sri Lanka, is subject to the influence of various external and internal factors inherent to its operational environment. The financial year 2023/24 brought significant fluctuations in the macroeconomic landscape, necessitating the enhancement of the Company's risk management protocols. Adopting a methodical approach, Lanka Tiles PLC meticulously navigated risk through a structured risk management framework throughout the period. This framework facilitated the comprehensive identification and proficient mitigation of risks, ensuring the Company's resilience in confronting uncertainty and ultimately aligning its endeavors with strategic business goals and objectives.



## Principal Risks

The financial year 2023/24 posed significant challenges for the tile industry, primarily due to the lifting of the importation ban on foreign tiles. This, combined with dollar fluctuations and high inflation, introduced many unprecedented risks and challenges for Lanka Tiles PLC. The Company faced intense market competition from low-priced foreign products, along with high energy and production costs. Additionally, low tile sales, high labour costs, and low employee retention contributed to a challenging period. These circumstances necessitated the strengthening of the Company's risk management processes. Lanka Tiles PLC follows a structured risk management approach to identify and effectively mitigate risks, enabling the Company to overcome uncertainties and achieve its business aims and objectives which was proven to be successful during the previous financial year.

## Risk Governance

Risk governance is pivotal in achieving Company objectives by effectively managing risks and facilitating informed decision-making. The Board of Directors of Lanka Tiles PLC, supported by its Audit Committee, shoulders the responsibility of overseeing the Company's risk exposure. Collaborating closely with corporate management and employees, both committees ensure that risk exposures are maintained within acceptable thresholds. Anticipating and governing potential risks, the Board, in tandem with the Audit

Committee, steers the Company's risk management strategies. The Executive Committee routinely assesses risks as part of its agenda, furnishing essential documentation to the Audit Committee and the Board. The Company adheres to a structured approach for risk management and reporting.

## Three-line Defense Concept

Lanka Tiles PLC's Risk Management Process adheres to the Three Lines of Defense Concept, involving employees across the Company. This model ensures that all employees are responsible and accountable for managing the risks encountered by the Company.





## Risk Overview

The risk overview considers a 360-degree approach to all aspects of the business, assessing how effectively Lanka Tiles mitigated or managed each risk during the year under review.

	Signs	Implications	Mitigation Approach
<b>Removal of the ban on tile importation</b>	<ul style="list-style-type: none"> <li>• Low-priced tiles in the market</li> <li>• High market competition</li> </ul>	<ul style="list-style-type: none"> <li>• Lowering of sales margin and market share</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening investments in the export market</li> <li>• Opening of new franchise showrooms throughout the country</li> <li>• Improving product portfolio with enhanced foreign technical expertise</li> <li>• Promoting loyalty programs, offering rewards and benefits to customers</li> </ul>
<b>High inflation</b>	<ul style="list-style-type: none"> <li>• Difficulty in maintaining continuous sales in the market</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing production costs</li> </ul>	<ul style="list-style-type: none"> <li>• Maximizing brand reputation related to quality, trust and long-term value gain</li> </ul>
<b>Dollar fluctuation</b>	<ul style="list-style-type: none"> <li>• Decreased foreign reserves</li> <li>• Rupee depreciation</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty in sourcing raw materials at one rate</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous monitoring of the exchange rate</li> <li>• Expanding operations in the export market</li> </ul>
<b>Additional Tax and VAT increase</b>	<ul style="list-style-type: none"> <li>• Decline in profits</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing tax rates</li> </ul>	<ul style="list-style-type: none"> <li>• Focusing on new markets with demand for value-added tiles such as mosaic tiles and high margin products.</li> <li>• Increasing the engagement with high-volume tillers</li> <li>• Venturing into new overseas market opportunities</li> </ul>
<b>Low sales of tiles</b>	<ul style="list-style-type: none"> <li>• Decreased demand for tiles among tile installers due to their complicated installation process</li> </ul>	<ul style="list-style-type: none"> <li>• A downturn in tile sales</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting tile installation training programs</li> <li>• Increasing the engagement with high-volume tillers</li> <li>• Exploring new overseas market opportunities for tiles</li> </ul>

# Risk Management

	Signs	Implications	Mitigation Approach
<b>High electricity and fuel cost</b>	<ul style="list-style-type: none"> <li>High production cost</li> </ul>	<ul style="list-style-type: none"> <li>Lowering of sales margin compared to the individual cost of production</li> </ul>	<ul style="list-style-type: none"> <li>Introducing value-added products</li> <li>Utilizing systems and machinery to increase efficiency of the production process</li> </ul>
<b>Low employee retention</b>	<ul style="list-style-type: none"> <li>Leaving of employees for better opportunities and offers due to socio-economic situation of the country</li> </ul>	<ul style="list-style-type: none"> <li>Training and development of new employees had to be undertaken frequently.</li> </ul>	<ul style="list-style-type: none"> <li>Conducting several employee training and development programs</li> <li>Partnering with technical colleges and universities to recruit technical talent</li> </ul>
<b>High labour cost</b>	<ul style="list-style-type: none"> <li>Difficulty in managing operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>Pressure on profit margins</li> </ul>	<ul style="list-style-type: none"> <li>Focusing on increasing production process efficiency and high margin products</li> <li>Developing KPIs to enhance efficiency</li> <li>Utilizing the SAP system to analyze expenses</li> </ul>
<b>High production cost</b>	<ul style="list-style-type: none"> <li>Increased raw material expenses</li> <li>High electricity and fuel costs</li> </ul>	<ul style="list-style-type: none"> <li>High price competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Introducing TPM (Total Productivity Maintenance and Management)</li> <li>Conducting regular training programs</li> <li>Identifying new market trends in overseas related to products and technology</li> </ul>

## 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 minimize all potential risks and their probability of impact on the Company and its business.

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

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

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



Chairman  
A M Weerasinghe



Managing Director  
J A P M Jayasekera

# Operating Environment



Sri Lanka's economy recovered in 2023 from deep economic challenges, restoring the country's macroeconomic stability during the year. Amidst uncertainties and challenging conditions following the severe economic crisis in the country, economic activity resumed supported by the easing of interest rates and the revival in the external sector through central Bank efforts.

Policy measures by the Government and the Central Bank and the structural reform agenda alongside the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement reinforced overall macroeconomic stability. Having benefited from restored stability, the economy commenced transitioning to a growth trajectory.

The domestic economy made a steadfast recovery in 2023 benefitting from the gradual return of overall macroeconomic stability. The economy recorded an expansion in its activity in Q3-2023, after six consecutive quarters of contraction.

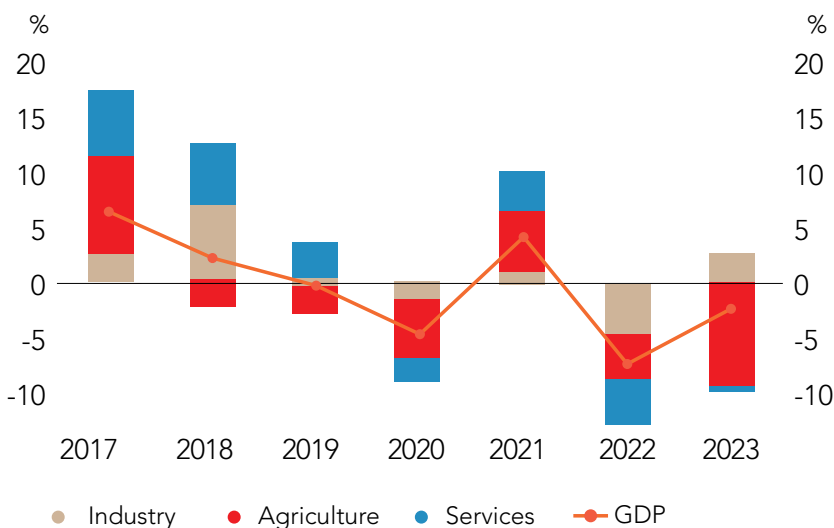
## Real Sector GDP

In 2023, the Sri Lankan economy showed signs of rebounding with a moderate contraction of 2.3 per cent, in comparison to a significant contraction of (7.3) per cent in 2022. This was evident in the second half of the year, during which the Gross Domestic Product (GDP) recorded positive growth rates.

GDP at current market prices grew by 14.8 per cent to Rs. 27,629.7 Bn in 2023. Government revenue growth was largely owing to a significant growth in tax collection during the year at Rs. 2,721 Bn compared with Rs. 1,758 Bn in 2022. Upward revisions to tax rates (personal income tax, corporate income tax, VAT, excise duties) and expanding the tax base (reducing tax-free thresholds for income taxes) mainly contributed to the significant improvement in revenue collection. In addition, the Social Security Contribution Levy (SSCL), which was introduced in October 2022, also contributed notably to the growth in revenue during 2023. Influx of foreign exchange incomes through tourism, worker remittances and donor funding and appreciation of the rupee also contributed to revenue growth.

GDP per capita increased to Rs. 1,253,785 in 2023, compared to Rs. 1,084,882 in 2022.

## Annual GDP Growth Rate



### Industry

The year saw supply side improvements throughout the year. However they were not equally met by consumer demand. Demand remained subdued impacting all industry activities, resulting in a 9.2 per cent contraction in Industry activities during 2023.

A major contributor to the lower performance in the industry sector was the decline in the construction industry, which is highly vulnerable to economic downturns, mainly due to the holdback of construction projects. Construction sector contribution to GDP

# Operating Environment

decreased to 6.2 per cent in 2023 from 7.6 per cent in 2022. Manufacturing, mining, quarrying and other industries contribution also fell marginally from 19.6 per cent in 2022 to 19.1 per cent in the year under review.

Further, manufacturing activities, contracted during the year mainly due to the significant decline in global demand for manufactured textiles and apparels.

Gross National Income by Industrial Origin at Constant (2015) Prices (a) (b)

Economic Activity	Rate of Exchange		Contribution to Growth		As a Percentage of GDP	
	(%)		(%)		(%)	
	2022 (c)	2023	2022 (c)	2023	2022 (c)	2023
Agriculture, Forestry and Fishing	-4.2	2.6	-0.3	0.2	7.5	7.9
Manufacturing, mining and quarrying and other industry	-13.9	-4.7	-2.9	-0.9	19.6	19.1
Of which: Manufacturing Activities	12.7	-3.2	-2.2	-0.5	16.1	16
Construction	-20.9	-20.8	-1.9	-1.6	7.6	6.2
Wholesale and retail trade, transportation and storage, accommodation and food service activities	2.4	3.1	0.6	0.8	26.5	28
Information and communication	-0.4	-13.2	0	-0.5	3.4	3
Financial and Insurance Activities	-18.3	-5.3	-1	-0.3	5	4.8
Real Estate Activities (including ownership of dwelling)	-12.1	-6	-0.6	-0.3	4.6	4.4
Professional, scientific, technical, administration and supporting service activities	-17.7	2.4	-0.4	0	2	2.1
Public administration, defense, education, human health and social work activities	-0.3	-0.6	0	-0.1	9.6	9.8
Other services (excluding own-services)	0.3	0.4	0	0	8.2	8.4
Equals Gross Value Added (GVA) at Basic Price	-7	-2.6	-6.6	-2.5	94.1	93.7
Taxes less subsidies on products	-12.4	2.8	-0.8	0.2	5.9	6.3
Equals Gross Domestic Product (GDP) at Market Price	-7.3	-2.3	-7.3	-2.3	100	100
Net primary income from rest of the world	-4.5	-23.7				
Gross National Income at Market Price	-7.6	-3				

(a) Based on the GDP estimates (base year 2015)

(b) Provisional

(c) Revised

Source: Department of Census and Statistics



## Labour Force

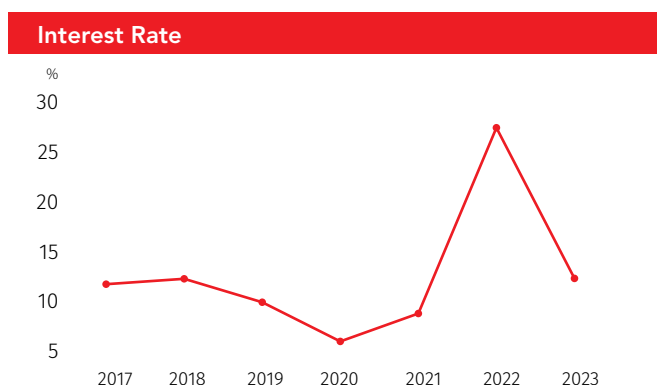
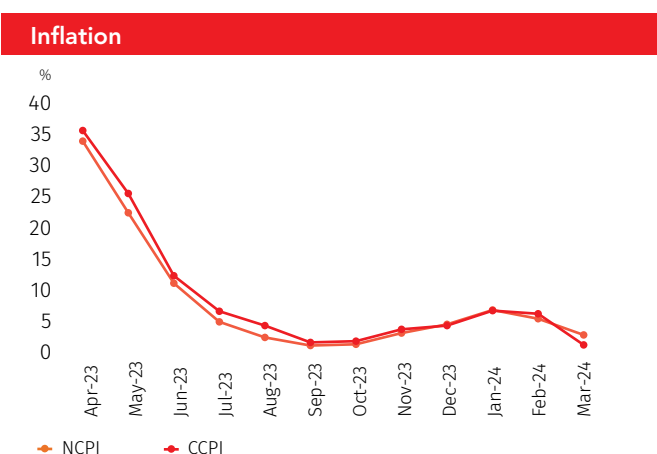
As estimated by the Registrar General's Department, the mid-year population in Sri Lanka in 2023 declined by 0.6 per cent to 22.037 million, due to a decrease in births and increases in both deaths and net migration. As shown in the Sri Lanka Labour Force Survey conducted by the Department of Census and Statistics (DCS), the economically active population (labour force) decreased to 8.408 million in 2023 from 8.547 million recorded in 2022. The Labour Force Participation Rate (LFPR), which is the ratio of the labour force to the household population, also decreased to 48.6 per cent in 2023, compared to 49.8 per cent in 2022.

## Inflation

Inflation, which reached historical highs in September 2022, recorded a rapid disinflation process reaching lower single-digit levels towards end 2023. Restrained demand from impacts of tight monetary conditions to the wider economy was the major contributor to this transition on the demand side. Further, the normalisation of domestic supply conditions, moderation of global commodity prices, and the strengthening of the Sri Lanka rupee, also contributed to this rapid disinflation process.

As a result, CCPI-based YOY headline inflation was recorded at 4.0 per cent (2021=100) by end 2023 compared to 57.2 per cent (2013=100) by end 2022, while CCPI-based annual average headline inflation in 2023 decelerated to 17.4 per cent (2021=100) from 46.4 per cent (2013=100) recorded in 2022.

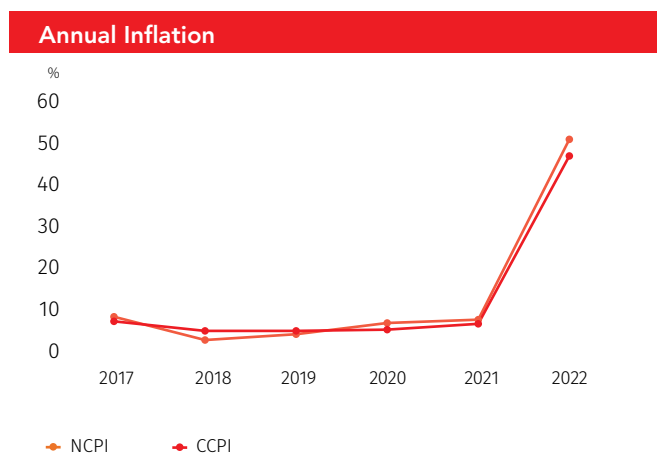
The National Consumer Price Index (NCPI) based YOY headline inflation also followed a similar path, dropping to 4.2 per cent (2021=100) by end 2023, compared to 59.2 per cent (2013=100) recorded at end 2022, while NCPI-based annual average headline inflation in 2023 decelerated to 16.5 per cent (2021=100), compared to 50.4 per cent (2013=100) in 2022.



## Interest rates

Market interest rates declined significantly in 2023 from notably high levels recorded in 2022. The reduction of market interest rates was driven by Central Bank's monetary policy measures implemented. The administrative measures introduced in August 2023 to reduce excessive lending interest rates, and broader guidelines that were introduced to induce a gradual reduction in other market lending rates on rupee loans and advances during the latter part of the year resulted in a decline in market lending rates. Market lending interest rates displayed some downward stickiness as yields on government securities remained at relatively elevated levels.

Standing Deposit Facility Rate (SDFR) reduced to 9.0 per cent in 2023 from 14.50 per cent in 2022, and Standing Lending Facility Rate (SLFR) decreased to 10.00 per cent in 2023 from 15.50 per cent in 2022.



# Operating Environment

## External Sector

Sri Lanka's external sector rebounded strongly in 2023 and demonstrated greater stability, having recorded positive developments on many fronts towards the latter part of the year. The commencement of the IMF-EFF programme in March 2023 and its successful continuation have been instrumental in achieving stability in the external sector. The external current account recorded a surplus in 2023. This was supported by a notable contraction in the trade deficit and significant inflows in terms of services exports and workers' remittances.

Trade deficit for 2023 recorded its lowest since 2010, supported by a larger contraction in import expenditure compared with that of export earnings. The surplus in service sector was from improvement in earnings from tourism with the robust recovery in tourist arrivals. Further, workers' remittances recorded a significant improvement as a result of continuous departures for foreign employment and higher. Net forex purchases by the Central Bank from the domestic forex market, disbursements under the IMF-EFF, and foreign financing from multilateral agencies such as the World Bank and the Asian Development Bank (ADB) helped augment GOR substantially by end 2023.

The external sector recorded a surplus of US dollars 1,559 million in 2023, compared to a deficit of US dollars 1,448 million in 2022. This surplus was mainly driven by a lower trade deficit of US dollars 4.9 billion in 2023, compared to a trade deficit of US dollars 5.2 billion recorded in 2022, improved trade in services, particularly earnings from tourism, and a higher surplus donor funds and workers' remittances.

## Exports

Earnings from exports recorded US dollars 11,911 million in 2023, which is a decline of 9.1 per cent compared to 2022. This decline was influenced by global factors, including high cost of living and economic downturn in major export destinations and geopolitical tensions, which resulted in reduced demand for Sri Lankan exports. Domestic factors, such as higher operating expenses and supply constraints of intermediate goods adversely impacted the overall competitiveness of exports.

Export earnings as a percentage of GDP in 2023 declined to 14.1 per cent from 17.1 per cent in 2022.

## Exchange Rate

The Sri Lanka rupee, which depreciated by 44.8 per cent against the US dollar in 2022, appreciated by 12.1 per cent in 2023. Central Bank encouraged flexibility and market driven activity in the domestic forex market. Favourable market sentiments subsequent to the commencement of the IMF-EFF arrangement in March 2023 also helped the exchange rate to appreciate.

Further, the receipts of the special policy based loan for budget support from ADB in May 2023 and the World Bank financing in June 2023 were conducive to the improvement in market sentiments.

The Sri Lanka rupee recorded the highest appreciation of 24.8 per cent against the US dollar since the beginning of the year by 08 June 2023. The rupee recorded an appreciation in the latter part of the year despite some intermittent volatility.

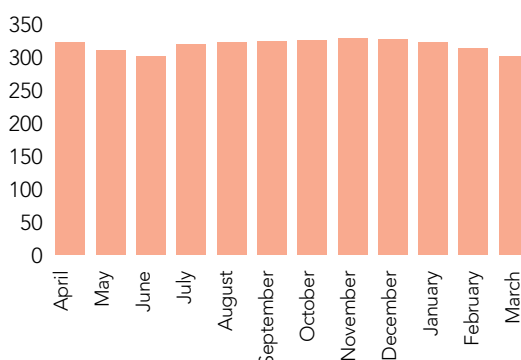
## Government Policy Initiatives

**Exchange Restrictions and Capital Flow Management Measures (CFMs)** - Government, in consultation with the Central Bank, imposed a number of exchange restrictions and capital flow management measures to overcome the severe shortage of foreign exchange in the domestic foreign exchange market. The Central Bank itself implemented several measures to limit foreign exchange outflows from the country, while encouraging more inflows. Most of such exchange restrictions and other limitations were eliminated in 2023 in line with the gradual improvement in the liquidity conditions in the domestic foreign exchange market and in view of improving the external sector outlook on multiple fronts.

**Relaxation of Import Restrictions** - On the recommendation of the Central Bank, import restrictions were removed in 2023, to relax imports on priority basis, apart from restrictions on vehicle imports. Relaxation of restrictions on imports of temporarily suspended items. Accordingly, restrictions on imports of temporarily suspended items were removed in three stages in June, July, and October 2023, keeping only motor vehicles under temporary suspension.

## Exchange Rate

Rs.(Per USD)



# Business Line Review

## Highlights

<b>Financial Capital</b>  <b>Revenue</b> <b>Rs. 16.1 Bn</b>  <b>ROA</b> <b>14%</b>  <b>ROE</b> <b>19%</b>  <b>Interest Cover</b> <b>25 Times</b>	<b>Human Capital</b>  <b>Training Hours</b> <b>11,084</b>  <b>Investments in Training and Development</b> <b>Rs. 11 Mn</b>  <b>New Recruitments</b> <b>135</b>	<b>Social and Relationship Capital</b>  <b>High Customer Satisfaction</b> <b>674 New Tilers</b>  <b>CSR Investments</b> <b>Rs. 2.5 Mn</b>  <b>New Franchise Showrooms</b> <b>01</b>
<b>Intellectual and Manufactured Capital</b>  <b>CAPEX</b> <b>Rs. 1,030 Mn</b>  <b>Plant and Machinery</b> <b>Rs. 8,413 Mn</b>  <b>New Designs</b> <b>122</b>  <b>Brand Value</b> <b>Rs. 2,084 Mn</b>  <b>Brand Development and Marketing Investments</b> <b>Rs. 326 Mn</b>	<b>Natural Capital</b>  <b>Water Consumption by</b> <b>196 Mn Litres</b>  <b>Compliance and Certifications</b> <b>7</b>  <b>Recycling &amp; Reuse of materials</b> <b>6,561 MT</b>  <b>Water Recycling</b> <b>16.7 Mn Litres</b>	<p>In the domestic market Lanka Tiles PLC enjoy the lead position, while in the export market we have expanded our range of products to cater to a variety of styles, taste and needs. Lanka Tiles is present in more than 72 locations in Sri Lanka and in 7 countries worldwide.</p> <p>Lanka Tiles PLC top line reported a profit of Rs. 2,907 Mn, lower from last year but still reaching expectations. Our manufacturing facilities were enhanced with advanced machinery, waste reduction mechanisms, to improve capacity and reduce wastage. Our factory capacities increased by 3% during the year and wastage dropped by 7%.</p> <p>Export revenues grew during the financial year with the Mosaic range which is primarily sold in USA and Mexico. Lanka Tiles export revenue was at Rs. 497 Mn. We sustained our operations without disruptions. However, higher taxes, increased cost of production due to inflation exchange rate fluctuations and utility cost disruptions, However higher taxes, increased cost of production due to inflation, exchange rate fluctuations and utility cost decreased gross profit margin to Rs.127 Mn from Rs. 157 Mn last year.</p> <p>Lanka Tiles Group total capital expenditure was recorded at Rs.1,030 Mn, while total non-current assets improved to Rs.1,498 Mn. Total inventory at the end of the 2023/24 financial year ending 31st March 2024 was Rs. 7,414 Mn up from Rs.5,037 Mn last year.</p>

## Our Performance

In a year which was marked by both positive sentiment and renewed challenges, Lanka Tiles PLC maintained our industry leadership position and reported a profitable year. While the domestic tile segment faced competition from low priced imported tiles, export tile sales values grew benefitting from strategic expansion in the market and exchange rate gains.





Our capabilities are not limited to tile production. Over the years, Lanka Tile has lead the industry in providing the finest designs in both large and mosaic tiles, improved our production efficiencies through innovative solutions in our factory premises, expanded our local and global reach through a committed team of showrooms, dealers, marketers and sales teams, and continue to venture into the global tile market with strategic and innovative solutions.

# Business Line Review

## Our Process

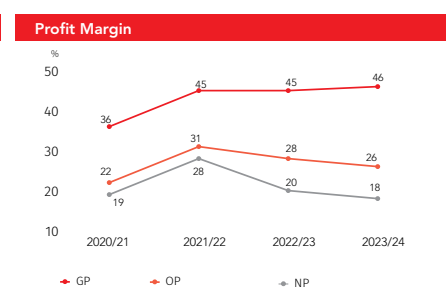
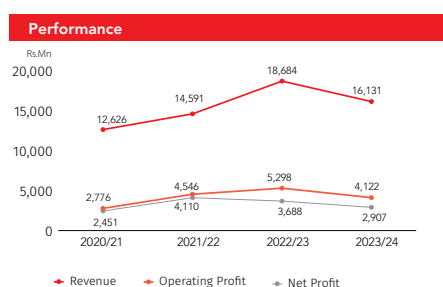


## Our Contribution

To the economy	To the environment	To the community	To the people
<ul style="list-style-type: none"> <li><b>Rs. 16,131 Mn</b> revenue</li> <li><b>Rs. 2,907 Mn</b> PAT</li> <li><b>Rs.497 Mn</b> export income</li> <li><b>Rs. 3,143 Mn</b> taxes paid by the Company</li> </ul> 	<ul style="list-style-type: none"> <li><b>108,667 MT</b> material consumed</li> <li>Energy saved; <b>Water 17 Mn Litres</b></li> <li>Electricity Consumption <b>Kwh 23 Mn</b></li> </ul> 	<ul style="list-style-type: none"> <li><b>Rs. 2.5 Mn</b> spent on CSR</li> <li>Direct and Indirect employment opportunities</li> </ul> 	<ul style="list-style-type: none"> <li><b>135</b> new recruits</li> <li><b>Rs. 39 Mn</b> spent on employee welfare</li> <li><b>Rs. 11 Mn</b> spent on training and development</li> </ul> 

## Contribution to top line distribution network

Method	No.
Own showrooms	2
Factory outlets	19
Franchise showrooms	53
Dealers	53
Distributors	32



### OUTLOOK

- New machinery to increase capacity and reduce wastage at production line
- Focus on introducing new tile designs and expanding our business.
- Collaborative agreements with suppliers to enhance our supply chain
- Growing the exporting business
- Consider alternative material sources locally



### THREATS

- Lift on the ban on tile imports
- Migration of staff and trained staff shortages
- Introduction of more tax by the government
- High inflation and cost of raw material



### OPPORTUNITIES

- Geopolitical developments on anti-dumping regulations on India
- Being the only local tile manufacturer that exports
- New raw material suppliers
- New design capabilities



# Capital Report



## FINANCIAL CAPITAL

Returns to our stakeholders are provided through employing the financial capital to establish, expand and secure other capitals



## MANUFACTURED CAPITAL

Stakeholder requirements are satisfied by the value created through the physical asset base known as manufactured capital



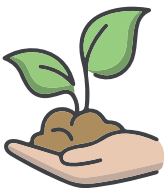
## HUMAN CAPITAL

Providing opportunities for career development and personal growth continuous investments are done in expanding the skills and competencies of our human capital.



## SOCIAL AND RELATIONSHIP CAPITAL

Cultivating relationships within and across stakeholders, communities and other networks is the main focus of social and relationship capital.



## NATURAL CAPITAL

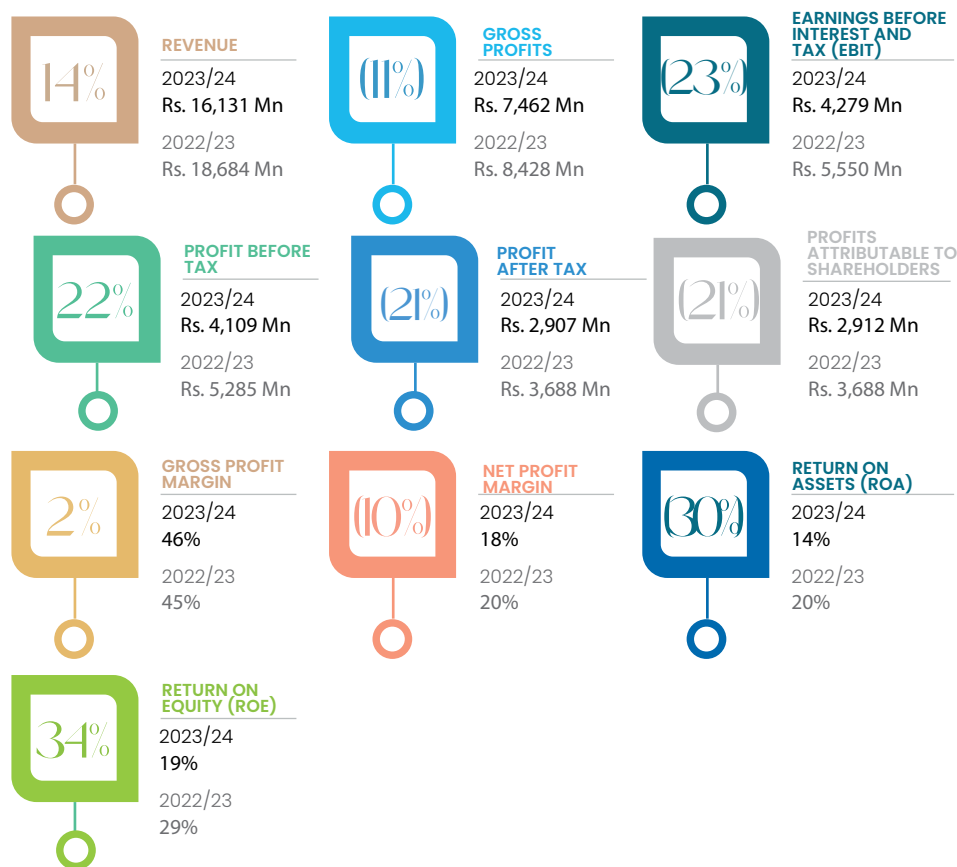
Our responsible approach to natural capital has enabled us in minimising impact on the environment while remaining compliant with all the statutory requirements.



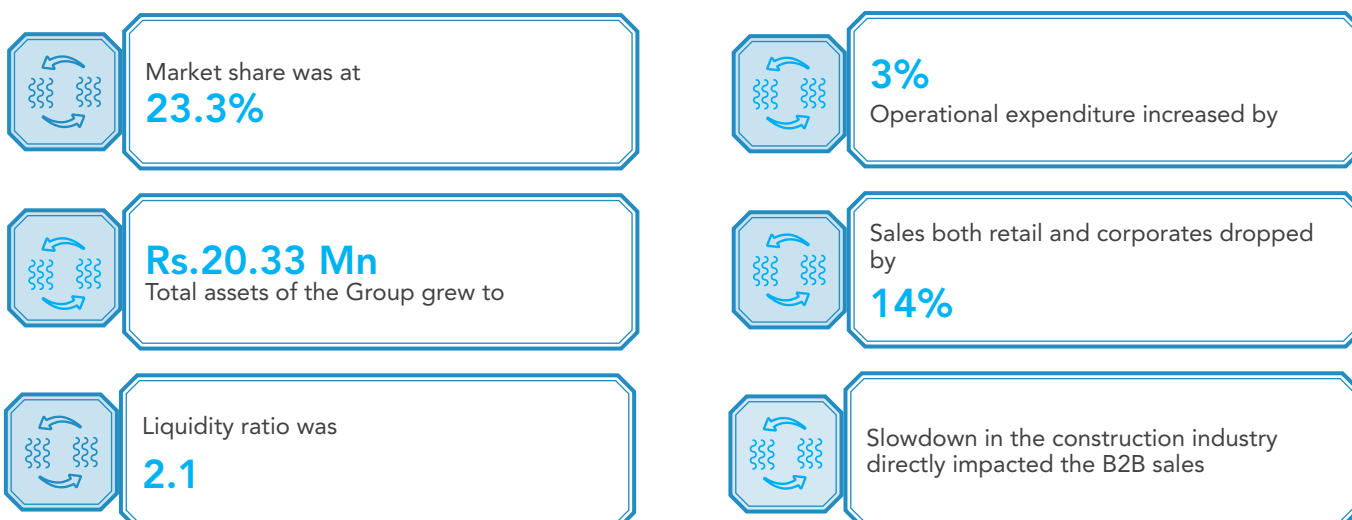
## INTELLECTUAL CAPITAL

Our knowledge, talents, and expertise, as well as our systems and procedures and brand value, all together form the intellectual capital that provides us with an advantage over rivals in the market.

# Financial Capital

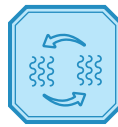


Lanka Tiles PLC's financial capital is a reflection of the Company's overall performance, profitability, growth and financial stability. It provides the management and shareholders with an understanding of how the strategies and efforts during the year had impacted the Company's overall profitability. The financial capital is a key decider of the Company's financial and strategic planning initiatives.

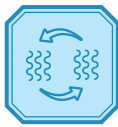




Improved demand for export mosaic products contributed to Group revenue



Additional state imposed taxes and levies increased Company's tax liabilities



Lift of tile import ban impacted revenue and profitability

Over the years, Lanka Tiles PLC has maintained robust financial governance and internal controls to mitigate potential financial risks arising from internal and external factors that impact the market. Prudent financial management has helped safeguard shareholder interests and ensured stability and growth through the years.

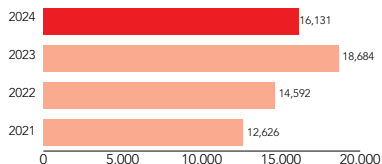
Lanka Tiles PLC reported a satisfactory performance during the 2023/24 financial year despite economic conditions, market challenges and regulatory pressures. Strategic financial management resulted in the Company maintaining its financial margins to deliver a commendable performance during the year.

## Revenue

The Company's revenue was at Rs.16,131 Mn during the year under review a 14% drop from last year. The decrease in revenue was due to the lifting of the tile import ban that flooded the market with low cost tile for the retail segment. Last year, Lanka Tiles PLC enjoyed a higher revenue growth benefitting from the ban on tile imports that increased domestic sales. Compared with last year sales volumes, during the year under review domestic sales were impacted after lifting of the ban.

### Revenue

(Rs. Mn)



Domestic sales recorded at Rs. 15,634 Mn in revenue, as the Company continued to maintain margins through increasing efficiencies in the production process. Domestic sales revenue continued to be challenged in the midst of high inflation and construction sector slow progress, as production volumes were not met equally by market demand.

However, the Company continued to introduce designs and tile sizes favoured by the market in the domestic sales whilst improving the cost of production through continuous technology infusion for production efficiencies and reduced wastage. (More information cited in Natural and Manufactured Capital sections)

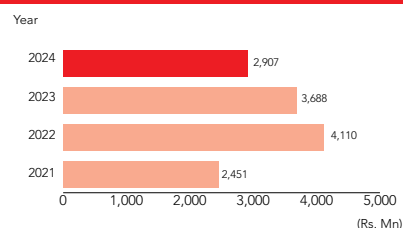
Previous capital expenditure machinery to increase production capacities contributed to maintaining a continuous inventory for export and domestic stock requirements.

In the year under review, export sales generated a revenue of Rs. 497 Mn, a 5% change compared to Rs. 525 Mn reported last year. The mosaic tile range introduced to the US and other export markets continue to attract sales and continue to grow in demand.

Year	Revenue – Export Sales (Rs.'000)	Revenue – Local Sales (Rs.'000)	Revenue Total (Rs.'000)
2021	370,670	12,255,815	12,626,485
2022	641,961	13,949,659	14,591,620
2023	525,498	18,158,544	18,684,042
2024	497,066	15,634,470	16,131,536

# Financial Capital

## Profit After Tax



Gross profit for the FY 2023/24 was Rs.7,462 Mn compared to Rs 8,428 Mn last year, decrease of (11%) compared due to higher taxation, operating expenses and lower revenue through sales. Gross profit margin showed promise, overall growth of the Company was below expected levels due to multiple reasons. While exchange rate fluctuations impacted export revenue and sales margins decreased due to higher costs in operations, production and sales. Cost of sales lowered from Rs. 10,256 Mn in the last year to Rs.8,669 Mn in FY 2023/24. However lower revenue from sales .

During the year under review, energy imports cost such as LPG constituted a significant portion of the cost of production at approximately 30%. With exchange rate fluctuations, the cost has also varied during the year, yet remaining a major expense of the production side.

Profit after tax was reported at Rs. 2,907 Mn, declining 21% from the Rs3,687 Mn recorded last year. The decline in profit after tax resulted from the increased taxation policies and regulations imposed by the government.

The Company continued to take measures to increase production efficiency and reduce cost of production. The production facilities continued to implement the TPM (Total Productive Maintenance and Management) initiative, which maximizes production capacities while reducing costs. The TPM initiative contributed Rs. 241 Mn operating profits, reducing the cost of production by 2.4% from Rs. 56 Mn recorded the last year.

Year	Gross Profit (Rs.'000)	Operating Profit (Rs.'000)	Net Profit (Rs.'000)
2021	4,746,103	2,775,596	2,450,894
2022	6,608,922	4,545,765	4,110,316
2023	8,427,646	5,297,540	3,687,802
2024	7,462,133	4,122,375	2,906,870

## Investments

With the intention of increasing our export revenues, the Company continued to invest in the Mosaic range of productions. The investments identified last year for mosaic tile manufacturing machinery was completed during the current year, delayed due to economic restrictions imposed by the government on imports. However, with the machinery installed, the facilities have increased mosaic tile production by 30% and the full capacity of the machines are expected to be optimized in the coming year. A further boost was given to the mosaic production range through a Rs.600 million expansion investment during the year to support the growth in this export business.

In addition, a Rs.300 Mn investments is earmarked to improve the kilns. To ensure full capacity in use, the feeding machines are to be upgraded. This is

expected to increase overall capacity of the facility and increase productivity.

Further investments were made in upgrading the showrooms in Nugegoda and setting up of new showrooms in Kiridiwala. Showroom renovations and upgrades during the year and a few new showrooms are identified to be added in the coming year.

A Company wide technology infusion was also completed during the year improving the systems and processes of the Company's HR, admin and logistics management. With a focus on innovation to drive growth, the Company continued its investments to improve and introduce new technologies and processes.

A total investment of Rs.1,398 Mn was made for the improvement of production facilities while Rs.953 Mn was invested in upgrading plant & machinery. The Company invested in the implementation of new technology such as LMS and SAP.

Year	Upgrade of Production Facilities (Rs. Mn)	Machinery Upgrades (Rs. Mn)	Training and Development (Rs. Mn)	Technology and Software (Rs. Mn)	Research and Development (Rs. Mn)
2021	522	327	2	1.5	4
2022	645	247	2	2	16
2023	1,190	319	11	87	13
2024	953	632	10	2.5	10

## Asset Base and Funding Profile

An increase of 9% to Rs. 20,044 Mn from Rs.18,373 Mn was recorded in the total assets of the Company, contributed by the strategic decision to hold inventory to avoid delays for export shipments. Further, capital investments in property, plant, and equipment increased asset value to Rs. 8,335 Mn. A significant decrease was recorded in cash and cash equivalent from Rs. 790 Mn the previous year to Rs. 299 Mn in the year under review, due to exchange rate losses made, security and overdraft facilities to support business operations in the cash and Bank balance.



## Asset composition

Year	PPE (Rs.'000)	Investments in Associates (Rs.'000)	Inventories (Rs.'000)	Cash and Equivalents (Rs.'000)	Trade and Other Receivables (Rs.'000)
2021	6,373,888	1,339,684	2,322,116	2,329,621	1,026,460
2022	6,471,179	1,563,428	2,473,794	4,936,501	910,523
2023	7,001,724	1,444,458	5,036,886	810,691	2,410,052
2024	8,413,115	1,209,239	7,414,063	306,811	1,478,014

## Liabilities and Equity

The total liabilities of the Company remained almost unchanged at Rs.5,344 Mn from Rs.5,694 Mn for last year.

The total equity increased by 6% to Rs. 14,990 Mn from Rs. 12,293 Mn. The debt-in-equity ratio decreased to 35% from 44% in previous years.

The balance in inventory recorded an increase of its value to 47% from Rs.7,414 Mn during the year from Rs. 5,036 Mn due to management decision to maintain inventory to meet export demand.

Year	Long Term Borrowings (Rs.'000)	Short Term Borrowings (Rs.'000)
2021	971,206	321,727
2022	705,420	762,392
2023	434,405	1,315,883
2024	188,290	964,965

## Shareholders' Funds

Shareholders' funds as of the end of March 2024 amounted to Rs. 14,991 Mn, a 16% increase compared to the previous year, primarily due to Company profit. The debt to equity ratio at the end of March 2024 was 35% compared to 44% as at the end of March 2023.

Year	Shareholders' Fund (Rs.'000)	Borrowings (Rs.'000)
2021	9,927,081	1,292,933
2022	12,219,323	1,467,812
2023	12,932,183	1,750,288
2024	14,991,225	1,153,255

## Cash flow management

Lanka Tiles working capital was directly impacted by the external macro-economic challenges in the country. Last year, cash flow mainly increased on high interest income, increase in sales which also meant less inventory, and negotiated advance payments and better receivable collections.

However, unlike in previous years when Lanka Tiles had excess cash, in the year under review the Company had to increase short term borrowing facilities to finance working capital due to lower demand for tiles in the market. Contributing negatively to the cash flow was also the high import cost and expansion drive within the production facilities. Similarly, a strategic decision was made to maintain 2-3 months of inventory in the warehouses to avoid delays for shipments which further pressured cash inflows.

Compared to previous years, the Company had engaged in advanced payment system for overseas partners and local suppliers. During the year under review, suppliers and partners opted for advanced payment system forcing the Company to negotiate credit terms. In the overseas front, with Sri Lanka's credit rating dwindling advance payments were required in managing international trade. In the domestic supplier front, local dealers were also delaying receivables due to financial difficulties for which the Company had to impose restrictions on receivables.

Also, the downward revision of interest rates during the year decreased the interest income which contributed favourably last year to cash flow whilst low sale volumes impacted the revenue and cash inflow.

## Factors affecting cash flow

	2024 (Rs.Mn)	2023 (Rs.Mn)
Interest Income	187	518
Inventory	7,414	5,037
Sales Revenue	16,131	18,684
Capital Investment	(1,030)	(1,071)
Cost of Sale	8,669	10,256

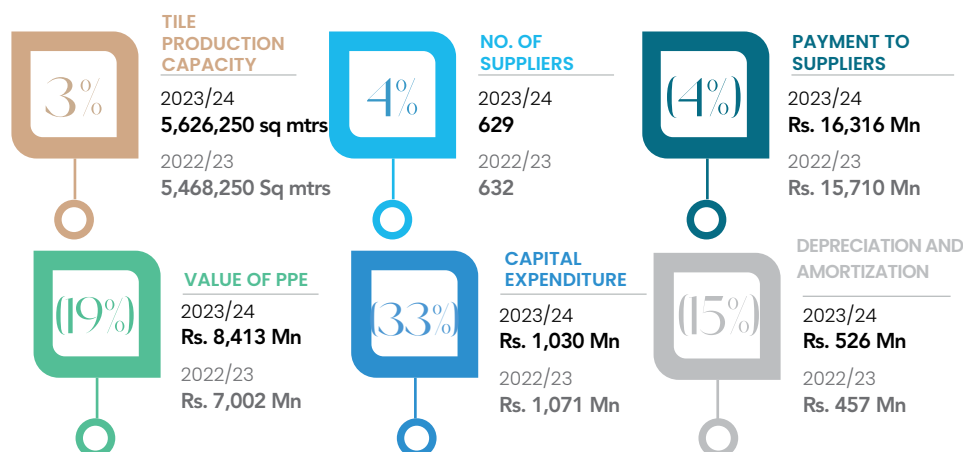
Cash and cash equivalents indicated a contraction of Rs.29 Mn compared to Rs. 266 Mn last year. Capital expenditure decreased to Rs.1,030 Mn this year compared with Rs. 1,071 Mn last year. Interest income dropped from Rs.518 Mn to Rs.187 Mn in the current year. Similarly, revenue from sales reduced to Rs.16,131 Mn during the current year compared to Rs.18,684 Mn last year. Operating activities reported a cash flow of Rs.2,728 Mn with a current ratio of 2:1.

The capital expenditure incurred throughout the year resulted in a cash outflow of Rs. 1,030 Mn from investment activities, production costs, and inventory. The payment of debt and dividends accounted for Rs. 1,964 Mn in cash outflow from finance activities and dividends.

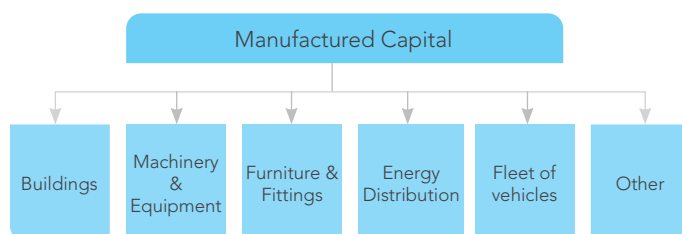
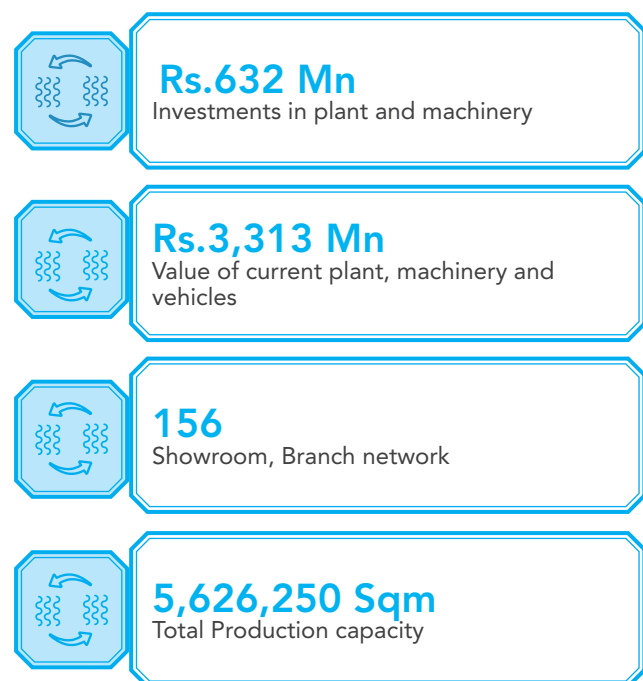
## Capital Structure

The Group's capital structure remained unchanged compared to the previous year as the debt-to-equity ratio declined to 35%, from 44% the previous year. During the year, shareholder equity increased by 15.5% to Rs.2,013 Mn due to growth in retained earnings. The Group's reported capital remained constant.

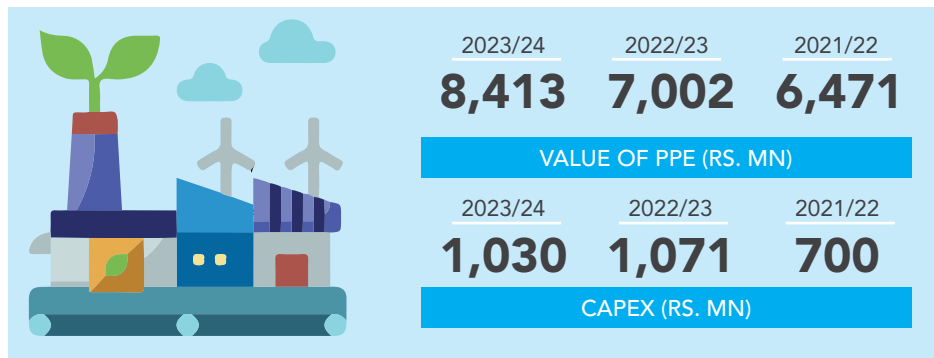
# Manufactured Capital



Lanka Tiles PLC's manufactured capital consists of the physical assets that are held by the Company. These include the manufacturing plants, machinery, tools and equipment, vehicles, warehouses, branch offices, showrooms and all other tangible fixed assets. It is essential these assets are frequently updated and maintained. It is crucial in ensuring efficiency and productivity of our plants and machinery are updated with the latest technology and maintained for full efficiency, while a pleasant and attractive showroom environment demonstrates the brand image, high quality of our products and service, and provides confidence in the Lanka Tiles brand.



During the year under review, Lanka Tiles PLC maintained its investments in the manufacturing plants enhancing the kilns and production machinery. The plants also upgraded with advanced technology inputs that helped reduce wastage and increase production and productivity of the overall plant.



Rs'000	2023/24		
	Additions	Depreciation	NBV
Buildings	92,282	48,794	2,154,608
Plants & Machinery	632,368	341,112	3,266,394
Furniture & Fittings	37,414	5,412	52,241
Electrical Distribution Scheme	2,160	17,726	44,421
Motor Vehicle	874	14,082	46,481
Other	93,149	79,773	2,006,608

### Manufacturing Facility

Lanka Tiles PLC main manufacturing facility is located in Ranala. It is a 16,250 square meters per day with a production capacity of 5,626,250 tiles per annum. Currently, the facility operates at a 92% capacity. The facility is equipped with tools and machinery for the complete product cycle from 2023 to 2024. In the year under review, the Company invested in upgrading the kiln and expanding and maintenance work in the Ranala factory to the value of Rs.389 Mn. Further, investments were made to increase efficiency of existing machinery and processes whilst implementing initiatives to reduce wastage in the production process. The facility has managed to save Rs.241 Mn during the financial year through these initiatives. New tile sizes were also introduced in the year that increased profitability and optimization of raw material whilst energy recycling and redistribution within the facility contributed towards maintaining feasible cost of production.

In addition to Lanka Tiles production facility, 629 suppliers and outsource partners contribute towards various parts of the production process.



# Manufactured Capital

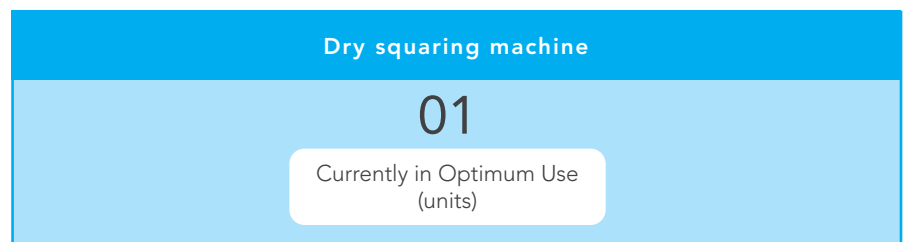
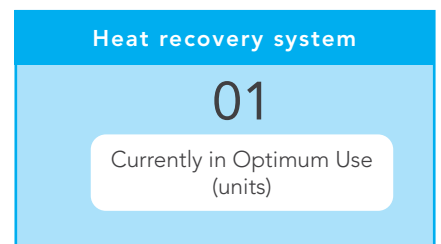
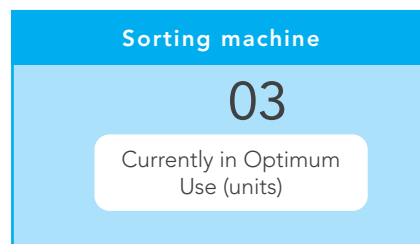
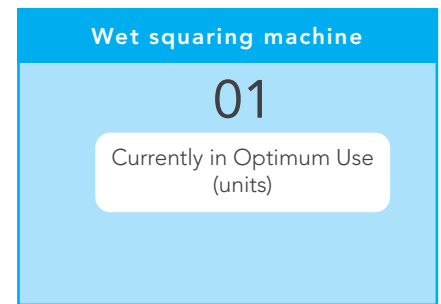
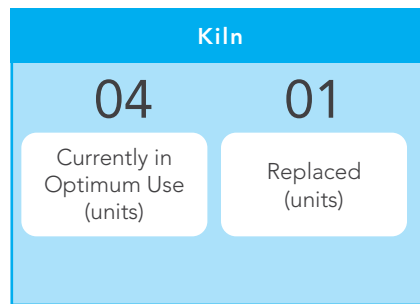
## Machinery and Equipment

The production facilities consist of specialized and advanced machinery imported for higher efficiency and lower environment impact. The range of machinery and equipment at our facility are maintained and upgraded frequently to ensure their optimal functioning at all times. During the year under review, the mosaic tile production increased in capacity benefitting from the investments in mosaic tile production during the last year.

This financial year, approximately Rs.632 Mn worth of machinery was replaced, while existing machinery was upgraded and maintained at a value of Rs.389 Mn. Installation of heat recovery systems and energy management initiatives within the factory has saved energy costs, approximately Rs. 138 Mn.

## Showroom and Branch Network

While Lanka Tiles flagship showroom is located in Nawala, the Company operates a branch network around the island in key locations. These locations have been carefully identified to ensure they have easy access to the customers and are designed to reflect the high quality and value proposition of the Lanka Tiles brand





Location	Factory Outlet Addresses	T/P
Alawwa	No 87/A, Colombo Road, Wariyagoda, Alawwa	037 2277340
Anamaduwa	No, 43 Chilaw Road Anamaduwa	032 2263323
Balummahara	Factory Complex, Balummahara, Imbulgoda	033 4930590
Dambulla	Lanka Tiles Factory outlet, No 689, Anuradapura Road, Dambulla.	066 2284652
Ehaliyagoda	Lanka Tiles Factory Outlet, Rathnapura Road, Bendaluwa, Parakaduwa	036 2256734
Godagama	M/s Sahan Enterprises, No: 774A, High Level road, Panagoda, Homagama.	011 2895782
Kalmunai	No: 306/B, Batticaloa Rd, Pandiruppu 2C, Kalmunai	067 2058858
Kandy	Factory outlet, No:369E Colombo Rd., Embilmeagama, Pilimathalawa.	081 2389439
Kilinochchi	No. 175, Karadipokku Junction A9 Road, Kilinochchi.	021 2285942
Madawachchiya	No.91, Main Street Kandy Road, Madawachchiya.	025 2245409
Mahabage	No.431, Negombo Road, Welisara, Mahabage	011 3443744
Matara	No: 12, St. Thomas mawatha, Matara.	041 2221267
Meetiyyagoda	Lanka Ceramic Plc, Baddegama Road, Meetiyyagoda.	091 4937383



Location	Showroom Address	T/P
Mirigama	3M, Negombo Road, Rendapola, Mirigama.	033 2210071
Nochchiyagama	No.354 F, Puttalam Road, Nochchiyagama	025 2257072
Polonnaruwa	No: 516, 28th Milepost Batticaloa Road, Polonnaruwa,	027 2550600
Siyambalanduwa	Lanka Tiles Factory outlet Main Street, Siyambalanduwa.	055 227 6605
Thalawakele	No. 210/3, Nuwara Eliya Road, Thalawakele	025 2258076
Thissamaharamaya	Saranda Building, Hambanthota Road, Tissamaharama	047 2239123
Aluthgama	No.409, Galle Road, Aluthgama.	034 2272409
Ambalangoda	No.10, Main Street, Ambalangoda	091 2258288
Ambalanthota	U K G Mahagedara Tissa Road, Dehigahalanda, Ambalanthota	047 2225361
Ampara	No. 774, Brown Junction, Kalmunai Road, Ampara.	063 2224942
Anuradhapura	No. 20/1, Thibirikadawala, Jayanthi Mawath, Anuradhapura	025 2234233
Athurugiriya	No. 182, Pore, Athurugiriya	011 2562506
Avisswella	No 260 , Kiriwandala , Avisswella	036 2237026
Badulla	No.315, Passara Road, Badulla	055 2231395
Balangoda	No. 350g, Ratnapura Road, Balagahamula Rd, Balangoda	045 2228996
Bandarawela	No 482, Badulla Road, Bandarawela.	057 2221400
Batticaloa	No.384b, New Kalmunai Rd, Navatkudha, Batticaloa.	065 2058500
Chilaw	No.160, Colombo Road, Maikkulama, Chilaw.	032 2223661
Dambulla	No.27, Kurunegala Road, Dambulla	066 2285077
Dickwella	97/19, Tangalle, Matara Main Road, Dickwella	041 2256140
Digana	No.61/4, Mahiyagana Road, Digana	081 2376336
Embilipitiya	Ratnapura Road, Pallegama, Embilipitiya	047 2263012
Galle	No. 357, Baddegama Road, Dangedara, Galle	091 2233411
Gampaha	No.23, Queen Marys Road, Gampaha	033 2231810
Gampola	No. 98,A, Nawalapitiya Road, Gampola	081 2353126
Horana	No. 580, Panadura Road, Galledadugoda Horana	034 2266967

# Manufactured Capital

Location	Showroom Address	T/P
Ja - Ela	No. 351, Colombo Road, Weligampitiya, Ja-Ela	011 2244885
Jaffna	No.212, Palali Road, Kantharmadam Juntion,Jaffna	021 2223150
Kadawatha	No. 572/A, Kandy Road, Ranmuthugala, Kadawatha.	011 2969993
Kaduwela	No. 160/10/U, Bandarawatta, Biyagama, Kaduwela.	011 2487791
Kalutara	No.461,Galle Road,Kalutara South.	034 2226288
Kandy	No.121,Katugastota Road,Kandy	081 2223866
Kegalle	No. 714/A,Kandy Road, Meepitiya, Kegalle.	035 2221695
Kiribathgoda	No.104/A/B, Kandy Rd, Dalugama, Kelaniya	011 2984410
Kirindiwela	No.65, Nugahenawatta, Kirindiwela	033 2253892
Kottawa	No.327, High Level Road, Makumbura , Kottawa	011 2178207
Kuliyapitiya	No.122 Hettipola Road Kuliyapitiya.	037 4550554
Kurunagala	No.250, Negombo Road, Kurunegala.	037 2056130
Mahiyanganaya	No. 44 1/2, Padiyathalawa Road, Mahiyanganaya.	055 2258550
Malabe	No. 302/6, Kaduwela Rd, Koswatta, Thalangama North	011 2072771
Matale	No: 575, Trincomalee Street, Matale.	066 2231042
Matara	No.247,Kotuwegoda,Matara	041 2238393
Mathugama	No. 206,Agalawatta Road,Mathugama	034 2249054
Minuwangoda	No: 88/B, Airport Road, Boragodawatta, Minuwangoda	011 2294945
Monaragala	No. 132/1,Wellawaya Road,Monaragala	055 2277046
Moratuwa	No. 468, Galle Road, Rawathawatta ,Moratuwa	011 2642355
Negombo	No. 495, Colombo Road, Negombo	031 2234162
Nittambuwa	No.02,Kandy Road,Nittambuwa.	033 2051775
Panadura	No.04, Sri Medananda Road, Panadura (Facing Galle Road)	034 2240897
Peradeniya	No.255,Udaeriyagama, Peradeniya.	081 2386204
Rathnapura	No. 132/B Batugedara Rathnapura	045 2230263
Trincomalee	No.485, Kandy Road, Abayapura, Trincomalee	026 2228919
Vavunia	No.58, Jaffna Road, Vavuniya	024 2227250
Warakapola	No. 229 A, Kandy Road, Dummala Deniya, Warakapola.	035 2267506
Wariyapola	No. 221, Kurunegala Road, Wariyapola.	037 2268063
Wattala	No. 580, Negombo Road, Mabola, Wattala	011 2948355
Welimada	No. 90 Badulla Road,Welimada	057 2245845
Wellawaya	Weerasekaragama, Wellawaya	055 2055083
Wennappuwa	No. 350/A, Chilaw Road, Kolinjadiya, Wennappuwa.	031 2255444



### Export destinations over the world

In addition to the local branch network, Lanka Tiles recent expansion to export markets have added to our global presence in distribution and showroom network. Currently, the Company's export presence is visible in USA, Canada, Japan, and select Asian destinations while Australia remains our main export destination.

During the year, the Company's presence in India was strengthened through a distribution channel providing greater access to regional markets. The Company is forging ahead with expansion into European, US and Asian markets with the Mosaic range of tiles which is a sought after product in the export market.



### Vehicles, Furniture and Other items

The Company's asset base includes a variety of vehicles that are essential in the transportation of production material, delivery of goods island-wide, transportation of staff and for day to day manufacturing, distribution, administrative, marketing and sales requirements.

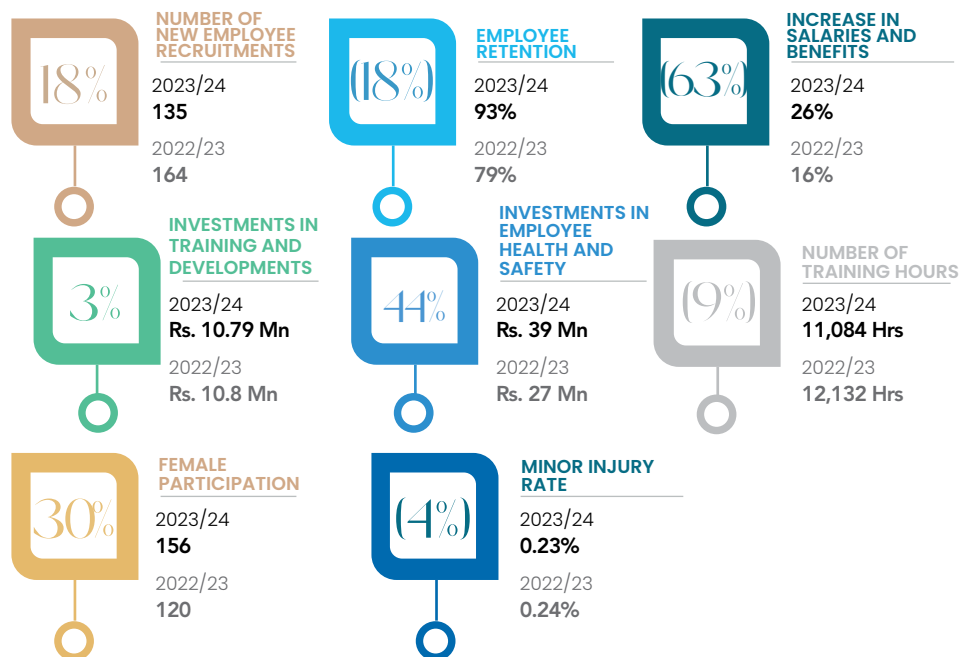
Heavy vehicles 02	Industrial vehicles 27	Delivery trucks 02	Passenger transport 02	Cars, SUVs 04
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In addition, the Company also maintains an essential inventory of items across the overseas units, branch networks, warehousing and head office premises.

Rs. **37** Mn  
Furniture

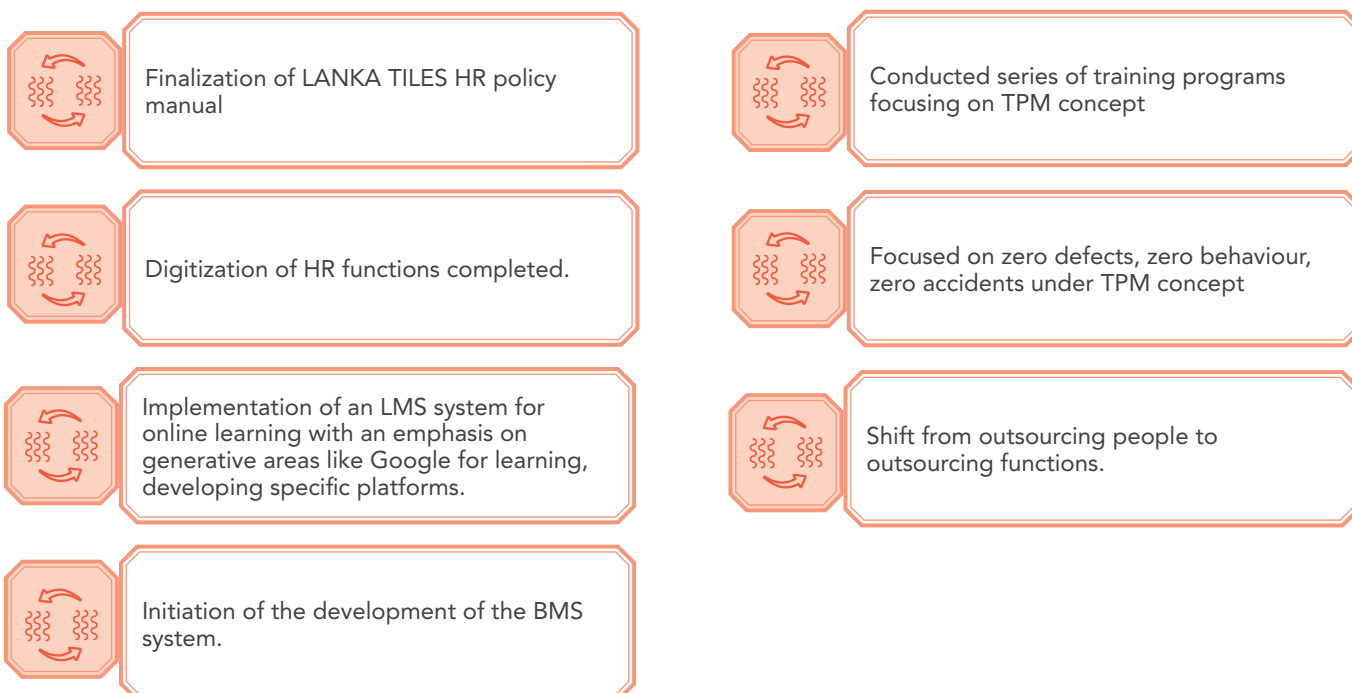
Rs. **28** Mn  
IT equipment

# Human Capital



LANKA TILES PLC human capital captures the workforce, including both our employees and leadership, that form the cornerstone of our Company's strength and resilience, driving us towards our corporate and value objectives. The success and expansion of Lanka Tiles hinge upon our employees' capacity to absorb knowledge, provide exceptional service, display empathy, adapt, innovate, and demonstrate remarkable loyalty and dedication in their respective roles.

Lanka Tiles PLC has consistently endeavored to empower our staff members and enhance their personal and professional growth through a variety of initiatives catering to their physical and psychological well-being.





### The HR Framework

The HR framework at Lanka Tiles PLC is built based on industry best practices, embodying our core culture and values. Operating under the oversight of the General Manager - Finance, the Human Resources Department is entrusted with the task of seamlessly integrating an HR framework in alignment with our overarching business strategy. Additionally, this department shoulders the responsibility of upholding regulatory standards and enforcing policy frameworks to maintain organizational integrity and compliance.



### New Policy Manual

During the year under review, our focus remained steadfast on refining and finalizing the LANKA TILES Human Resources policy manual, which the Group had been immensely worked. The intricacies of developing such a document, which summarizes about 18 areas into 8 key results areas, demanded exhaustive attention, necessitating a thorough examination of every detail to ensure its alignment with our organizational ethos and regulatory requirements. During the financial year 2023/24, the HR department marked a milestone in its journey with the finalization of the LANKA TILES HR policy manual, showcasing our ongoing pursuit of organizational effectiveness and employee well-being.



These 8 key areas encompassed in the new HR policy manual were detailed extensively under PESTEL (political, economic, social, technological, environmental and legal) factors, which include



# Human Capital

## Human Resource Overview

The financial year 2023/24 has been challenging due to brain drain under the current financial crisis in the country. Staff retention became a significant concern, initially stemming from the executive level but eventually extending to staff across all categories. This trend of attrition was observed across various levels within the organization, indicating a widespread issue that required attention.

High turnover levels in the Company forced the HR department to scrutinize our recruitment, payment, and interview procedures. During the last financial year, Lanka Tiles PLC focused on enhancing employee packages, particularly the variable component, and improving welfare initiatives to promote a better work-life balance. As a result, the Group strategically resorted to hiring industrial-trained individuals and graduate trainees, reaching an optimum level of industrial-related personnel whom we can readily recruit to fill staff positions in order to lower the turnover rate.



# 843

Total Number of employees:

## 519

Permanent cadre

## 75

Contract basis

## 249

Outsourced personnel

Workforce Mobility	2024/23	2022/23	2021/22
New recruitments	135	164	135
Employee retention	93%	79%	85%
Turnover ratio	6%	20%	15%

## Work-Life balance

In the previous financial year, efforts were made to enhance work-life balance within the organization. Additionally, there was a consistent effort to foster a culture where all employees felt valued and content. During the year under review, emphasis was placed on recognition and inclusivity. Several events commemorating special occasions such as International Women's Day, executive-level events, annual gatherings, trips, and the recognition of employees' children's achievements were held. Programs tailored for children were also introduced, reflecting a commitment to supporting employees holistically.

## STAFF

Category	Male	Female	Total
Senior management and above	11	2	13
Executive	45	14	59
Staff	489	20	509
Operative	142	120	262
Total	687	156	843

## PROVINCE

Category	Contract	Outsourced	Permanent	Total
Central Province	3	-	18	21
Eastern Province	-	-	4	4
North Central Province	-	-	4	4
North Western Province	4	-	11	15
Northern Province	-	-	3	3
Sabaragamuwa Province	-	-	36	36
Southern Province	-	-	23	23
Uva Province	-	-	12	12
Western Province	68	249	408	725
Total	75	249	519	843



## Training Programs

Training Programme	Total Hours
5S Training	324
Awareness on Forklift Operating	32
Brand Identity Awareness	14
Building Healthy relationship for life	31
Business Letter Writing & Email etiquette	3
Creating Value to the industry from SCM	16
Customer Complaint Handling	112
Defensive Driving & Vehicle Safety	16
Discipline Awareness Programme	125
Effectively Formation of H& S Committee	16
Executive Diploma in Manufacturing	156
Failure Mode & Effect Analysis	16
Fire training program	339
NCQP-Awareness session	5
HR Analytics Master Class	8
Incident investigation	16
Internal Audit Training - ISO 14001	64
Introduction 5S & TPM for mosaic employees	33
IOT Training	50
ISO 9001: Internal Audit Training	32
ISO internal Audit training	40
JH Training I	486
LEAN Waste Management	65
LMS Awareness	50
Marketing related training	7,742
Planning Engineer - Certificate Course	88
Project Management National Conference	8
Other Training Programmes During the Year	1,197
<b>Total Hours of Training</b>	<b>11,084</b>

# Human Capital



## Strategic Outsourcing

During the year under review, Lanka Tiles PLC focused on functional outsourcing of business areas. Previously, the organization outsourced people, but during the year under review, this shifted from personnel outsourcing to functional and operational outsourcing with greater emphasis on services, which was a new shift in the Company's HR focus.

### Key outcomes of outsourcing:

- Remote workforce: Outsourced staff worked from their residences, handling customer inquiries and forwarding them to the Company. This had a significant impact on work spaces required.
- Detailed customer responses: They were well-versed in the products, providing detailed information to customers and forwarding purchase orders to the organization. As this was a specialist functional area for the outsourced teams, the function was better focused and inquiry handling showed an efficiency and improved satisfactory level.
- Cost-effective approach: Outsourcing tasks too proved to be cost-effective as they worked from their own residences, using their own facilities such as internet, laptops, and mobile devices to complete tasks and meet targets. This reduced the investment needed on overheads for the full time staff.

	Senior Management and Above	Executive	Staff	Operative
No. of Training Hours	-	1,129	9,955	-



## Employee Engagement

Our employee engagement initiatives help create lasting bonds and commitment with our employees. We promote an environment in which employees feel valued and respected.

A special event was organized targeting our team's female employees to commemorate International Woman's Day.

Year-round celebrations were held to mark the birthdays of each and every member of our workforce.

With the special contribution of the Company Welfare Society, religious activities including Pirith Chanting Ceremonies, and programmes to celebrate Wesak and Poson Poya Days were organized during the year.

## Employee Satisfaction

The Company's Remunerations Committee regularly assesses its remuneration policy in keeping with market rates and economic conditions. In accordance with the remuneration policy, attractive and competitive remuneration packages were offered to retain high performers and attract top recruits and experts into the workforce. Our remuneration policy continues to remain fair and equal to both male and female employees with a 1:1 ratio.

Benefits offered to the workforce includes the following:

- Incentives for monthly production and attendance
- Night shift incentives
- Annual profit share
- Free uniforms (include 3 t-shirts, materials for 3 trousers and a pair of shoes) and tailoring fee
- Free tea for employees working for Lanka Tiles
- Free Tile Calendars for all categories
- Fuel for Executive and Staff Grade employees (selected employees as per their entitlements)
- Subsistence for meals/transport for several selected employees including drivers
- Death donations
- Annual donations of books and stationery parcels for employees' children

Employees were entitled to parental leaves in the year under review

Employees entitled to parental leave	29
Employees That Took Parental Leave	22
Employees who returned to work during the period after parental leave	22
Employees who are still in employment 12 months after returning from parental leave	-

## Employee Wellbeing

Lanka Tiles continues to ensure the health and safety of every employee. The Safety Committee is in charge of monitoring, reviewing and advising on occupational health and safety initiatives of the Company. All our factory operations are carried out in accordance with the internationally accepted OHSAS 18001 (Occupational Health and Safety Assessment Series) safety standard.

The Company insurance policy is available to all employees to fulfil their medical requirements. Doctors are available four days per week at each and

every factory and employees are able to get medical treatments and consultations free of charge on a regular basis.

Health screening is conducted annually with the assistance of the MOH in the area. In addition, Vision Investigation Camp is organized every year.

### Rewards and Recognition

A performance appraisal system, that includes all the employees, is implemented to recognize and reward deserving staff members. Following a 'develop from within' philosophy, existing employees are prioritized when filling vacancies. In addition, career counselling and professional development programmes were conducted intending to facilitate the career growth of our employees.

Top-performing staff members were recognized during the year and several initiatives were taken to appreciate the recognized employees as mentioned below:

- Award Ceremony to honour the employees of 20 years of service
- Awards for the best KAIZEN practices
- Appreciation of employees' creativity

### Healthy Working Environment

#### Grievance Handling Mechanism

To efficiently address employee issues, our Company has a structured solution process which is compliant with OHSAS 18001. We prioritize all employees equally in dealing with their problems in a confidential, prompt and equitable manner.

#### Crisis management initiatives:

- Implementation of awards for crisis management to incentivize improvement.
- Conducted sessions to celebrate and recognize employees' contributions to crisis management, offering prizes, gifts, certificates, and acknowledging crisis champions.
- Employees actively contributed proposals for crisis management, reflecting the organization's focus on reducing production costs.

- Conducted citizen program to enhance branding efforts, creating an effective concept that is currently performing well.
- Ongoing efforts to introduce additional initiatives for further improvement, including unique concepts not commonly seen in Sri Lanka.

### Freedom of Association

The Company maintains a positive and engaged relationship with trade unions, with the representation of 33% of our permanent cadre. All unions at Lanka Tiles are members of the inter-employee union. During the year, no noteworthy labour union actions were reported.

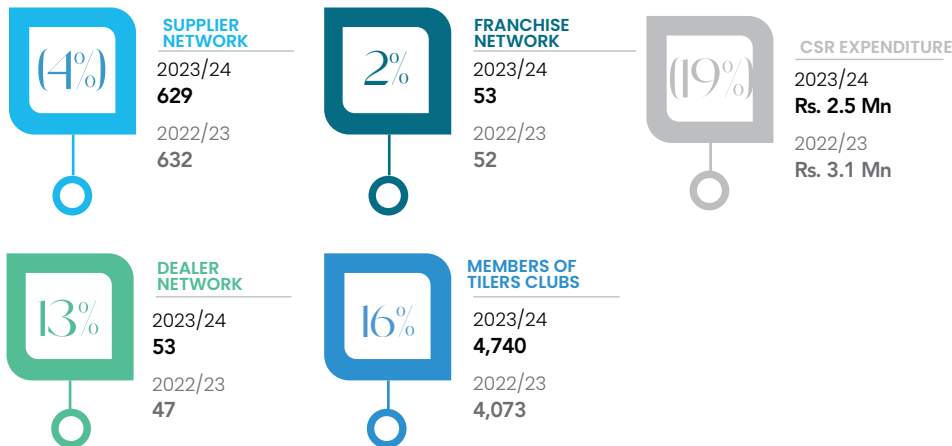
A collective agreement is signed once every three years and a branch meeting is held monthly.

### Employee rights

We respect the human rights of employees and in compliance with the disciplinary procedures, we have ensured anti-corruption, and anti-competitive behaviour within the workplace. No instances of child labour, forced or compelled labour, or occurrences of corruption or discrimination were reported during the year.



# Social And Relationship Capital



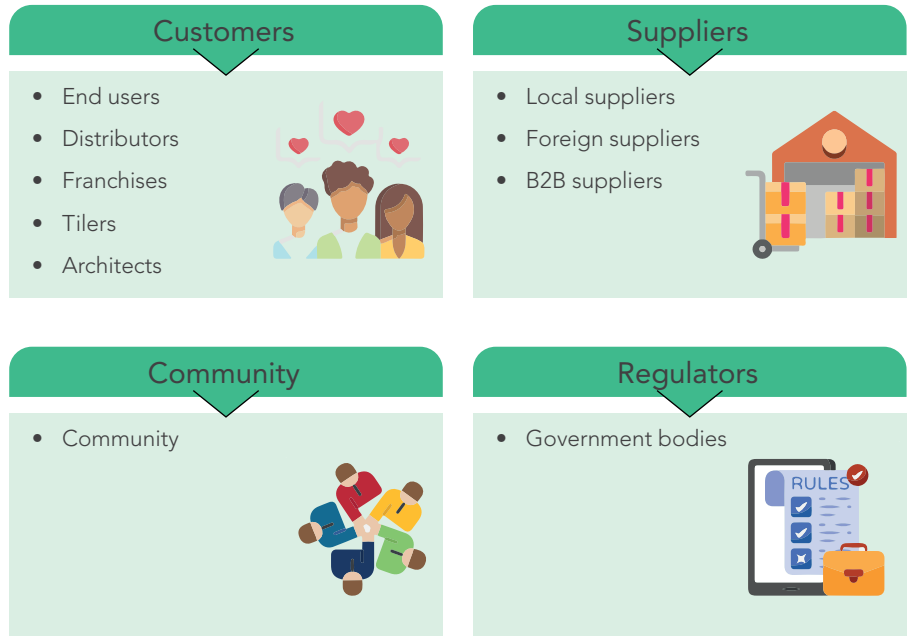
Social and Relationship Capital of Lanka Tiles PLC is established through enduring relationships cultivated over decades with our diverse stakeholders. Our primary objective is to maintain positive connections, fostering opportunities and value generation. Towards this, Lanka Tiles PLC focuses on stakeholder needs assessments, market research, and stakeholder engagement to drive social and relationship capital initiatives.





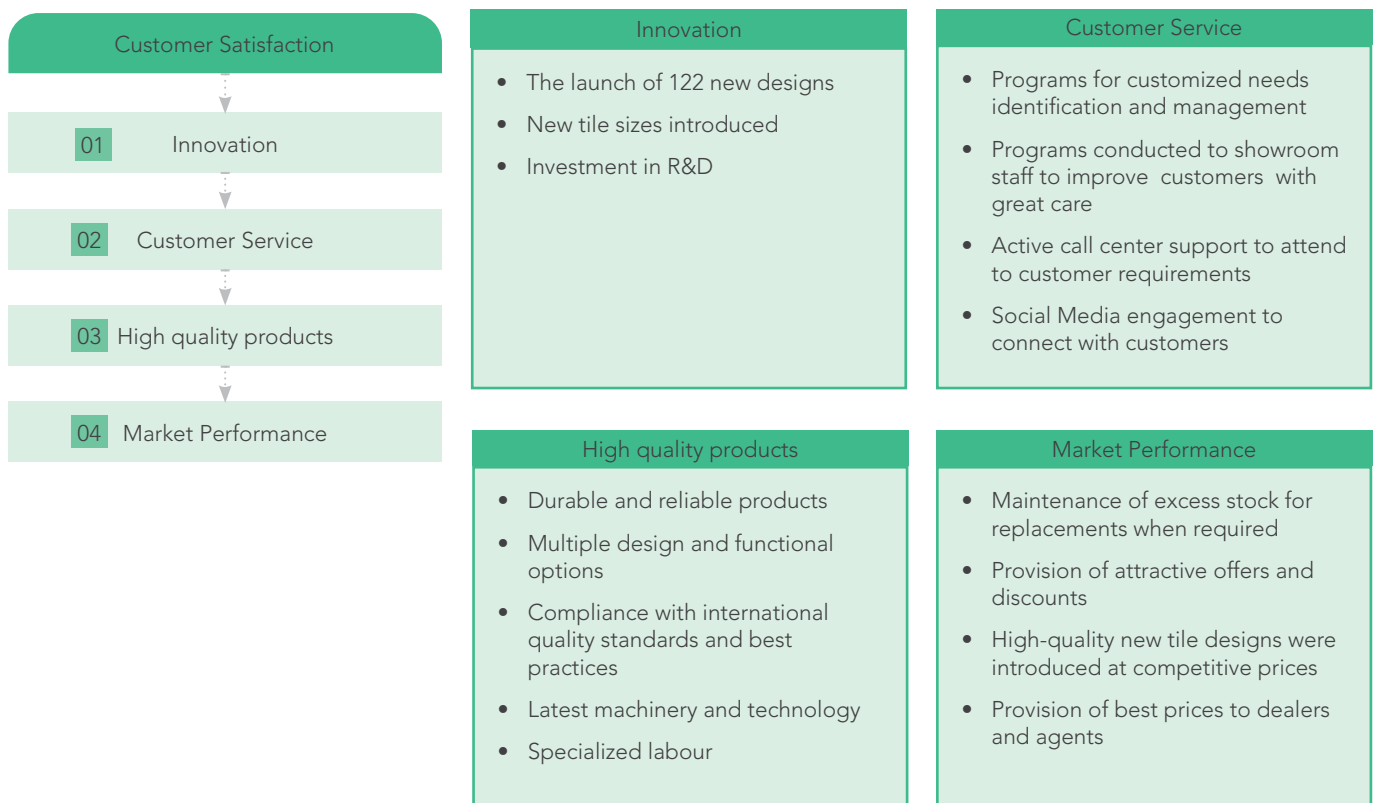


## Our Stakeholders



## Customer Engagement

Customers are an important stakeholder in our business. Ensuring customers are serviced and offered value addition is therefore crucial in the growth of our Company. In order to enhance customer engagement, Lanka Tiles PLC implemented several initiatives through various channels during the previous financial year.



# Social And Relationship Capital

- An identity revamp was conducted last financial year. This revamp involved identifying gaps in our services and introducing four personality traits to the brands: youthfulness, cheerfulness, contemporary, and others.
- A program was developed on becoming a brand citizen and brand ambassadorship. These efforts aimed to ensure improved customer engagement.
- Multiple training programs were implemented at showroom level to address resistance faced in selling mosaics due to complexity of installation, targeting high-volume tilers and providing hands-on training at the factory to equip them with necessary skills.

## Customer Engagement Enhancement Strategy

Lanka Tiles PLC recognized the importance of trust, a core value of the brand, and the enduring relationships it fosters. Through deep customer immersion during the last financial year, Lanka Tiles PLC identified the need to adapt to contemporary communication styles, particularly with younger generations. The Company sought more conversational interactions and a willingness to listen. Consequently, we provided training to our sales staff to better understand and address customer needs, focusing on offering solutions rather than solely discussing product specifications. Our goal was to create a more engaging customer experience.

## Loyalty Scheme:

Lanka Tiles PLC implemented a loyalty scheme for our premium customers, which comprised various tiers such as gold, platinum, and silver. During the year under review, the Company provided rewards and incentives to our loyal customers, particularly during occasions such as New Year and Christmas.

## Customer Touchpoints:

### Customer Touch point

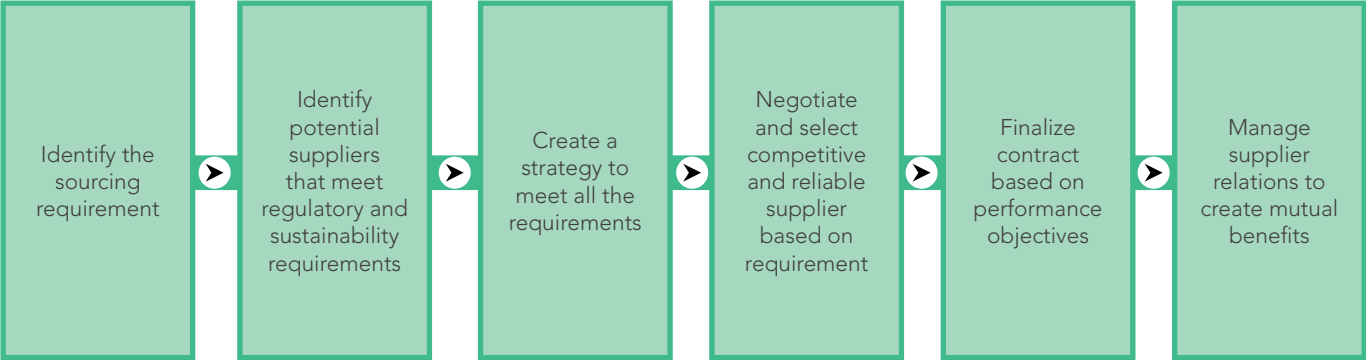
- 53 Franchise showrooms
- 32 Distributors
- 19 Factory outlets
- Premier club for architects
- 1 Call center
- 53 direct dealers
- Social media
- Trade exhibitions
- Annual meeting for franchisees
- LANKA TILES PLC Mobile App
- 2 own showrooms
- Tiler Club 4,740

## Supplier Engagement

Suppliers make sure that the production process can continue uninterrupted by providing raw material and services on time. Therefore, engaging with suppliers and ensuring their satisfaction is vital for Lanka Tiles PLC. Over the years, Lanka Tiles has partnered with several suppliers who provide a variety of services and products from raw material, production related services across the manufacturing process.



Suppliers (Nos)	2024	2023	2022
Domestic supplier base	593	590	401
Foreign supplier base	36	42	43
New suppliers	15	12	32



Lanka Tiles PLC been successful in continuing our manufacturing process seamlessly amidst challenges during the year. The years of relationship, trust and goodwill built with our supplier network has been a key contributor in achieving undisturbed functioning of our factories.

In the year under review, our suppliers faced several economic challenges that the Lanka Tiles Group was able to support through relief mechanisms. Concessionary payments, favourable credit periods, and other collaborative proposals were offered to suppliers to ease their financial burden. Foreign supplier relations was also affected during the year with exchange rate fluctuations, Central Bank restrictions on foreign currency transactions and other factors that impacted import of raw material. However, overseas suppliers continued to honour Lanka Tiles requirements despite challenges to ensure uninterrupted production across our facilities.

Equity	Quality Assurance	Satisfaction
<p>We deal with all our suppliers in a fair and equitable manner.</p> <ul style="list-style-type: none"><li>• Annual registration of all suppliers</li><li>• Frequent procurement meetings</li><li>• Adherence to contracts</li><li>• Transparency</li><li>• Site Visits</li></ul>	<p>We ensure the quality of all supplies and check for compliance with the regulatory requirements.</p> <ul style="list-style-type: none"><li>• Quality inspections</li><li>• Continuous feedback</li><li>• Ensuring all suppliers confirm regulatory requirements</li><li>• Ensuring that suppliers are certified by the Central Environmental Authority</li></ul>	<p>We maintain a mutually beneficial relationship to ensure a satisfied and protected supplier.</p> <ul style="list-style-type: none"><li>• On-time payments</li><li>• Financial support</li><li>• Assistance with technical support</li><li>• Providing feedback</li></ul>



# Social And Relationship Capital

## Community Engagement

It is important to maintain a good relationship with the surrounding community. Throughout the year, the Company organized various CSR events and community support initiatives in response to community requests. Additionally, Lanka Tiles PLC several donations such as Tiles, Stationery, and financial assistance. In supporting the community, Lanka Tiles PLC has engaged with key institutions of the community such as schools, places of worships and contributed towards vulnerable communities such as working mothers, elderly community and youth employment, among others.

Some of the CSR activities

- Book & Stationery Donation to Schools
- Culvert Donation to Eksath Buddhist Societies
- Iron bar Donation to Jalthara Farmers Society
- Monetary Donations to Temples, Schools
- Mug Donations for Senior Citizens Societies
- Tile Donations

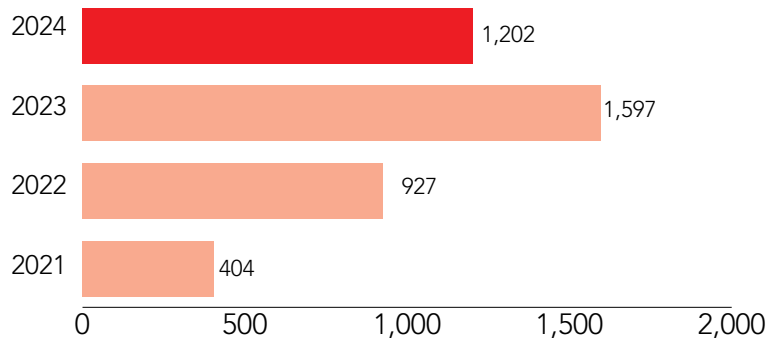
## Regulator Engagement

During the year, Lanka Tiles PLC maintained close relationships with regulators and state institutes. Lanka Tiles PLC as a good corporate citizen contributed to the national revenue through tax payments and export related levy payments and revenue generation.

	2024 (Rs.Mn)	2023 (Rs.Mn)
Income Tax contribution	1,202	1,597
Export revenue	497	525
License and certification	5	5

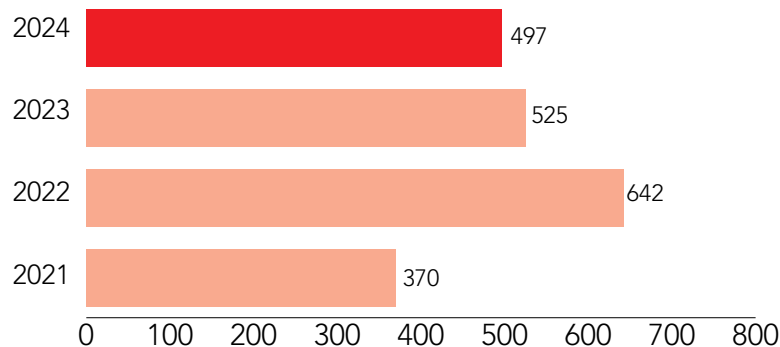
## Income Tax Contribution

(Rs. Mn)



## Export Revenue

(Rs. Mn)



## Partnerships and Support to Other Stakeholders

### Education/ Vocational Training Institutes

- Partnerships were formed with vocational training centers to develop programs aimed at upskilling the workforce. Specifically, Lanka Tiles PLC collaborated with institutions such as technical colleges, the German Technical Training Institute, and universities to directly recruit technical graduates.
- Job opportunities were provided to industrial trainees and university undergraduates, fostering strong relations across all areas of study.
- Our focus expanded beyond technical engineering to include HR, Finance, Logistics Management, Marketing, and Design.
- Continuous training initiatives were implemented for university undergraduates, particularly at Moratuwa University's Design Department.
- Several programs were conducted at NSBM to share knowledge and provide essential training.

These collaborations not only benefited our workforce but also addressed high turnover levels and retention challenges.

### Lanka Tiles Tilers' Club

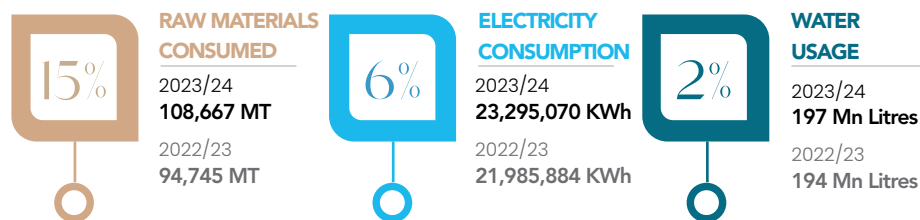
This Club has members across the country who is employed in tiling as a profession. Set up by Lanka Tiles' Club members undergo training and generate revenue by promoting Lanka Tiles product to their customer base. This benefits the Company, tilers as well as customers. Currently the Tilers Club has a membership exceeding 4,740 tilers who also enjoy multiple benefits and training opportunities

### Premier Club for Architects

This club include members of the Sri Lanka Institute of Architects who are practicing and professional architects of Sri Lanka. With a membership of over 120 architects, the Premier club provides architects with an opportunity to explore first-hand the new designs, technology and to provide feedback and customer and industry feedback to Lanka Tiles.



# Natural Capital



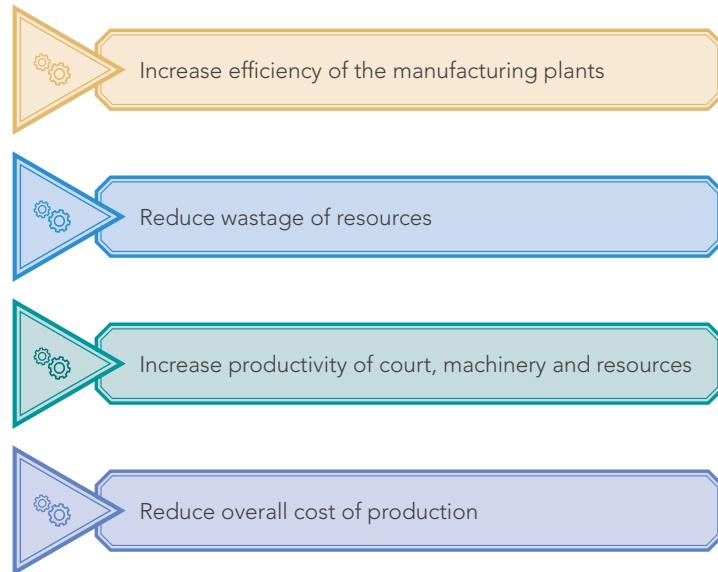
Natural Capital is the lifeline of our industry, making it one of the most valuable resources for Lanka Tiles PLC. Our Natural Capital includes primarily clay and clay mining lands, water, energy and the surrounding environment of the manufacturing plants, factories, warehouses and showrooms. However, we are mindful of the scarcity of this resource. With the heavy reliance on natural resources, the Company is dedicated towards ensuring minimal impact on the environment through implementation of best practices, benchmark manufacturing processes and system standards and effective environment policies.





### THE 3R APPROACH

Lanka Tiles PLC environment policy focuses on the 3R approach in natural resource planning. This is to 'Recycle, Reuse and Reduce' modeling. Our manufacturing facilities constantly encourage our staff to identify opportunities to recycle, reuse and reduce consumption and wastage of natural resources. During the year under review, several staff led initiatives have been implemented in complement to management strategies in place for greater efficiencies in natural resource management. These have helped the Company to:



### ENVIRONMENT POLICY INITIATIVES

Lanka Tiles PLC is an ISO 14000 certified Company with a robust environment management system in place. Further, Lanka Tiles PLC is Green Label certified, which is a testament to our longstanding commitment to minimizing the impact on the environment through efficient and environmentally - friendly use of natural resources.

The Company also engages in educating our communities on the importance and methods of environmental safeguards as a part of our Environmental Management Systems (EMS).

In addition, Lanka Tiles PLC practices TPM (Total Product Maintenance) in each factory through which each executive and supervisor are empowered to initiate projects to minimize waste and increase efficiency in the manufacturing process.

### NATURAL RESOURCE CHAIN



# Natural Capital

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

## ENERGY

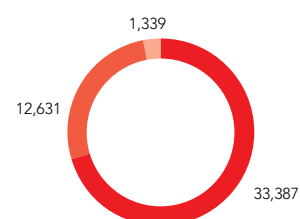
Several initiatives were implemented during the year to increase efficiency of energy usage at our manufacturing plants. The heat recovery systems introduced in the previous financial year is now fully in operation at the plants. This initiative helped in heat recycling and reuse efforts that focused on excess heat generated in the kilns being transferred to meet heat requirements of other areas of the manufacturing process. Excess heat transfers were used in the drying of tiles, powder manufacture and other heating processes. This also lowered the use of LPG usage in the tile factories and cost of LPG purchase.

The total investment of heat recovery system implementation was **Rs 359 Mn** and total LPG saving was **Rs 138 Mn**.

In addition, the burner efficiencies have been increased in the kiln 04, increasing the per day production of **200 square meters** of tiles.

During the financial year, our total non-renewable energy usage level was at **23.3Mn KWh**.

## GHG Emission



- Gross direct (scope 1) GHG emissions (Tco2)
- Energy indirect (scope 2) GHG emissions (Tco2)
- Other indirect (scope 3) GHG emissions (Tco2)

Energy Consumption	2023/24	2022/23	2021/22
Diesel (Litres)	294,644	719,493	403,775
LPG (Kg)	10,901,847	11,177,094	11,735,305
Electricity (KWh)	23,295,070	21,985,884	23,280,533

## WATER

Lanka Tiles PLC has been in the practice of water management for the last few years. Water is a key resource in the production of tiles. The dry squaring and sorting machinery installed in the manufacturing plants have contributed towards reducing water use significantly. The total water consumption during the year was 196 Mn litres of water. It is noteworthy that during the year, the produced water increased to 22 Mn litres which reflects the efficient water recycling and reuse initiatives implemented in the plants. The water treatments in the plants have helped maintain our focus on zero release of water related environmental hazardous waste. Currently, the manufacturing plants reuse 100% of the water extracted through the manufacture process.

Water consumption by type (Litres)	2023/24	2022/23	2021/22
Municipal water	9,624,665	10,850,000	9,396,000
Surface water	125,228,185	125,205,000	131,465,250
Ground water	39,678,471	41,270,000	43,333,500
Produced water	22,425,463	16,840,000	16,320,000

## MATERIAL (RAW MATERIAL)

Ball clay and Feldspar are the primary sources of raw material in tile manufacture. The Company holds 39.5 acres of freehold land. In order to ensure an efficient use of raw material the Company follows the reduce, reuse and recycle method for both ball clay and feldspar in the manufacturing process. As a result, in the year under review, the Company recycled 2,896 MT of the raw material used, which is a 3% of total material consumption. A total of 108,667 MT of raw material was consumed during the year.

Lanka Tiles PLC continuously implements environmentally - friendly practices in our mining and ensure that mines are restored after extraction. We are committed to work towards a zero impact methods and practices by encouraging increased reuse and recycling of raw material.

## Effluents and Waste Management

Effluents and waste management in the production process is a key concern for Lanka Tiles PLC. Our tile manufacturing plants are equipped to ensure that minimum sound pollution, dust emission and other emissions are released to the environment.

Lanka Tiles PLC has invested in European machinery across our production processes that are in line with global industry standards. These high quality machinery are in-built with low noise and low dust pollution emission. Further, in compliance with state regulations, our manufacturing processes ensure that noise levels, and wastage are within government approved limit. These are frequently monitored with the assistance of the state led Industrial technology Institute (ITI). Lanka Tiles PLC also maintains our environment protection license requirements with the Central Environment Authority.

Raw Material type (MT)	2023/24	2022/23	2021/22
Ball Clay	33,151	28,735	31,974
Feldspar	63,267	61,313	69,822
Kaolin	9,438	3,485	9,468
Silica sand	2,811	1,212	1,499

## Other Initiatives

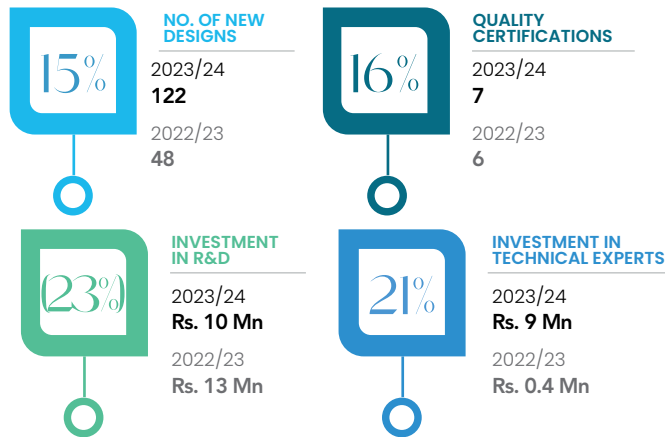
**Pallet management** – Rubber wood pallets have been heavily used over the years in the storage and transportation of tiles. These pallets often are damaged and discarded at the showrooms. In keeping with the Company's 3R policy, efforts were made to recycle and reuse these wooden pallets across warehouses, factories, dealer points and showrooms. As a result, the Company was able to save expenditure in repurchase of pallets and contributed towards reducing the reliance on rubber wood thereby saving many trees used for the pallet production. This year, the pallet usage was reduced and total saving for the year was Rs 2.7 Mn.

**Powder wastage** - Powder waste in the manufacturing process is a key concern for the Company. During the year, efforts were made to test on how to minimize powder wastage and these efforts have produced positive results saving approximately 1,226 MT of waste powder.





# Intellectual Capital



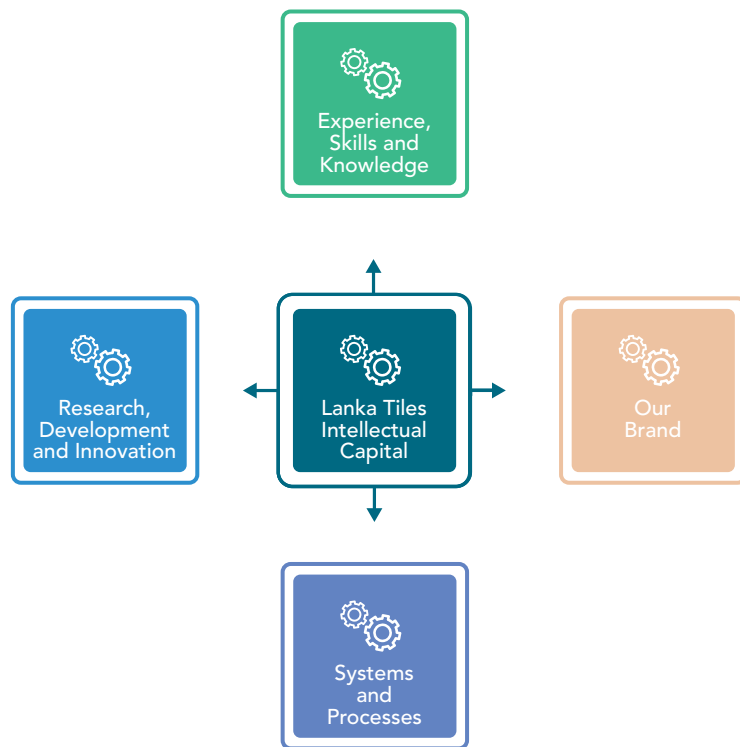
Lanka Tiles PLC's Intellectual Capital has been a key driving force behind the success of our brand. Our brand equity, industry experience, years of research and development, investments in technology, knowledge and skills, operational excellence, systems and process developments, and leadership constitutes our vast Intellectual Capital.

For over three decades, the homegrown Lanka Tiles brand has enjoyed market leadership and industry respect for the high quality products and ethical practices followed. The brand's growth and brand offering in the domestic and international markets have been built on the decades of growth of our Intellectual Capital.

We are proud to be recognized and appreciated as one of the most respected, top most valued and trusted brands in Sri Lanka, as well as to be awarded with industry certifications and recognitions for our high quality and ethical systems and processes.







## THE LANKA TILES BRAND

The Lanka Tiles brand is the Company's greatest treasure and most valuable asset. Valued by Brand Finance Sri Lanka at Rs.2,084 Mn as a Most Valued Consumer Brands, and recognized as the Most Respected Manufacturing Brand and Most Trusted Brands by LMD, Lanka Tiles PLC stands as Sri Lanka's premier tile manufacturer.

Over the last three decades, the brand has evolved with research, innovation, expertise, design, superior quality and advanced technology whilst ensuring best practices in governance, environment sustainability and stakeholder relations.

Branching out to multiple sub-brands and offering a range of tile categories, Lanka Tiles has expanded into the global market arena as a leading tile exporter.

## EXPERIENCE, SKILLS, KNOWLEDGE AND EXPERTISE

The Lanka Tiles brand is built on decades of experience, knowledge, technology, skills and expertise. The Company engages in multiple activities to maintain the rich quality of experience skills and knowledge through regular efforts such as :

- Transfer of tile manufacture techniques that have been passed on for generations
- Investment in staff training ensures that staff skills and knowledge are up-to-date.
- Continuous research and innovation has ensured that the products are dynamic, current and are environmentally friendly and cost effective.
- Providing incentives to retain high performers and longstanding employees with technical experience and expertise
- Technology investments that provide knowledge transfers
- Leadership and succession planning enabling growth and continuity
- Certifications and best practices have been engrained within the Company to ensure we maintain global standards

## INNOVATION

Lanka Tiles PLC's secret to decades of success lies on the Company's commitment towards innovation. From a simple traditional tile manufacturing to state of the art advanced manufacturing facility, Lanka Tiles has continuously innovated the products, the brand, the systems and processes.

Our key innovations are :

- Tile technology enhancements
- Tile design development
- Market trend analysis based research for innovations
- Process innovations for greater efficiencies
- Human resource related innovations for a safer and happier workplace
- Resource management innovations that provide better use of resources
- Innovative initiatives that increase production efficiencies and workplace efficiencies
- Environment sustainability innovations that ensure our efforts minimize any damage on the environment

During the year, Lanka Tiles introduced 13 new product and invested Rs.10 Mn in research and innovations.

# Intellectual Capital

## OPERATIONAL EXCELLENCE

Lanka Tiles PLC's operational excellence has continuously been enhanced through resource management, waste management, system and process streamlining, productivity and efficiency improvements. In addition to maintaining quality products and efficient processes, Lanka Tiles also strives to provide excellent customer service across our showroom and dealer network.

Over the years, Lanka Tiles operational excellence has continued to improve. During the year in discussion, the Company has reduced powder wastage by 1,226 MT, increased productivity by introducing total productivity maintenance Projects and improved cost of Production by reducing the material wastage.

Our goal is to provide excellent service while meeting the needs of our customers. Our efforts in below areas of operational excellence was continued during the year in review.

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

## SYSTEMS AND PROCESSES

Systems and process efficiency is crucial in operational efficacy and productivity. Technology improvements to our systems and processes have been implemented across all divisions. Priority is given to health and safety, environmental impact, and employee performance where activities were developed to support them.

Some of the systems we maintain include:

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

## CERTIFICATIONS

- SLS ISO 14001: 2015 - Certificate of the Environmental Management System by the Sri Lanka Standards Institution
- SLS ISO 9001 : 2015 - Quality Managements System certification from Sri Lanka Standards Institution
- CE Mark Certificate - Certificate for Ceramic Tiles by QSA International, UK
- OHSAS 18001:2007 - Occupational Health and Safety Management System certification from SLSI
- SLS 1181:2013 - Product Certification Mark (SLS Mark)
- Green Label Certificate - This product is safer and more environmentally friendly than other similar products.
- ISO 27001 : 2013 - Information security management certificate.

# Echoes of Authority



**Corporate Governance**



# Corporate Governance

The Lanka Tiles Group, a renowned business entity in Sri Lanka, leads the tiling industry and sets benchmarks across various domains. The Group has been recognized as the best corporate citizen of Sri Lanka on numerous occasions and certified as a champion of governance and accountability. It is dedicated to maintaining an effective governance framework and robust risk management practices.

The success of Lanka Tiles PLC as a premier floor tile specialist in Sri Lanka is underpinned by its comprehensive

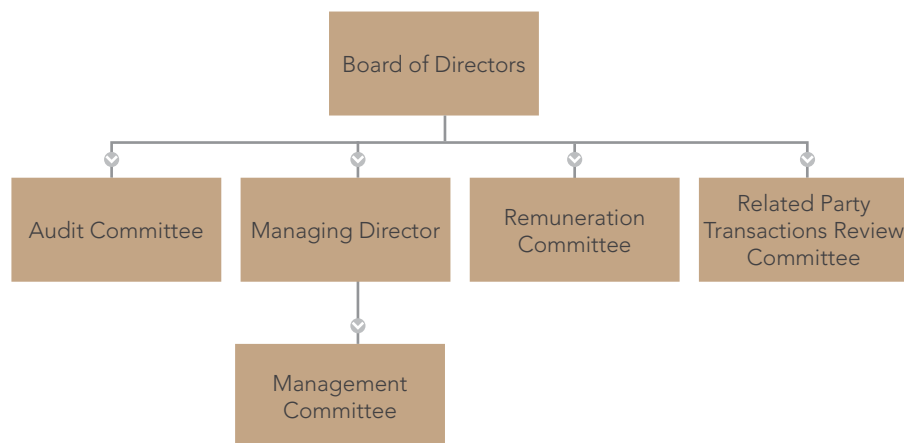
governance framework and risk management process established by the Board of Directors, ensuring strong business ethics and fostering an environmentally and socially responsible culture within the Company. This framework has steered the Group's strategic direction over the years, enabling it to manage obstacles and overcome unstable situations in pursuit of corporate objectives. Moreover, the governance framework encourages accountability to stakeholders in financial and ESG reporting, empowering the Company to surmount challenges and achieve its corporate goals.

## Governance in 2023/24

In the financial year 2023/24, the macro-economic conditions of the country presented a challenging landscape for the tiling industry. Alongside currency fluctuations and inflation, Lanka Tiles PLC encountered the specific challenge of the lifting of the ban on foreign tiles, impacting our sales margins and market share. The Board of Directors of Lanka Tiles PLC played a pivotal role in risk management, harnessing risks to expand into overseas markets and seize opportunities to maintain stability amidst the prevailing challenges.

The Board also assumed responsibility for ensuring compliance with legal and regulatory obligations through a strong system of internal controls. The establishment of a Risk Management Framework and the integration of ESG principles into the Company's corporate governance framework showcased its commitment to integrity in financial and ESG reporting.

At the 39th Annual General Meeting of Lanka Tiles PLC convened with the participation of shareholders, the Chairman of the Board, and the Board Committees. Queries raised by shareholders were addressed by the Chairman and the Board members.



## Board Composition

The 11-member Board of Directors of Lanka Tiles PLC offers strategic guidance, manages anticipated risks, and ensures adherence through its combined financial insight, industry experience, and proficiency in marketing and technical domains.

Board Members – 11	
Executive Director	
Non-Executive Directors	
Independent Non-Executive Directors	
Composition: Gender	
Female	
Male	

Composition: Age	
35 - 45	
46 - 60	
61 - 70	
Below 30	

Composition: Tenure	
<5 years	
5 – 10 years	
> 20 years	

Composition: Skill Set	
Banking	
Marketing	
Finance	
Technical	

Total no. of shares issued by Lanka Tiles PLC

**265,252,050**

Total no. of shareholders

**5,692**

Share percentage of Lanka Walltiles PLC, the parent Company of Lanka Tiles PLC

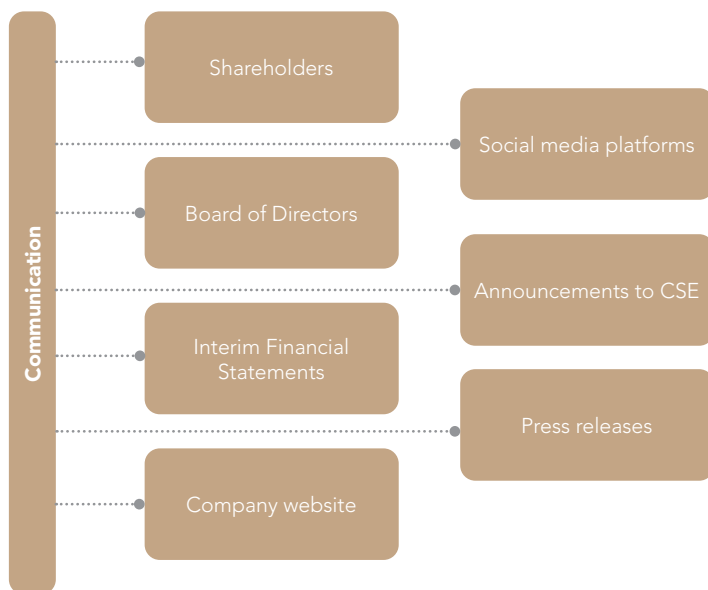
**68.2%**

## Engagement with Shareholders

The Board recognizes its obligation to present a balanced and fair assessment of the Group's financial standing, performance, and prospects, and is committed to full disclosure, with an emphasis on accuracy, relevance, and timeliness.

### Communication Channels

The Company ensures robust communication with shareholders through various channels.



## Chairman and Managing Director

The roles, tasks, and responsibilities of the Chairman and Managing Director are distinctly separated to ensure a balance of authority and power in the decision-making and implementation processes. The Managing Director is tasked with implementing strategic plans and driving performance within a defined framework. As a member of the Board, the Managing Director is appointed by the Board and submits quarterly reports confirming compliance with regulatory requirements.

### Protocol for appointment of Directors

The Company informs the Colombo Stock Exchange of any new Director appointments to the Board. This notification includes a brief resume of the Director, detailing their expertise in relevant functional areas, other Directorships, memberships on Board committees, and the nature of the appointment.

### Protocol for re-election of Directors

Directors, with the exception of those aged above 70 years, are selected by the Board and are subject to re-election by shareholders at the subsequent Annual General Meeting.

## Independence of Non-Executive Directors

The independence of Non-Executive Directors ensures impartial decision-making and compliance with regulatory standards, fostering transparency and accountability within the Company.

### The Company Secretary

Company secretarial services are rendered by P W Corporate Secretarial (Pvt) Ltd. The Company Secretary ensures that organization of meetings, distribution of Board documents, minute-taking, and submission of required filings are prepared and shared on time. They are a key resource in providing the Board with guidance to directors concerning board protocols and legal obligations related to their roles. The Company Secretary coordinates the Annual General Meetings, Extraordinary General Meetings, shareholder communications, and disclosures to the Colombo Stock Exchange. The appointment and dismissal of P W Corporate Secretarial (Pvt) Ltd is a decisions made collectively by the Board.

## Independence of Non-Executive Directors

### Independence Determination Process

The Board evaluates Directors' independence annually, as mandated by the Colombo Stock Exchange's Listing Rules, relying on statements provided by Non-Executive Directors.

### Directors' Autonomy

Directors possess the authority to make independent decisions, facilitated by their non-involvement in day-to-day management affairs and absence of business engagements with the Company.

### Designation of Independent Directors

The Board has determined that,

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

are Independent Directors as per the criteria for independence set out in the Listing Rules, based on the declarations submitted by the said Directors.

In determining the Directors' independence, the Board has taken into consideration that the period of service as a Board member exceeding nine years rendered by Dr. S Selliah, Mr K D G Gunaratne, Ms A M L Page and the directorships held by the said Directors and Mr S R Jayaweera in Lanka Walltiles PLC, which has a significant shareholding in the Company, do not compromise the independence and objectivity in discharging their functions as Independent Directors, also considering that all of them are Independent Directors on the Board of Lanka Walltiles PLC. Accordingly, the Board is of the opinion that Dr. S Selliah, Mr K D G Gunaratne, Ms A M L Page and Mr S R Jayaweera shall nevertheless be 'independent' as per the Listing Rules.



# Corporate Governance

## Board Committees

The Board has established two primary committees to support its functions and responsibilities:

- Audit Committee
- Related Party Transactions Review Committee

Each committee is provided with all necessary resources to carry out their responsibilities effectively. The Company Secretary acts as the secretary for these committees. Once the minutes of each committee meeting are finalized, they are forwarded to all Directors.

Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Composition		
03 Non-Executive Directors of Lanka Walltiles PLC, the parent Company of Lanka Tiles PLC.  Mr. J D N Kekulawala (Chairman) Dr. S Selliah Mr. T G Thoradeniya  (02 of them are independent)	03 Non-Executive Directors of Royal Ceramics Lanka PLC.  Mr. S H Amarasekera – Chairman Mr. R N Asirwatham Mr. L N De S Wijeyeratne  (All 03 are independent)	03 Non-Executive Directors of Lanka Walltiles PLC.  Dr. S Selliah (Chairman) Mr. J D N Kekulawala Mr. T G Thoradeniya  (02 of them are independent)
Mandate		
The Committee oversees and supervises the management's financial reporting process to ensure: <ul style="list-style-type: none"> <li>• Integrity of Financial Statements: Ensuring alignment with Sri Lanka Financial Reporting Standards.</li> <li>• Compliance: Adherence to legal and regulatory requirements, including the Companies Act and other relevant financial reporting regulations.</li> <li>• External Auditor Independence and Performance: Assessing the independence and effectiveness of the external auditor.</li> <li>• Internal Control and Risk Management: Evaluating the adequacy and effectiveness of the Company's internal control and risk management systems over the financial reporting process.</li> </ul>	The Committee is dedicated to ensuring that the total remuneration package is competitive, aiming to attract the best talent for the benefit of the Company.	The Committee independently reviews all related party transactions to ensure the Company's compliance with the Listing Rules of the Colombo Stock Exchange.
Refer to page 99 for Audit Committee Report	Refer to page 98 for Remuneration Committee Report	Refer to page 97 for Related Party Transactions Review Committee Report

## Remuneration Policy

The Remuneration Committee plays a vital role in supporting the remuneration policy and in determining remuneration of Executive Directors, Non-Executive Directors, KMP and others. The company's remuneration policy helps attract and retain the experts, experiences and skilled employees to the company. Remuneration of KMP and Executive Directors are linked performance of the Group. Please refer page 98 for the Report of the Remuneration Committee and Terms of Reference.

## Accountability and Audit

The Audit Committee reviews the financial statements and recommends the financial statements for approval by the Board. These reports are shared with the CSE and through the corporate website for public knowledge on a quarterly basis. The Audit Committee The following reports set out further information required by the Code:

- The Directors' Report on pages 91 to 94 (including the declaration that the company is a going concern)
- The Statement of Directors' Responsibility on page 95
- Report of the Auditors on pages 101 to 103.

## External Auditor

Each year, at the AGM, the External Auditor is appointed by the shareholders. It is the responsibility of the Audit Committee to supervise the External Auditor's independence and objectivity. They also monitor the effectiveness of the audit process in line with relevant professional and regulatory requirements.

The Audit Committee would review assigning other functions and services that are of non-audit nature to External Auditors. This is reviewed by the Audit Committee to determine the potential impairment of independence and objectivity of the External Auditor in carrying out his duties and responsibilities.

## Oversight of Subsidiaries & Associates

- Chairman and other directors sit on the Boards of subsidiaries and feedback to the main Board on matters of concern.
- The Audit Committee of the Group serves as the Audit Committee of the subsidiaries, ensuring oversight of internal controls, financial reporting,

internal and external audit.

- Finance and Human Resources functions have regular meetings with heads of corresponding functions in the subsidiaries to ensure harmonization and sharing of best practice.

Internal audit co-ordinates with internal auditors of the respective subsidiaries to ensure that audits are conducted in line with expected standards and in line with the agreed audit plans.

## Annual General Meeting (AGM)

Shareholders participate the AGM to obtain an understanding of the performance of the company as presented by the Chairman. Board members and Chairpersons of Board Sub-committees are available at the AGM to respond to any shareholder queries and to address any concerns raised by the members. Additionally, KMPs of the Group are also present to assist the directors in this regard.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 days prior to the AGM. Separate resolutions for each item of business, facilitating voting on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. The Company records and count all proxy votes lodged for each resolution. In the event there are a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required. The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

## Managing conflicts of interest

On appointment of the Directors, they are required to declare their business interests and update thereafter and the Company Secretary maintains a register of Directors' Interests. Directors are disclosed on page 20 to 23. Directors with conflict of interest do not participate in the meeting when related party matters are discussed, absenting themselves from the Board room for the duration of the discussion

Related party transactions are reviewed quarterly by the Related Party Transactions Review Committee who approve the transactions and ensure appropriate disclosures in line with regulatory requirements. Related party transactions are disclosed in Note 27.1 to the financial statements on page 94.

## Effective Meetings

Board meetings are held quarterly in accordance with an annual calendar prepared by the Company Secretaries, with provision for additional meetings as maybe required. The agenda for the meeting is determined by the Chairman and the Company Secretary with inputs where needed from the Managing Directors/ CEO. Relevant Board papers are circulated to the Directors seven days prior to the meeting allowing sufficient time review and clarification. Performance oversight, risk management and review of financial statements are regular items on the agenda of the Board.

Key Management Personnel (KMP) attend Board meetings on invitation to make presentations and update the Board on material issues that impact the business. They are also available for clarifications that may be required by Board members. Board minutes are circulated to members within 2 weeks and formally

# Corporate Governance

## Meetings and Attendance

The Board meetings and sub committee meetings held during the year ending 31st March, 2024, along with the attendance record of the Directors and sub committee meetings are detailed below







Name	Attendance			
	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
A M Weerasinghe	10/10	-	-	-
J A P M Jayasekera	10/10	-	-	-
Dr. S Selliah	10/10	5/5*	-	4/4
T G Thoradeniya	07/10	0/5*	-	-
K D D Gunaratne	07/10	-	-	-
A M L Page	06/10	-	-	-
J A N R Adhihetty	09/10	-	-	-
S M Liyanage	10/10	-	-	-
S R Jayaweera	10/10	-	-	-
J R Gunaratne	10/10	-	-	-
K A D B Perera	02/10			
J D N Kekulawela (Parent Company Board Member)	-	5/5*	-	4/4
S H Amarasekera (Chairman 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	-

\* as Chairman/ Member of the relevant Board sub-committee of Lanka Walltiles PLC.

## 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 2023.

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

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
A.1.3	Compliance with laws and access to independent professional advice	<p>The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further, the Board is always mindful of the new laws/regulations which are implemented and ensures compliance with the same.</p> <p>When it is judged appropriate, the Board obtains independent professional assistance, particularly before making any decisions that could have a substantial impact on the Company. Furthermore, the Board is continually aware of new laws/regulations that are enacted and ensures that they are followed.</p> <p>Further, the Board is always mindful of the new laws/regulations which are implemented and ensures compliance with the same.</p>	
A.1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	<p>All Directors have access to the advice of the Company Secretary.</p> <p>The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary.</p>	
A.1.5	Independent judgment of the Directors	The Board comprises mainly independent professionals who in turn exercise independent judgment in discharging their duties.	
A.1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare.	
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are recorded.	
A.1.8	Induction & Training of Directors	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.	

# Corporate Governance

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
		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 16-19	✓
A.3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of Staff is given an opportunity to present his/her 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 on page 93	✓
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence are obtained by the Secretary annually.	✓
A.5.6	Alternate Director to a Non-Executive Director	No Alternate Directorships	✓
A.5.7/5.8	Senior Independent Director	No Senior Independent Director	✓
A.5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and Members of Staff are excused from meetings.	✓
A.5.10	Recording concerns	Concerns of Directors are recorded in minutes even if there is no disagreement.	✓
A.6 Supply of Information			
A.6.1	The 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.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.	✓



Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
A.7.3 7.10.3 (d)	Disclosure of Appointment of a New Director	<p>The Board's skills and knowledge are assessed by the parent company Board annually and informed to the directors.</p> <p>Disclosure pertaining to any new appointments is made to the CSE within two market days from the date of such appointment.</p> <p>The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non -Executive/ Executive Director.</p>	✓
A.8 Re-election			
A.8.1/A.8.2	Re-election	<p>At each AGM, 1/3rd of the Non-Executive Directors presents themselves for re-election.</p> <p>New - appointed Directors are re-elected at the 1st AGM following their appointment.</p>	✓
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director and Disclose to the 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 the 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, from 20 to 23.	✓
A.11	Appraisal of Chief Executive Officer		✓
A.11.1/A.11.2	The setting of the annual targets and the appraisal of the CEO	<p>Appraisal of the MD is done when considering increments/ bonuses to be paid.</p> <p>Achievement of the budget is a key factor that is considered</p>	✓

# Corporate Governance

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
<b>B.1 Remuneration Procedure</b>			
B.1.1	Set up a Remuneration Committee with agreed terms of reference	The Report of the Remuneration Committee on page 94 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 the Remuneration Committee in the Annual Report	Please refer to page 98	✓
B.1.4 7.10.5 (b)	Determination of the remuneration of the Non-Executive Directors	The remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	✓
B.1.5	The remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	✓
<b>B.2 The Level &amp; Makeup of Remuneration</b>			
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 Teams 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 is linked to the achievement of targets and individual performance.	✓
B.2.7	Executive share options	The Company does not have an Employee Stock Ownership Plan (ESOP).	✓
B.2.8/B.2.9	Designing schemes of performance-based remuneration	Refer to the Report of the Remuneration Committee on page 98	✓
<b>B.3 Disclosure of Remuneration</b>			
B.3.1 7.10.5 (c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 98  Note 27.3 in the financial statements on page 148	✓
<b>C. Relations with Shareholders</b>			
<b>C.1 Constructive use of AGM and Conduct of Meetings</b>			
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 among shareholders prior to 15 days as required by the Articles of Association and the Code.	✓

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
C.1.2	Separate resolution for substantially separate issues	Separate resolutions are passed for each matter taken up at the AGM	✓
C.1.3	Accurate recording and counting of valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	✓
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	✓
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure for voting is given in the Notice of Meeting.	✓
C.2	Communication 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 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>	✓
<b>C.3 Major &amp; Material Transactions</b>			
C.3.1 & C.3.2	Disclosure of Major Transactions	<p>There were no transactions during the period under review which are considered as material/ major as per the Companies Act.</p> <p>The report of the Related Party Transactions Review Committee is on page 97</p>	✓

# Corporate Governance

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
D	Accountability & Audit		
D.1.1	Annual Report	Refer to Accountability & Audit on page 95 & 96	✓
D.1.2	Interim and price-sensitive reports to the 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"> <li>• Companies Act No. 07 of 2007,</li> <li>• Sri Lanka Accounting Standards and</li> <li>• Listing Rules of the Colombo Stock Exchange.</li> </ul> <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>	✓
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Managing Director and the Chief Financial Officer.	✓
D.1.4	Directors' Report declarations	Refer the Annual Report of the Board of Directors on pages 87 to 93.	✓
D.1.5	Statements on responsibilities for the preparation of financial statements and internal control	<p>Refer to the following:</p> <p>Statement of Board responsibility for preparation of financial statements – page 95.</p> <p>Statement from Auditors' on their reporting responsibilities – pages 101 to 103.</p> <p>Statement on Internal Control – page 34</p>	✓
D.1.6	Management discussion & analysis	Refer the Annual Report from pages 25 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.	✓

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
D.1.8	Related Party transactions	Refer to the following disclosures on Related Party Transactions:  Related Party Transactions Review Committee Report on page 97.  Annual report of Board of Directors on pages 91 to 94  Note 27 on pages 145 to 147 the financial statements.	✓
D.2 Risk Management & Internal Control			
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements:	✓
D.2.2	Confirm assessment of the principal risks of the Company	Risk Report on page 34.	✓
D.2.3	Internal Audit	Risk & Internal Control on page 34 to 36.	✓
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures	Directors' Statement on Internal Controls on page 36.	✓
D.2.5	Compliance with Directors' responsibilities as set out by the Code	Directors' Statement on Internal Controls on page 95.	✓
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 to Audit Committee on page 99.	✓
D.3.2. 7.10.6(b)	Written Terms of Reference for Audit Committee	The Audit Committee has written Terms of Reference summarized in the Audit Committee Report on page 99.	✓
D.3.3. 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures is given on page 99.	✓
D.4 Related Party Transactions Review Committee			
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer report of the Related Party Transactions Review Committee on page 97.	✓
D.5 Code of Business Conduct & Ethics			✓
D.5.1.	Board declaration for compliance with Code	Refer Code of Ethics on page 78 to 90.	✓
D.5.2	Price-sensitive information	Material and price-sensitive information is promptly disclosed to the CSE by the Company Secretaries.	✓



# Corporate Governance

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer to the Related Party Transactions Committee Report on page 97.	✓
D.5.4	Chairman's statement	Refer to the Chairman's Message on Corporate Governance on page 16 and The Board of Directors' Statement on Internal Controls on page 36.	✓
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 74 to 90 together with its Annexes complying with this requirement.	✓
E Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	✓
E.2	Evaluation of Governance Disclosures	Information required for the evaluation of governance structures is provided in the Annual Report.	✓
F Other Investors			
F.1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	✓
F.2	Encouraging shareholder participation	Refer Shareholder Relations on page 157. The Company encourages individual shareholders to participate in general meetings and exercise their voting rights.	✓
G Internet of Things and Cybersecurity			
G.1	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.	✓

Reference to ICASL Code & CSE Listing Rules	Corporate Governance Principle	How we Comply	Compliance Status
H Environment, Society & Governance			
H.1	Environment, society and governance	Refer ESG Reporting from page 43 to page 72.	✓
	Principle 3 - Reporting on Labour Practices (Human Capital)	Refer Human Capital Report on page 54.	✓
	Principle 4 - Reporting on Society (Social Impact)	Refer Social Capital from page 60 to 65.	✓
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Refer Social Capital on from page 60.	✓
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Refer Stakeholder Engagement report page 30.	✓
	Principle 7 - Sustainable reporting to be formalized as part of the reporting process and to take place regularly (About this Report)	Refer GRI Index on pages 160 and 165.	✓

Rule Ref	Disclosure Requirement	Page Ref.
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules	
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	Effective 1st October 2024
9.2.3 (i)	List of policies in place as per Rule 9.2.1, with reference to website	Effective 1st October 2024
9.2.3 (ii)	Any changes to policies adopted	Effective 1st October 2024
9.4.2	(a) The policy on effective communication and relations with shareholders and investors (b) The contact person for such communication (c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders	
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-complied reasons for the same with proposed remedial action.	
9.6.3	Report of SID demonstrating the effectiveness of duties	
9.6.4	Rationale for appointing SID	
9.7.5	(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken	
9.8.5	Names of Directors determined to be 'independent'	

# Corporate Governance

Rule Ref	Disclosure Requirement	Page Ref.
9.10.4	<p>Directors details</p> <ul style="list-style-type: none"> <li>• name, qualifications and brief profile</li> <li>• nature of his/her expertise in relevant functional areas</li> <li>• whether either the Director or Close Family Members has any material business relationships with other Directors</li> <li>• whether Executive, Non-Executive and/or independent Director</li> <li>• total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non-executive (If the directorships are within the Group names need not be disclosed)</li> <li>• number of Board meetings attended</li> <li>• names of Board Committees in which the Director serves as Chairperson or a member</li> <li>• Attendance of board committee meetings</li> <li>• TOR and powers of SID</li> </ul>	
9.11.6	<p>Nominations and Governance Committee Report</p> <ul style="list-style-type: none"> <li>• Signed by Chairperson</li> <li>• Names of chairperson and members with nature of directorship</li> <li>• Date of appointment to the committee</li> <li>• Availability of documented policy and processes when nominating Directors</li> <li>• Requirement of re-election at regular intervals at least once in 3 years</li> <li>• Board diversity</li> <li>• Effective implementation of policies and processes relating to appointment and reappointment of Directors</li> <li>• Details of directors re-appointed</li> <li>• Board Committees served Date of first appointment Date of last re-appointment</li> <li>• Directorships or Chairpersonships and other principal commitments, present and held over the preceding three years</li> <li>• Any relationships – close family member, more 10% shareholding</li> <li>• Performance of periodic evaluation of board</li> <li>• Process adopted to inform independent directors of major issues.</li> <li>• Induction / orientation programs for new directors on corporate governance, Listing Rules, securities market regulations or negative statement</li> <li>• Annual update for all directors on corporate governance, Listing Rules, securities market regulations or negative statement</li> <li>• Compliance with independence criteria</li> <li>• Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions</li> </ul>	Effective date 1st October 2024
9.12.8	<p>Remuneration Committee Report</p> <ul style="list-style-type: none"> <li>• Names of chairperson and members with nature of directorship</li> <li>• Remuneration Policy</li> <li>• The aggregate remuneration of the Executive and Non-Executive Directors.</li> </ul>	

Rule Ref	Disclosure Requirement	Page Ref.
9.13.5	<p>Audit Committee Report</p> <ul style="list-style-type: none"> <li>Names of chairperson and members with nature of directorship</li> <li>Status of risk management and internal control – company and group</li> <li>Statement on CEO and CFO assurance on operations and finances</li> <li>Opinion on compliance with financial reporting requirements, information requirements Listing Rules, Companies Act, SEC Act and any other requirements.</li> <li>Availability of formal Audit Charter</li> <li>Internal audit assurance and summary of the work internal audit</li> <li>Details demonstrating effective discharge of functions and duties</li> <li>Statement on external auditors' assurance on their independence</li> <li>Confirmation on determining auditor's independence</li> </ul>	
9.14.8 (1)	<p>Related Party Disclosures</p> <p>non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)</p> <ul style="list-style-type: none"> <li>Name of the RP Relationship</li> <li>Value of RPT</li> <li>Value as % of equity and total assets</li> <li>Terms and Conditions</li> <li>Rationale</li> </ul>	
9.14.8 (2)	<p>Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format)</p> <ul style="list-style-type: none"> <li>Name of the RP Relationship</li> <li>Nature of RPT</li> <li>Value of aggregate RPT</li> <li>Value as % of gross income</li> <li>Terms and Conditions</li> </ul>	
9.14.8 (3)	<p>Related Party Transactions Review Committee Report</p> <ul style="list-style-type: none"> <li>Names of the Directors comprising the Committee</li> <li>Statement that committee has reviewed RPTs and communicated comments/observations to the Board</li> <li>Policies and procedures adopted by the Committee</li> </ul>	
9.14.8 (4)	<p>Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.</p>	

# Corporate Governance

Rule Ref	Disclosure Requirement	Page Ref.
9.16	<p>Additional disclosures by Board of Directors Declaration on following</p> <ul style="list-style-type: none"> <li>• All material interests in contracts and have refrained from voting on matters in which they were materially interested</li> <li>• Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so;</li> <li>• Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;</li> <li>• disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.</li> </ul>	

## Statement of Compliance

From the aforementioned details, it can be concluded that the Company is fully compliant with the requirements of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka as well as the Corporate Governance Rules of the Colombo Stock Exchange.

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

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



**A M Weerasinghe**  
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 subsidiaries (collectively referred to as 'the Group') for the year ended 31st March 2024 as set out on page 101 to 152.

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

## FORMATION

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

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

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

Pursuant to the requirements of the 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 and porcelain floor tiles for export and local markets and holding investments.

Principal activities of the subsidiaries are:

Name of Company	Principal activities of the company
Beyond Paradise Collection Ltd	Property holding company
Lanka Swisstek (Pvt) Ltd	Distribution of Tiles in India
L T L Development Ltd	Property holding company

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 105 to 152.

## SUMMARISED FINANCIAL RESULTS

Year ended 31st March	2024 Rs.'000	2023 Rs.'000
Revenue	16,131,536	18,684,042
Total Comprehensive Income for the Year	3,619,071	3,536,803

## INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 101.

## ACCOUNTING POLICIES

The Accounting Policies adopted by the Company in the preparation of the Financial Statements are given on pages 108 to 119 which are consistent with those of the previous period.

## DIRECTORS

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

### Executive Directors

Mr. J A P M Jayaskera	Managing Director
-----------------------	-------------------

### Non - Executive Directors

Mr. A M Weerasinghe	Chairman
Mr. T G Thoradeniya	Director
Mr. S M Liyanage	Director
Ms. K A D B Perera	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
Mr. J R Gunaratne	Director

Dr. S Selliah, Ms. A M L Page and Mr. J A N R Adhihetty 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.

## FIT AND PROPER ASSESSMENT OF DIRECTORS

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.

Additional disclosures pertaining to Directors

(i) Material Business relationships

None of the Directors or close family members have any material business relationships with other Directors of the Company

(ii) Other directorships held by the Directors

Other directorships held by Directors are disclosed on pages 20 to 23.

## DIRECTORS OF THE SUBSIDIARY COMPANIES

### Beyond Paradise Collection Ltd

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

### Lanka Swisstek Private Limited

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

# Annual Report of The Board of Directors on The Affairs of The Company

## LTL Development Ltd

Mr. K D A Perera  
Mr. J A P M Jayasekara  
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 Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2024.

The relevant interests of Directors in the shares of the Company as at 31st March 2024 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 144

## DIRECTORS' INTERESTS IN CONTRACTS

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

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

## INDEPENDENT AUDITORS

### Company

Messrs. Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/ consultancy services.

A total amount of Rs. 3,173,017/- (2023 – Rs.2,855,000/-) is payable by the Company to the Auditors for the year under review comprising Rs.1,340,000/- (2023 – Rs.1,165,000/-) as audit fees and Rs.1,833,017/- (2023 – Rs.1,690,000/-) for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 22nd May 2024 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2024 and 31st March 2023 are as follows.

	Shareholding as at	
	31/03/2024	31/03/2023
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	200,000	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	12,500
Mr. J A R N Adhihetty	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-
Mr. J R Gunaratne	-	-
Ms. K A D B Perera	-	-

## SHAREHOLDERS

There were 5,962 shareholders registered as at 31st March 2024 (5,805 shareholders as at 31st March 2023). The details of distribution are given on page 60 to 154 of this Report.

Based on the declaration provided by Messrs. Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor and provider of tax related services), 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.

## Group

The audits of subsidiary companies are handled by firms of Chartered Accountants in Sri Lanka or their respective countries of incorporation. Details of payments to such audit firms on account of audit fees and for permitted non audit services, are set out in Note 21 to the Financial Statements on page 138.

## STATED CAPITAL

The Stated Capital of the Company as at 31st March 2024 was Rs. 900,967,696/- represented by 295,252,050 shares. There were no changes in the Stated Capital of the Company during the year.

## MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company,

percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 152 to 154 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 2024, 843 persons were in employment (744 persons as at 31st March 2023).

## RESERVES

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 133.

## CAPITAL EXPENDITURE

The total capital expenditure during the year amounted to Rs.1,030 Mn on property, plant and equipment compared to Rs.1,071 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 Rs2.4 Mn and all other related movements are disclosed in Note 4 the Financial Statements.

## PROPERTY PLANT AND EQUIPMENT & LAND HOLDINGS

The book value of property, plant and equipment as at the balance sheet date amounted to Rs.8,335 Mn (2023 – Rs.7,002 Mn.)

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

			2024 (Rs. '000)	2023 (Rs. '000)
Factory at Jaltara, Ranala	42	28A-02R-32.69P	2,272,675	1,641,355
Land adjacent to the factory	17	08A-02R-08.56P	272,347	252,100
Warehouse at Biyagama	5	02A-00R-45.93P	779,990	528,400
Ball Clay land at Kalutara	-	5A-01R-0.83P	53	53
Nugegoda showroom	1	00A-00R-32.03P	519,045	446,282
Total			3,844,109	2,868,190

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

## DIVIDENDS

An interim dividend of Rs.5.00 per share for the year ended 31st March 2024 was declared on 1st March 2024 and paid to the shareholders in accordance with the timelines set out in the Listing Rules.

The Directors recommend a final dividend of Cents 70 per share for the year under review subject to obtaining a certificate of solvency from the auditors and approval by the shareholders at the forthcoming Annual General Meeting.

## SUBSTANTIAL SHAREHOLDINGS

The Company is controlled by Lanka Walltiles PLC which holds 68.2% of the shares representing the Stated Capital of the Company. Lanka Walltiles PLC itself is a subsidiary of Royal Ceramics Lanka PLC which is a subsidiary of Vallibel One PLC. Accordingly, Vallibel One PLC is the ultimate Parent Company of this Company.

## INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2024 are given in Notes 05 and 06 to the Financial Statements on pages 128 to 131

## PUBLIC HOLDING

28.229% (2023- 28.342% ) of the issued shares of the Company are widely held by the public.

## DONATIONS

The Company made donations amounting to Rs. 4,607,724/- in total, during the year under review (For 2023 -Rs. 5,188,397/-).

## GROUP

The subsidiaries, Beyond Paradise Collection Ltd, Lanka Swisstek (Pvt) Ltd and L T L Development Ltd did not make any donations 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 34

## STATUTORY PAYMENTS

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

## CONTINGENT LIABILITIES

Except as disclosed in Note 28 to the Financial Statements on page 148, there were no material Contingent Liabilities as at the Balance Sheet date.

## EVENTS AFTER THE REPORTING PERIOD

Except 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 Corporate Governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder

# Annual Report of The Board of Directors on The Affairs of The Company

value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity, and commitment of the Board of Directors, Management, and employees.

The Corporate Governance Statement on pages 74 to 90 explains the measures adopted by the Company during the year.

The Board of Directors confirms that the Company has complied with Section 7.10 of the Listing Rules / effective from 1st October 2023, Section 9 of the Listing Rules (as applicable), subject to the transitional provisions contained therein.

The Directors further declare that the Company has complied with the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2024.

The Audit Committee and the Related Party Transactions Review Committee of Lanka Walltiles PLC and the Remuneration Committee of Royal Ceramics Lanka PLC function as the Sub Committees of the Company. These Committees comprise Directors who possess the requisite qualifications and experience, and the composition of the said Committees is as follows.

## AUDIT COMMITTEE

Mr. J D N Kekulawala - Independent Non-Executive Director - Chairman

Dr. S Selliah - Independent Non-Executive Director

Mr. T G Thoradeniya - Non-Executive Director

## REMUNERATION COMMITTEE

Mr. S H Amarasekera - Independent Non-Executive Director - Chairman

Mr. R N Asirwatham - Independent Non-Executive Director

Mr. L N de S Wijeyeratne - Independent Non-Executive Director

## RELATED PARTY TRANSACTION REVIEW COMMITTEE

Dr. S Selliah - Independent Non-Executive Director - Chairman

Mr. J D N Kekulawala - Independent Non-Executive Director

Mr. T G Thoradeniya - Non-Executive Director

## CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programme, the details of which are set out on pages 60 to 65

## 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 2024, based on available information, the management has assessed the existing and anticipated effects prevailing economic conditions. Group Companies and the appropriateness of the use of the going concern basis.

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

## ANNUAL GENERAL MEETING

The Notice of the Fortieth (40th) Annual General Meeting appears on page 170

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

A M Weerasinghe  
Chairman

J A P M Jayasekera  
Managing Director

P W Corporate Secretarial (Pvt) Ltd  
Secretaries

30 May 2024

# 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 2023/24 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

30 May 2024



# 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 has 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 on 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.



**S U Amarasinghe**  
General Manager (Finance)



**J A P M Jayasekera**  
Managing Director

30 May 2024

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

## RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following are key responsibilities that 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 RPTRC comprises the following three Non-Executive Directors.

- 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 and the attendance of the members at the meeting are as follows.

- |                             |     |
|-----------------------------|-----|
| 1. Dr. S Selliah - Chairman | 4/4 |
| 2. Mr. J D N Kekulawala     | 4/4 |
| 3. Mr. T G Thoradeniya      | 0/4 |

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

## PROCEDURES FOR REPORTING RELATED PARTY TRANSACTIONS

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval of 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.


## REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2023/24. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no none-recurrent related party transactions entered into during the course of the financial year with an aggregate value that 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 2024, 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 141 to 144 of this Annual Report.

## DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on Pages 90 of this Annual Report.



**Dr. S Selliah**

Chairman - Related Party Transactions Review Committee

30 May 2024

# Remuneration Committee Report

## ROLE OF THE REMUNERATION COMMITTEE

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

## COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises of the following three Independent Non-Executive

Directors of Royal Ceramics Lanka PLC.

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 responsibilities of the Committee.

## MEETINGS

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

Mr. S H Amarasekera - 1/1

Mr. R N Asirwatham - 1/1

Mr. L N De S Wijeyeratne - 1/1

## FUNCTIONS PERFORMED BY THE REMUNERATION COMMITTEE

- a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personnel of the Company to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non-Executive Directors for the last financial year is given on Page 148 of the Annual Report under key management remuneration.
- b. Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. It also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- c. Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.
- d. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.
- e. Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

## CONCLUSION

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



**S H Amarasekera**

Chairman of the Remuneration Committee

30 May 2024

# Audit Committee Report

## ROLE OF THE AUDIT COMMITTEE

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

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprised of the following three Directors.

Mr. J. D. N. Kekulawala - Chairman - Independent Non-Executive

Dr. S. Selliah - Committee Member Independent Non-Executive

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

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

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

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

## MEETINGS

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

Mr. J D N Kekulawala	4/4
Dr. S Selliah	4/4
Mr. T G Thoradeniya	0/4

## FUNCTIONS PERFORMED BY THE AUDIT COMMITTEE

- The Committee reviewed the provisional financial statements that were published for financial year 2023/24 and the audited financial statements of financial year 2023/24. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- The Committee reviewed the internal audit reports. The internal audit function is carried out by M/s. BDO Partners. The Internal audits are done on a process based audit framework to improve process performance and control.
- The Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
- The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.
- The Audit Committee in conjunction with the Managing Director of the Company reviewed the Company's disclosure controls and procedures and internal control over financial reporting.

- The Audit Committee reviewed the Company's framework and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.
- The Audit Committee reviewed the Company's arrangement for the confidential receipt, retention and treatment of complaints alleging fraud, received from any sources and pertaining to accounting, internal controls or other such matters and assured the confidentiality to whistle-blowing employees. It also reviewed the Company's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance and reviewed the procedure for receiving and dealing with Non-Compliance with Laws and Regulations (NOCLAR) referred by Professional Accountants.
- Performed other activities related to this charter as requested by the Board of Directors. Oversaw special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually and requested Board approval for proposed changes, and ensured appropriate disclosure as may be required by law or regulations.

## CONCLUSION

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



**J D N Kekulawala**

Chairman - Audit Committee  
30 May 2024

# Echoes of Assurance



## Financial Statements



# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
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## INDEPENDENT AUDITORS' REPORT

### 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 2024, 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 material accounting policy information.

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 2024, 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 for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the Key Audit Matter
<b>Existence and carrying value of Inventories</b>	
As at 31 March 2024, the carrying value of inventories amounted to Rs. 7, 414 Mn net of a provision of Rs. 303 Mn for slowing-moving inventory as disclosed in note 07, 2.3.5 and 2.2.2 to the financial statements.	Our audit procedures included the following:
Existence and carrying value of inventories was a key audit matter due to:	<ul style="list-style-type: none"><li>• Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the reporting date.</li><li>• Evaluated the design and tested the relevant key controls over inventory valuation. Our procedures included testing the general IT control environment and the relevant key IT application controls relating to the most significant IT systems relevant to inventory.</li><li>• Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices.</li><li>• Assessed the reasonableness of management judgements applied in determining that the provision for slow-moving inventories. Our procedures included testing the completeness and accuracy of inventory age reports used as a basis to estimate the provision.</li></ul>
<ul style="list-style-type: none"><li>• Materiality of the reported amount, which represents 36% of the Group's total assets.</li><li>• Inventories being held at multiple locations.</li><li>• Judgements applied by the management in determining the provision for slow-moving inventory on account of ageing, as disclosed in Note 2.2.2. to the financial statements.</li></ul>	We also evaluated the adequacy of the disclosures in note 2.3.5 and note 7 to the financial statements

# INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the Key Audit Matter
<p><b>Assesment of fair value of land and buidling</b></p> <p>Property, Plant and Equipment and Investment Property include land and buildings carried at fair value. The fair value of land and buildings were determined by external valuers engaged by the Group</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The materiality of the reported fair value of land and buildings which amounted to Rs. 4.32 Bn representing 21% of the Group's total assets as of the reporting date; and</li> <li>• The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings using the market approach</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Note 2.3.2 3.5.and 3.8 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as :</p> <ul style="list-style-type: none"> <li>• Estimate of per perch value of the land.</li> <li>• Estimate of the per square foot value of the buildings.</li> </ul>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>• Assessed the competence, capability and objectivity of the external valuers engaged by the Group.</li> <li>• Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property.</li> <li>• Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value of land and per square foot value of buildings and valuation technique, as relevant in assessing the fair value of each property.</li> <li>• We also assessed the adequacy of the disclosures made in notes 2.3.2. 3.5 and 3.8 to the financial statements.</li> </ul>

## Other information included in the Group's 2023/24 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 1697.



30 May 2024  
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	8,413,115	7,001,724	8,335,196	7,001,724
Investment Properties	3.8	484,857	484,857	-	-
Intangible assets	4	85,244	92,155	85,244	92,155
Investments in subsidiaries	5	-	-	387,701	327,326
Investments in associates	6	1,209,239	1,144,458	1,135,917	1,076,445
Right of use assets	3.9	48,805	19,510	48,805	19,510
		10,241,260	8,742,704	9,992,863	8,517,160
Current assets					
Inventories	7	7,414,063	5,036,886	7,403,268	5,036,886
Trade and other receivables	8	1,478,014	2,410,052	1,448,229	2,410,052
Amounts due from related parties	9	895,532	1,626,266	901,118	1,618,889
Cash and cash equivalents	25	306,811	810,691	298,794	790,371
		10,094,420	9,883,895	10,051,409	9,856,198
Total assets		20,335,680	18,626,599	20,044,272	18,373,358
EQUITY AND LIABILITIES					
Stated capital	10	900,968	900,968	900,968	900,968
Reserves	11	2,089,310	1,466,331	2,092,276	1,462,469
Retained earnings		11,944,984	10,554,962	11,781,461	10,389,489
Equity attributable to equity holders of the parent		14,935,262	12,922,261	14,774,705	12,752,926
Non controlling interest		55,963	9,922	-	-
Total equity		14,991,225	12,932,183	14,774,705	12,752,926
Non-current liabilities					
Interest bearing liabilities	12	188,290	434,405	188,290	434,405
Deferred tax liabilities	13	1,559,625	1,329,517	1,492,040	1,261,933
Retirement benefit liability	14	225,793	199,753	225,793	199,753
		1,973,708	1,963,675	1,906,123	1,896,091
Current liabilities					
Trade and other payables	15	1,598,332	1,868,004	1,591,306	1,867,325
Contract liability	15.2	94,211	101,826	94,211	101,826
Income tax liabilities		581,051	310,577	581,051	310,577
Amounts due to related parties	16	132,188	134,451	131,911	128,730
Current portion of interest bearing liabilities	12	964,965	1,315,883	964,965	1,315,883
		3,370,747	3,730,741	3,363,444	3,724,341
Total equity and liabilities		20,335,680	18,626,599	20,044,272	18,373,358

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



**S U Amarasinghe**

General Manager (Finance)

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,



**J A P M Jayasekera**

Managing Director



**A M Weerasinghe**

Chairman

The accounting policies and notes on pages 108 to 152 form an integral part of the financial statements.

The figures in brackets indicate deductions.

30 May 2024

Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2024		GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Note					
Revenue from contracts with customers	17	16,131,536	18,684,042	16,130,887	18,684,042
Cost of Sales		(8,669,403)	(10,256,396)	(8,667,606)	(10,256,396)
<b>Gross Profit</b>		<b>7,462,133</b>	<b>8,427,646</b>	<b>7,463,281</b>	<b>8,427,646</b>
Other Income	18	35,772	42,440	34,572	38,377
Distribution Costs		(2,086,437)	(2,160,121)	(2,085,527)	(2,160,121)
Administrative Expenses		(1,289,093)	(1,012,425)	(1,276,815)	(1,009,027)
Finance Cost	19	(170,276)	(264,642)	(170,276)	(264,642)
Finance Income	20	187,150	518,453	186,678	518,453
Share of Net Profit of Associate		(30,516)	(266,466)	(34,326)	(271,424)
<b>Profit Before Tax</b>	21	<b>4,108,733</b>	<b>5,284,885</b>	<b>4,117,587</b>	<b>5,279,262</b>
Income Tax Expense	22	(1,201,863)	(1,597,083)	(1,201,863)	(1,583,154)
<b>Profit for the Year</b>		<b>2,906,870</b>	<b>3,687,802</b>	<b>2,915,724</b>	<b>3,696,108</b>
<b>Other Comprehensive Income</b>					
<b>Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Revaluation / (Disposal) of Land and Building	3	899,724	-	899,724	-
Actuarial Gain/ (Loss) on Retirement Benefit Liability	14	(54,906)	(12,859)	(54,906)	(12,859)
Deferred tax on components of other comprehensive income	22	(253,445)	(108,983)	(253,445)	(108,983)
Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods		<b>591,373</b>	<b>(121,842)</b>	<b>591,373</b>	<b>(121,842)</b>
<b>Net Other Comprehensive Income may be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Foreign currency translation differences of foreign operations		(13,389)	3,292	-	-
Share of other comprehensive income of associates investment		134,217	(32,449)	132,720	(33,324)
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		<b>120,828</b>	<b>(29,157)</b>	<b>132,720</b>	<b>(33,324)</b>
<b>Other Comprehensive Income/(loss) for the Year, net of tax</b>		<b>712,201</b>	<b>(150,999)</b>	<b>724,093</b>	<b>(155,166)</b>
<b>Total Comprehensive Income for the Year, net of tax</b>		<b>3,619,071</b>	<b>3,536,803</b>	<b>3,639,817</b>	<b>3,540,942</b>
<b>Profit attributable to :</b>					
Equity holders of the parent		2,912,277	3,687,589	2,915,724	3,696,108
Non controlling interest		(5,406)	213	-	-
<b>Profit for the year</b>		<b>2,906,871</b>	<b>3,687,802</b>	<b>2,915,724</b>	<b>3,696,108</b>
<b>Total comprehensive income attributable to :</b>					
Equity holders of the parent		3,631,037	3,534,976	3,639,817	3,540,942
Non controlling interest		(11,966)	1,827	-	-
<b>Total Comprehensive Income for the Year</b>		<b>3,619,071</b>	<b>3,536,803</b>	<b>3,639,817</b>	<b>3,540,942</b>
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	23	10.98	13.90	10.99	13.93

The accounting policies and notes on pages 108 to 152 form an integral part of the financial statements.

The figures in brackets indicate deductions.



# STATEMENT OF CHANGES IN EQUITY

As at 31st 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 01st April 2022	900,968	1,115,159	460,151	9,136,940	2,183	8,095	11,623,496
Profit for the Year	-	-	-	3,687,589	-	213	3,687,802
Other Comprehensive Income	-	(112,841)	-	(41,451)	1,679	1,614	(150,999)
Total Comprehensive Income		(112,841)	-	3,646,138	1,679	1,827	3,536,803
Dividends							
Final 2021/22 (Rs.1.90 per share)	-	-	-	(503,978)	-	-	(503,978)
1st Interim 2022/23 (Rs.6.50 per share)	-	-	-	(1,724,138)	-	-	(1,724,138)
	-	-	-	(2,228,116)	-	-	(2,228,116)
Balance as at 31st March 2023	900,968	1,002,318	460,151	10,554,962	3,862	9,922	12,932,183
Balance as at 01st April 2023	900,968	1,002,318	460,151	10,554,962	3,862	9,922	12,932,183
Profit for the Year	-	-	-	2,912,277	-	(5,407)	2,906,870
Other Comprehensive Income	-	629,807	-	95,782	(6,828)	(6,559)	712,201
Total Comprehensive Income	-	629,807	-	3,008,059	(6,828)	(11,966)	3,619,072
Shares issued to minority shareholder	-	-	-	-	-	58,007	58,007
Dividends							
Final 2022/23 (Rs.1.10 per share)	-	-	-	(291,777)	-	-	(291,777)
1st Interim 2023/24 (Rs.5.00 per share)	-	-	-	(1,326,260)	-	-	(1,326,260)
	-	-	-	(1,618,037)	-	58,007	(1,560,030)
Balance as at 31st March 2024	900,968	1,632,125	460,151	11,944,984	(2,966)	55,963	14,991,225

As at 31st March	Stated capital Rs.'000	Revaluation reserve Rs.'000	Amalgamation reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
COMPANY					
Balance as at 01st April 2022			900,968	1,115,159	11,440,100
Profit for the Year			-	-	3,696,108
Other Comprehensive Income			-	(112,841)	(155,166)
Total Comprehensive Income			-	(112,841)	3,540,942
Dividends					
Final 2021/22 (Rs.1.90 Per share)					(503,978)
1st Interim 2022/23 (Rs.6.50 per share)			-	-	(1,724,138)
			-	-	(2,228,116)
Balance as at 31st March 2023			900,968	1,002,318	12,752,926
Balance as at 01st April 2023			900,968	1,002,318	12,752,926
Profit for the Year			-	-	2,915,724
Other Comprehensive Income			-	629,807	724,093
Total Comprehensive Income			-	629,807	3,639,816
Dividends					
Final 2022/23 (Rs.1.10 Per share)			-	-	(291,777)
1st Interim 2023/24 (Rs.5.00 per share)			-	-	(1,326,260)
			-	-	(1,618,037)
Balance as at 31st March 2024			900,968	1,632,125	14,774,705

The accounting policies and notes on pages 108 to 152 form an integral part of the financial statements.

The figures in brackets indicate deductions.

# STATEMENT OF CASH FLOW

For the Year ended 31st March	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before income tax		4,108,734	5,284,885	4,117,587	5,279,262
<b>Adjustments for</b>					
Depreciation & amortization	21	525,718	457,105	525,718	457,105
Amortization of Right of use Lease Assets	3.9	35,899	45,868	35,899	45,868
Profit/ (loss) on sale of property, plant & equipment	18	(4,087)	-	(4,087)	-
Interest income	20	(187,150)	(518,453)	(186,678)	(518,453)
Finance costs		160,748	256,402	160,748	256,402
Provision for retirement benefit obligations	14	44,519	36,489	44,519	36,489
Profit share of results of associate		30,516	266,466	34,326	271,424
Allowance/ (reversal) for obsolete and slow moving inventories	7.1	107,585	40,473	107,585	40,473
Allowance for impairment of trade receivable	8.1	11,300	3,000	11,300	3,000
Fair value in investment property	3.8	-	(1,766)	-	-
Foreign exchange (gain)/ loss		117,499	(14,005)	117,499	(14,005)
Interest expense on lease liability		9,528	8,240	9,528	8,240
Operating profit/(loss) before working capital changes		4,960,809	5,864,704	4,973,944	5,865,805
<b>Working capital adjustments:</b>					
(Increase)/ decrease in inventories		(2,484,761)	(2,603,565)	(2,473,966)	(2,603,565)
(Increase)/ decrease in trade and other receivables		920,737	(1,502,529)	950,522	(1,559,613)
(Increase) /decrease in due from related parties		730,734	(1,612,157)	717,771	(1,553,721)
Increase/ (decrease) in due to related parties		(2,263)	(97,901)	3,181	(100,172)
Increase /(decrease) in trade and other payables		(394,797)	344,714	(401,141)	344,152
Cash generated from/(used in) operations		3,730,459	393,266	3,770,311	392,886
Interest received		187,150	518,453	186,678	518,453
Finance costs paid		(160,748)	(256,402)	(160,748)	(256,402)
Retirement benefit plan costs paid	14	(73,383)	(8,594)	(73,383)	(8,594)
Surcharge tax paid		-	(603,922)	-	(603,922)
Income tax paid		(954,729)	(1,267,244)	(954,728)	(1,267,244)
Net cash flows from/(used in) operating activities		2,728,749	(1,224,443)	2,768,130	(1,224,823)
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>					
Acquisition of property, plant & equipment and intangible assets		(1,030,470)	(1,070,835)	(952,553)	(1,070,835)
Proceeds from sale of property, plant & equipment		4,087	-	4,087	-
Acquisition of investments		-	-	(60,375)	-
Dividend Received		38,928	120,056	38,928	120,056
Net cash flows from/(used in) investing activities		(987,455)	(950,779)	(969,913)	(950,779)
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>					
Shares issued to minority shareholder		58,007	-	-	-
Interest bearing loans & borrowings obtained	12.2	925,000	800,000	925,000	800,000
Repayment of interest bearing borrowings	12.2	(1,273,377)	(550,000)	(1,273,377)	(550,000)
Repayment of Lease liability		(55,914)	(45,220)	(55,914)	(45,220)
Dividends paid - on Ordinary Shares	24	(1,618,037)	(2,228,116)	(1,618,037)	(2,228,116)
Net cash flows from/(used in) financing activities		(1,964,321)	(2,023,336)	(2,022,328)	(2,023,336)
<b>Net increase/(decrease) in cash and cash equivalents</b>					
Net increase/(decrease) in cash and cash equivalents		(223,027)	(4,198,558)	(224,111)	(4,198,938)
Foreign exchange difference arising on translation of foreign operation		(13,389)	3,292	-	-
Cash and cash equivalents at the beginning of the year	25	265,596	4,460,862	245,276	4,444,214
Cash and cash equivalents at the end of the year	25	29,180	265,596	21,165	245,276

The accounting policies and the notes on pages 108 to 152 form an integral part of these financial statements.

The figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

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

### 1.2 Principal activities and nature of operations

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

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

### 1.3 Parent enterprise and ultimate parent enterprise

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

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

### 1.4 Date of authorization for issue

The Financial Statement of Lanka Tiles PLC and its Subsidiaries for year ended 31st March 2024 was authorized for issue in accordance with a resolution of the Board of Directors on 30 May 2024.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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

#### 2.1.1 Basis of measurement

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

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

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

#### 2.1.2 Statement of Compliance

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

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

#### 2.1.3 Going concern

In determining the basis of preparing the financial statements for the year ended 31 March 2024, based on available information, the management has assessed the anticipated effects of the economic conditions on the Group and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as going concern due to the improved operating environment economic conditions and continuous monitoring of business continuity and response plans along with the financial strength of the Group. The management has formed a judgment that the Group has 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.

#### 2.1.4 Changes in Accounting Policies

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 01st April 2023.

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

#### Disclosure of Accounting Policies - Amendments to LKAS 1

Amendments to LKAS 1, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The above amendment had no material impact on the financial statements of the Group.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The above amendment had no material impact on the financial statements of the Group.

#### Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The above amendment had no material impact on the financial statements of the Group.

#### 2.1.5 Comparative information

The accounting policies have been consistently applied by the Group 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 Group and its subsidiaries as at 31 March 2024.

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

# NOTES TO THE FINANCIAL STATEMENTS

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized 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 associate is carried in the statement of Financial Position 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 amortized nor individually tested for impairment. The Statement of profit or loss of income reflects the share of the results of operations the associate. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of changes in Equity. Unrealized 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 profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. The Financial Statement of the associate are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss'. The investment in the separate financial statements.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### 2.2.1 Judgements

In the process of applying the Group accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts 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 7.1).

**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 3.5.1 and 3.8.1 to the financial statements.

**d) Impairment of debtors**

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

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

**d) Impairment of Non-Financial Assets**

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

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.3.1 Foreign currency translation

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

### 2.3.2 Fair Value Measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized 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

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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 recognized in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 recognized directly in equity statement is recognized 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.

### Social Security Contribution Levy

Social security contribution levy (SCCL) shall be paid by any person carrying on the business of manufacturing, on the liable turnover specified in second schedule of the social security contribution levy Act No. 25 of 2022, at the rate of 2.5% with effect from 1st October 2022. SCCL is payable on 85% of the sum receivable, whether received or not, from any article manufactured and sold in Sri Lanka.

#### 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 formula:-

##### **Manufacturing Goods**

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

##### **Work-in-progress**

At actual cost

##### **Trading goods**

The purchase cost on weighted average basis

##### **Consumable and spares**

At purchase cost on weighted average basis

##### **Goods in transit**

At actual cost

##### **Raw materials**

At purchase cost on weighted average cost basis.

#### 2.3.6 Financial Instruments

##### **Financial Assets**

##### **Initial Recognition and Measurement**

Financial assets within the scope of SLFRS 9, are classified, at initial recognition, as subsequently measured at amortized 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 amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

##### **Subsequent Measurement**

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

##### **a) Financial assets at amortized cost**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

The Group's financial assets at amortized 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 derecognized 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 recognizes 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 recognized 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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 recognized initially at fair value and, in the case of loans and borrowings, carried at amortized 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 amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs those are an integral part of the EIR. The EIR amortization 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 recognized 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 derecognized 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 less accumulated impairment (if any). 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 recognized 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 recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized 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 recognized if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

#### Basis of measurement

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

#### Useful economics lives, amortization and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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 amortization expense on intangible assets with finite lives is recognized in the income statement.

The estimated useful life of assets are as follows: Accounting Software 05 to 15 years

### 2.3.9 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considers 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 the right to obtain substantially all of the economic benefits of assets throughout the period of use.

The group has the right to direct the use of the asset. The group has the right when it has decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and what purpose the asset is used is predetermined, the



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group has the right to direct the use of the asset if either;

- The group has right to operate the asset; or
- The group designated the asset in a way that predetermines how and for what purpose it will be used.

## a) Group as the Lessee

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

## b) Group as the Lessor

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

## (i) Right-of-use assets

The Group recognizes 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 1 to 5 years.

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

## (ii) Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 3.9).

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

The Group 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 recognized as expense on a straight-line basis over the lease term.

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

#### 2.3.11 Provisions

Provisions are recognized 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 recognized 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 Group use yield rate of treasury bonds published by government of Sri Lanka.

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.

The Group is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which liability to pay gratuity arises only on completion of 5 years of continued service

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2024

#### 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

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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 recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

### Sale of goods - tiles and associated items

Revenue from sales of goods is recognized 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 customers. if the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is additional.

#### (iii) Trade receivables

A receivable represents the group 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 contact liability is the obligation to transfer goods to a customer for which the group has received consideration from the customer. if a customer pays consideration before the group transfers goods to the customers, a contract liability is recognized when the payment is due. Contract liabilities are recognized as revenue when the group performs under the contracts.

### Other Sources of Revenue

#### (a) Interest

For all financial instruments measured at amortized 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 recognized when the shareholders' right to receive payment is established.

#### (c) Rental income

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

#### (d) Other income

Other income is recognized on an accrual basis.

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

relating to that asset is transferred directly to retained earnings.

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

## 2.4 CASH & CASH EQUIVALENTS

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

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

## 2.5 STANDARDS ISSUED BUT NOT EFFECTIVE AS AT 31 MARCH 2024

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

### Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

### Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements."

The amendments are effective for annual periods beginning on or after 1 January 2024

### Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application

The amendments are effective for annual periods beginning on or after 1 January 2024

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT & EQUIPMENT

### 3.1 PROPERTY, PLANT & EQUIPMENT

#### GROUP

Gross Carrying Amounts	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>At Cost</b>					
Plant and Machinery	5,966,050	632,368	(38,885)	-	6,559,533
Water Supply, Electricity Distribution Scheme	481,280	3,901	-	-	485,181
Tools, Implements, Furniture & Fittings and Electrical Appliances	729,119	76,926	-	-	806,045
Transport & Communication Equipment	239,691	874	-	-	240,565
	7,416,140	714,069	(38,885)	-	8,091,324

	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>At Valuation</b>					
Freehold Land	1,300,178	32,707	-	356,767	1,689,652
Buildings	1,651,687	92,282	(132,469)	542,957	2,154,458
	2,951,865	124,989	(132,469)	899,724	3,844,110

	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>In the Course of Construction</b>					
Capital Work In Progress Building & Others	589,694	1,030,490	(841,431)	-	778,753
	589,694	1,030,490	(841,431)	-	778,753
<b>Total</b>	10,957,699	1,869,548	(1,012,785)	899,724	12,714,187



Depreciation	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>At Cost</b>					
Buildings	83,675	48,794	(132,469)	-	-
Plant and Machinery	2,980,229	341,112	(38,885)	-	3,282,456
Water Supply, Electricity Distribution Scheme	311,863	15,823	-	-	327,686
Tools, Implements, Furniture & Fittings and Electrical Appliances	467,594	93,599	-	-	561,193
Transport & Communication Equipment	112,614	17,123	-	-	129,737
<b>Total</b>	<b>3,955,975</b>	<b>516,451</b>	<b>(171,354)</b>	<b>-</b>	<b>4,301,072</b>

### 3.2 Net Book Value of Assets

	2024 Rs.'000	2023 Rs.'000
<b>At Valuation</b>		
Freehold Land	1,689,652	1,300,178
Buildings	2,154,458	1,568,012
<b>At Cost</b>		
Plant and Machinery	3,277,077	2,985,821
Water Supply, Electricity Distribution Scheme	157,495	169,417
Tools, Implements, Furniture & Fittings and Electrical Appliances	244,852	261,525
Transport & Communication Equipment	110,828	127,077
	7,634,362	6,412,030
Capital Work in Progress	778,753	589,694
<b>Total</b>	<b>8,413,115</b>	<b>7,001,724</b>

#### 3.2.1 Carrying amounts of Land and Building that would have been recognized as assets have been carried under the cost model

As at 31st March	2024		2023	
	Cost Rs.'000	Net Book Value Rs.'000	Cost Rs.'000	Net Book Value Rs.'000
Land	560,619	527,912	560,619	527,912
Building	1,601,895	1,274,289	1,509,613	1,227,960

# NOTES TO THE FINANCIAL STATEMENTS

## 3.3 PROPERTY, PLANT & EQUIPMENT

### COMPANY

#### Gross Carrying Amounts

	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>At Cost</b>					
Plant and Machinery	5,966,050	632,368	(38,885)	-	6,559,533
Water Supply, Electricity Distribution Scheme	481,280	3,901	-	-	485,181
Tools, Implements, Furniture & Fittings and Electrical Appliances	729,119	76,926	-	-	806,045
Transport & Communication Equipment	239,691	874	-	-	240,565
	7,416,140	714,069	(38,885)	-	8,091,324
<b>At Valuation</b>					
Freehold Land	1,300,178	32,707	-	356,767	1,689,652
Buildings	1,651,687	92,282	(132,469)	542,957	2,154,458
	2,951,865	124,989	(132,469)	899,724	3,844,110

	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>In the Course of Construction</b>					
<b>At Cost</b>					
Capital Work In Progress Building & Others	589,694	952,573	(841,433)	-	700,834
	589,694	952,573	(841,433)	-	700,834
<b>Total</b>	10,957,699	1,791,631	(1,012,787)	899,724	12,636,269

#### Depreciation

	Balance as at 01.04.2023 Rs.'000	Addition Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Revaluations Rs.'000	Balance as at 31.03.2024 Rs.'000
<b>At Cost</b>					
Buildings	83,675	48,794	(132,469)	-	-
Plant and Machinery	2,980,229	341,112	(38,885)	-	3,282,456
Water Supply, Electricity Distribution Scheme	311,863	15,823	-	-	327,686
Tools, Implements, Furniture & Fittings and Electrical Appliances	467,594	93,599	-	-	561,193
Transport & Communication Equipment	112,614	17,123	-	-	129,737
<b>Total</b>	3,955,975	516,451	(171,354)	-	4,301,072

### 3.4 Net Book Value of Assets

	2024 Rs.'000	2023 Rs.'000
<b>At Valuation</b>		
Freehold Land	1,689,652	1,300,178
Buildings	2,154,458	1,568,012
<b>At Cost</b>		
Plant and Machinery	3,277,077	2,985,821
Water Supply, Electricity Distribution Scheme	157,495	169,417
Tools, Implements, Furniture & Fittings and Electrical Appliances	244,852	261,525
Transport & Communication Equipment	110,828	127,077
	7,634,362	6,412,030
Capital Work in Progress	700,834	589,694
<b>Total</b>	<b>8,335,196</b>	<b>7,001,724</b>

3.4.1 Carrying amounts of Land and Building that would have been recognized as assets have been carried under the cost model

	2024		2023	
	Cost Rs.'000	Net Book Value Rs.'000	Cost Rs.'000	Net Book Value Rs.'000
Land	560,619	560,619	527,912	527,912
Building	1,601,895	1,274,289	1,509,613	1,227,960

### 3.5 Assets At Valuation

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

3.5.1 "The fair value of freehold lands and buildings were determined by means of a revaluation during the financial year 2023/24 in reference to market based evidence and the details of the valuations are indicated below,

Location	Extent	Independent Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.'000's
Factory Premises, Jaltara, Ranala - Land	28A-02R-32.69P	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Market approach	Rs. 50,000/- to 150,000/- per perch	642,035
Factory Premises, Jaltara, Ranala - Building	416,813 sqft	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Contractor's method	Rs 1130/- to Rs. 6190/- per sqft	1,630,640
Land Adjacent to the Factory Premises, Jaltara , Ranala - Land	08A-02R-08.56P	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Market approach	Rs. 126,000/- to 231,000/- per perch	222,692
Land Adjacent to the Factory Premises, Jaltara , Ranala - Building	25,604 sqft	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Contractor's method	Rs 1,400/- to Rs. 5000/- per sqft	49,655
Lanka Tiles Warehouse, Samurdhi Mawatha Biyagama - Land	02A-00R-45.93P	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Market approach	Rs. 1,500,000/- per perch	536,602
Lanka Tiles Warehouse, Samurdhi Mawatha Biyagama - Building	48,531 sqft	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Contractor's method	Rs 1900/- to Rs. 5100/- per sqft	243,388
Show room, Nugegoda - Land	00A-00R-32.03P	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Market approach	Rs. 9,000,000/- per perch	288,270
Showroom, Nugegoda Building	15,385 sqft	KPMG Real Estate & Valuation Services (Private) Limitad	31 March 2024	Contractor's method	Rs 15000/- per sqft	230,775
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

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

The market approach is a method of determining the value of an asset based on the selling price of similar assets. It is one of three popular valuation methods, along with the cost approach and discounted cash-flow analysis (DCF).

The contractors method of valuation involves estimating the cost of replacing the property with a similar property of the same size, quality, and function. The estimated cost is then adjusted for any depreciation or obsolescence that may have occurred since the property was built.

- 3.6 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs.1,030 Mn (2022/23 - Rs. 984 Mn). Cash payments amounting to Rs. 952.5 Mn (2022/23 - Rs. 984 Mn) were made during the year for purchase of Property, Plant and Equipment.

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.952.5 Mn (2022/23 - Rs. 984 Mn). Cash payments amounting to Rs. 952.5 Mn (2022/23 - Rs. 984 Mn) were made during the year for purchase of Property, Plant and Equipment.

- 3.7 Property, plant and equipment of the Group / Company include fully depreciated assets in use as 31st March 2024, the cost of which amounted to the Group / Company Rs. 1,863.5 Mn (2022/2023 - Rs.1,389.5Mn).

The Useful lives of the assets are estimated as follows ;	2024	2023
Buildings	50 years	50 years
Plant & Machinery	12 - 20 years	12 - 20 years
Water Supply, Electricity Distribution Scheme	10 years	10 years
Tools, Implements, Furniture & Fittings and Electrical Appliances	02-05 years	02-05 years
Transport & Communication Equipment	03-05 years	03-05 years
Right of Use Assets	01- 05 years	01- 05 years

### 3.8 Investment property

As at 31st March	Group		Company	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Opening balance	484,857	483,091	-	-
Net fair value gain recognized in profit or loss	-	1,766	-	-
Closing balance	484,857	484,857	-	-

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

- 3.8.1 The fair value of investment properties were determined by means of an independent revaluation carried out by KPMG Real Estate & Valuation Services (Private) Limited, during the financial year 2023/24 in reference to market based evidence and the details of the valuations are indicated below;



# NOTES TO THE FINANCIAL STATEMENTS

- (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	Independent Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.'000's
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2024	KPMG Real Estate & Valuation Services (Private) Limited	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Building	981.sq.ft	31 March 2024	KPMG Real Estate & Valuation Services (Private) Limited	Contractor's method	Rs.5,800/- per sq.ft	5,700
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2023	FRT Valuation Services (Private) Limited	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Building	981.sq.ft	31 March 2023	FRT Valuation Services (Private) Limited	Contractor's method	Rs.5,800/- per sq.ft	5,700

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

As at 31st March	Group		Company	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Amounts recognized in profit or loss in relation to investment properties				
Rental income derived from investment Properties	1,200	1,200	-	-
Direct costs related to investment properties	(2,602)	(2,582)	-	-
	(1,402)	(1,382)	-	-

## 3.9 Right of use assets

Right of Use Assets/ Lease Liabilities- Group / Company

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

	GROUP/COMPANY	
	Building Rs.'000	Total Rs.'000
<b>Right of Use Asset</b>		
As at 01st April 2023	19,510	19,510
Additions	65,194	65,194
Less: Amortization Expense	(35,899)	(35,899)
As at 31st March 2024	48,805	48,805
<b>Lease Liability</b>		
As at 01st April 2023	38,526	38,526
Additions	65,194	65,194
Interest Expense	9,528	9,528
Less: Payments	(55,913)	(55,913)
As at 31st March 2024	57,335	57,335

The following are the amounts recognized in profit or loss:

	GROUP/COMPANY	
	2024 Rs.'000	2023 Rs.'000
Amortization expense of right-of-use assets	35,899	45,868
Interest expense on lease liabilities	9,528	8,240
Expense relating to short-term leases (included in selling & distribution expenses)	30,728	32,543
Total amount recognized in profit or loss	76,155	86,651

	GROUP/COMPANY	
	2024 Rs.'000	2023 Rs.'000
<b>Payable as follows :</b>		
Payable within One Year	35,712	20,788
Payable within One to Five Years	21,623	17,738
<b>Lease Liabilities as at 31st March</b>	<b>57,335</b>	<b>38,526</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 4 INTANGIBLE ASSETS

	GROUP/COMPANY	
	2024 Rs.'000	2023 Rs.'000
<b>Year ended 31 March</b>		
Balance as at 01st April 2023	92,155	8,970
Additions	2,357	86,988
Amortization charge	(9,268)	(3,803)
Balance as at 31st March 2024	85,244	92,155
<b>As at 31 March</b>		
Cost	106,721	104,364
Accumulated amortization	(21,477)	(12,209)
Net book amount	85,244	92,155

## 5 INVESTMENTS IN SUBSIDIARIES

### COMPANY

	2024 Market Value/ Directors' Valuation*	2024 Cost	2023 Market Value/ Directors' Valuation*	2023 Cost
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
a) <b>Non-quoted</b>				
LTL Development Limited	57,084	57,084	57,084	57,084
Beyond Paradise Collection Limited	264,000	264,000	264,000	264,000
Lanka Swisstek (Pvt) Limited	66,617	66,617	6,242	6,242
<b>Total Non-quoted Investments in Subsidiaries</b>	<b>387,701</b>	<b>387,701</b>	<b>327,326</b>	<b>327,326</b>

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

- 5.1 During the year Lanka Swisstek (Pvt) Ltd (Formerly known as Lankatiles (Pvt) Ltd) raised capital by way of a right issue amounting to Rs.131 Mn. All the shareholders subscribed equally to the right issue and hence no changes to the ownership interest. Non-controlling interest was increased by Rs .60Mn due to this transaction.

Name of Company	Percentage of share holding in subsidiaries group		Auditors	Principal activities of the company	Principal Place of Business	Country of Incorporation
	2024	2023				
1. Beyond Paradise Collection Limited	100	100	M/s. Ernst & Young	Property holding company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
2. Lanka Swisstek (Pvt) Ltd	51	51	M/s. K S Muralidhar	Distribution of Tiles in India	No 196 A1, Bommasandra Industrial Area, Bangalore	India
3. LTL Development Limited	100	100	M/s. Ernst & Young	Property holding company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka

## 6 INVESTMENT IN ASSOCIATES (EQUITY ACCOUNTED INVESTEEES)

### COMPANY

	Holding Percentage		Cost	
	2024	2023	2024 Rs.'000	2023 Rs.'000
<b>Quoted Investment</b>				
Swisstek Ceylon PLC	47.80	47.80	1,135,919	1,076,445
As at 31st March	47.80	47.80	1,135,919	1,076,445

### GROUP

	Holding Percentage		Cost	
	2024	2023	2024 Rs.'000	2023 Rs.'000
<b>Quoted Investment</b>				
Swisstek Ceylon PLC	47.80	47.80	1,135,919	1,076,445
<b>Non-quoted Investment</b>				
CP Holdings (Pvt) Ltd	24.63	24.63	73,320	68,013
As at 31st March			1,209,239	1,144,458

As at 31st March	2024 Rs.'000	2023 Rs.'000
<b>Movement in Associate - Swisstek (Ceylon) PLC</b>		
As at 01 st April 2023	1,076,445	1,501,249
Share of results of associates	(34,326)	(271,424)
Dividends	(38,928)	(120,056)
Share of Other Comprehensive Income	132,728	(33,324)
As at 31 st March 2024	1,135,919	1,076,445
<b>Movement in Associate - CP Holdings (Pvt)Ltd</b>		
As at 01 st April 2023	68,013	62,179
Share of results of associates	3,809	4,958
Share of Other Comprehensive Income	1,497	875
As at 31 st March 2024	73,319	68,013

The Company holds 47.8% (2022/23 - 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 Aluminum Limited manufacture and sells aluminum extrusions.

The market value of quoted associate investment as at date of last traded is Rs. 1,249,634,690/- (2023 - Rs. 922,505,190).

# NOTES TO THE FINANCIAL STATEMENTS

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

## Swisstek (Ceylon) PLC

Summarized Statement of financial position As at 31st March	2024 Rs.'000	2023 Rs.'000
Current Assets		
Cash and Cash equivalents	455,367	559,431
Other current assets	6,357,049	6,453,291
<b>Total current assets</b>	<b>6,812,416</b>	<b>7,012,722</b>
Non current assets	4,268,796	3,924,018
Current liabilities	5,103,932	8,224,465
Non current liabilities	3,579,107	397,482
<b>Net Assets</b>	<b>2,398,173</b>	<b>2,314,794</b>

Summarized Statement of financial position	2024 Rs.'000	2023 Rs.'000
Revenue	10,078,006	8,970,025
Gross profit	1,884,119	2,215,124
<b>Profit for the year</b>		
Profit attributable to owners of the company for the year	(69,837)	(567,832)
Other comprehensive income attributable to owners of the company	270,992	(69,715)
% interest held	47.8	47.8
Share of profit	(32,386)	(271,424)
Share of other comprehensive income	132,720	(33,324)

## CP Holdings (pvt) Ltd

Summarized Statement of financial position As at 31st March	2024 Rs.'000	2023 Rs.'000
Current Assets		
Cash and Cash equivalents	21,585	20,357
Other current assets	969	1,052
<b>Total current assets</b>	<b>22,554</b>	<b>21,409</b>
Non current assets	408,338	379,000
Current liabilities	2,087	2,127
Non current liabilities	21,364	12,382
<b>Net Assets</b>	<b>407,441</b>	<b>385,900</b>



Summarized Statement of financial position	2024 Rs.'000	2023 Rs.'000
Revenue	-	-
Gross profit	-	-
<b>Profit for the year</b>		
Profit attributable to owners of the company for the year	15,467	20,128
Other comprehensive income attributable to owners of the company	6,078	3,551
% Interest held	24.6	24.6
Share of profit	3,809	4,958
Share of other comprehensive income	1,497	876

6.1 Details of those companies in which Lanka Tiles PLC, held as Associates as at 31st March 2024 directly or indirectly (Group) are set out below:

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

## 7 INVENTORIES

As at 31st March	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Raw materials	2,923,202	2,772,479	2,923,202	2,772,479
Work in progress	290,777	265,734	290,777	265,734
Finished goods	4,071,388	1,636,214	4,060,593	1,636,214
Trading Stocks	432,005	558,183	432,005	558,183
Provision for slow moving stocks	(303,309)	(195,724)	(303,309)	(195,724)
<b>Total</b>	<b>7,414,063</b>	<b>5,036,886</b>	<b>7,403,268</b>	<b>5,036,886</b>

7.1 Provision for slow moving stocks

As at 31st March	GROUP/COMPANY	
	2024 Rs.'000	2023 Rs.'000
Provision as at 31st April 2023	195,724	155,251
Charge during the year	107,585	40,473
provision as at 31st March 2024	303,309	195,724

# NOTES TO THE FINANCIAL STATEMENTS

## 8 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Trade debtors - Other	991,388	1,323,560	967,254	1,323,560
Less: Allowances for doubtful debts ( Note 8.1)	(37,285)	(26,308)	(37,285)	(26,308)
	954,103	1,297,252	929,969	1,297,252
Advance and prepayments	523,911	1,112,800	518,260	1,112,800
Total	1,478,014	2,410,052	1,448,229	2,410,052

8.1	GROUP/COMPANY	
	2024 Rs.'000	2023 Rs.'000
<b>Allowances for doubtful debts</b>		
Opening Balance as at 1 April	26,308	23,308
Provided during the year	11,300	3,000
Utilized/reversed during the year	(323)	-
Closing balance as at 31 March	37,285	26,308

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

Group	Neither past due nor impaired Rs.'000'	Past due but not impaired				Total Rs.'000
		< 3 Months Rs. '000	3- 12 Months Rs. '000	> 1 Year Rs. '000	Impaired Rs. '000	
2024	554,527	205,661	191,937	4,978	37,285	994,388
2023	1,198,637	11,226	83,166	4,223	26,308	1,323,560

Company	Neither past due nor impaired Rs.'000'	Past due but not impaired				Total Rs.'000
		< 3 Months Rs. '000	3- 12 Months Rs. '000	> 1 Year Rs. '000	Impaired Rs. '000	
2024	554,527	178,527	191,937	4,978	37,285	967,254
2023	1,198,637	11,226	83,166	4,223	26,308	1,323,560

## 9 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	GROUP		COMPANY	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Lanka Walltiles PLC	Parent Company	819,955	1,301,861	819,955	1,301,861
Beyond Paradise Collection Ltd	Affiliated Company	-	-	669	362
Rocell Bathware Ltd	Affiliated Company	2,652	155	2,652	155
Swisstek Aluminium Ltd	Affiliated Company	60,106	271,939	60,106	271,939
Swisstek Ceylon PLC	Affiliated Company	8,343	42,465	8,343	42,465
LWL Development (Pvt) Ltd	Affiliated Company	4,476	9,846	3,492	2,046
LTL Development Ltd	Subsidiary Company	-	-	287	61
Lanka Swisstek (Pvt) Ltd	Subsidiary Company	-	-	5,614	-
Total		895,532	1,626,266	901,118	1,618,889

## 10 STATED CAPITAL - GROUP / COMPANY

### 10.1 Issued & fully paid

As at 31st March	2024		2023	
	Number	Rs.'000	Number	Rs.'000
Balance as at 01st April	265,252,050	900,968	265,252,050	900,968
Balance as at 31st March	265,252,050	900,968	265,252,050	900,968

10.2 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	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Revaluation reserve (11.1)	1,632,125	1,002,318	1,632,125	1,002,318
Amalgamation reserve	460,151	460,151	460,151	460,151
Exchange translation reserve	(2,966)	3,862	-	-
Total	2,089,310	1,466,331	2,092,276	1,462,469

### 11.1 Revaluation reserve

On: Property Plant & Equipment

	GROUP/COMPANY	
	2024 Rs.'000	2023 Rs.'000
As at 01 April	1,002,318	1,115,159
Revaluation of freehold land and building net of deferred tax	629,807	(112,841)
As at 31 March	1,632,125	1,002,318

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 INTEREST BEARING LIABILITIES

	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
Non Current		
Long term loans (Note 12.1)	166,667	416,667
Lease liability- other (Note 3.9)	21,623	17,738
Total	188,290	434,405
Current		
Long term loans (Note 12.1)	251,623	250,000
Lease liability- other (Note 3.9)	35,712	20,788
Short term loans (Note 12.2)	400,000	500,000
Bank overdrafts (Note 25)	277,630	545,095
Total	964,965	1,315,883
Total interest bearing liabilities	1,153,255	1,750,288

### 12.1 Long term loans

	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
As at 01st April	666,667	916,667
Repayments	(248,377)	(250,000)
As at 31st March	418,290	666,667
Amount payable within 12 months	251,623	250,000
Amount payable after 12 months	166,667	416,667
Total	418,290	666,667

## 12.2 Short term loans

	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
As at 01st April	500,000	-
Loans obtained	925,000	800,000
Repayments	(1,025,000)	(300,000)
As at 31st March	400,000	500,000

## 12.3 Details of long term loans of the Group / Company

Financial Institution	Repayment terms	Principal Rs.'000	Interest Rate	Security	Annual repayment Rs.'000	Balance as at 2024 Rs.'000	Balance as at 2023 Rs.'000
<b>Lanka Tiles PLC</b>							
DFCC Bank PLC	72 monthly installments ( 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.1500 Mn	248,377	418,290	666,667
<b>Company Total - Lanka Tile PLC</b>						<b>418,290</b>	<b>666,667</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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

As at 31st March	Carrying Amount		Fair value	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Financial Assets</b>				
Trade and Other Receivables	954,103	1,297,252	954,103	1,297,252
Amounts Due From Related Parties	895,532	1,626,266	895,532	1,626,266
Cash and Cash Equivalents	306,811	810,691	306,811	810,691
<b>Total</b>	<b>2,156,446</b>	<b>3,734,209</b>	<b>2,156,446</b>	<b>3,734,209</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	643,052	699,702	643,052	699,702
Contract Liability	94,211	101,826	94,211	101,826
Amounts Due To Related Parties	132,188	134,451	132,188	134,451
Loans and Borrowings- Current	964,965	1,315,883	964,965	1,315,883
Loans and Borrowings- Non Current	188,290	434,405	188,290	434,405
<b>Total</b>	<b>2,022,706</b>	<b>2,686,267</b>	<b>2,022,706</b>	<b>2,686,267</b>

Company

As at 31st March	Carrying Amount		Fair value	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Financial Assets</b>				
Trade and Other Receivables	929,969	1,297,252	929,969	1,297,252
Amounts Due From Related Parties	901,118	1,618,889	901,118	1,618,889
Cash And Cash Equivalents	298,794	790,371	298,794	790,371
<b>Total</b>	<b>2,129,881</b>	<b>3,706,512</b>	<b>2,129,881</b>	<b>3,706,512</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	636,023	699,702	636,023	699,702
Contract Liability	94,211	101,826	94,211	101,826
Amounts Due To Related Parties	131,911	128,730	131,911	128,730
Loans and Borrowings- Current	964,965	1,315,883	964,965	1,315,883
Loans and Borrowings- Non Current	188,290	434,405	188,290	434,405
<b>Total</b>	<b>2,015,400</b>	<b>2,680,546</b>	<b>2,015,400</b>	<b>2,680,546</b>

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.



### 13 DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
As at 01st April	1,329,517	907,441	1,261,932	853,796
Income/ (expense) arising during the year (Note 22.2)				
- Arising on During the Year Movement	(23,337)	31,994	(23,337)	18,055
- Due to Change in Tax Rates	-	281,099	-	281,099
Deferred tax release on components of other comprehensive income (Note 22.2)				
- Arising on During the Year Movement	253,445	(3,858)	253,445	(3,858)
- Due to Change in Tax Rates	-	112,841	-	112,841
As at 31st March	1,559,625	1,329,517	1,492,040	1,261,933
<b>13.1 Statement of Financial Position</b>				
<b>Deferred Tax Liability</b>				
Capital Allowances	1,108,634	1,078,626	1,041,049	1,019,485
Revaluation surplus	559,256	297,782	559,256	289,338
Undistributed Associate Profits	70,528	82,899	70,528	82,899
<b>Deferred Tax Assets</b>				
Retirement Benefit Liability	(67,739)	(58,597)	(67,739)	(58,597)
Lease Liability	(2,558)	(4,582)	(2,558)	(4,582)
Provision	(97,310)	(58,719)	(97,310)	(58,719)
Allowances for Doubtful Debts	(11,186)	(7,892)	(11,186)	(7,892)
	1,559,625	1,329,517	1,492,040	1,261,933
<b>13.2 Statement of Comprehensive Income</b>				
<b>Deferred income tax reported in income statement</b>				
Capital Allowances	21,565	477,461	21,565	463,520
Retirement Benefit Liability	7,330	(25,642)	7,330	(25,642)
Lease Liability	2,023	(2,729)	2,023	(2,729)
Provision	(38,591)	(28,558)	(38,591)	(28,558)
Provision for Undistributed Associate Retained Earnings	(12,370)	(103,812)	(12,370)	(103,812)
Allowances for Doubtful Debts	(3,294)	(3,627)	(3,294)	(3,627)
Deferred taxation charge/(reversal)	(23,337)	313,093	(23,337)	299,152
<b>Deferred income tax reported in other comprehensive income</b>				
Net of deferred tax effect on freehold lan and building	269,917	112,841	269,917	112,841
Retirement Benefit Liability / (Asset)	(16,472)	(3,858)	(16,472)	(3,858)
Income/ (expense) arising during the year (Note 22.2)	253,445	108,983	253,445	108,983

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 30% (2023- 30% & 15%)

# NOTES TO THE FINANCIAL STATEMENTS

## 14 RETIREMENT BENEFIT LIABILITY

	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
As at 01 st April	199,753	158,999
Current service cost	12,556	12,002
Net interest on the net defined benefit liability (asset)	31,961	24,487
	44,517	36,489
Net Actuarial Gain / loss for the year	54,906	12,859
Payments made during the Year	(73,383)	(8,594)
	(18,477)	4,265
As at 31 st March	225,793	199,753

### Group / Company

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

### Sensitivity Analysis of Present Value of Defined Benefit Obligation

	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
<b>Discount Rate Sensitivity</b>		
Impact on one percentage decrease (-1%) in the discount rate	(14,105)	(11,478)
A one percentage increase (+1%) in the discount rate	15,987	13,043
<b>Salary Escalation Rate Sensitivity</b>		
A one percentage decrease (-1%) in the salary/wage increment rate	16,707	14,004
A one percentage increase (+1%) in the salary/wage increment rate	(14,993)	(12,495)

### Group / Company

### Distribution of Present value of define benefit obligation

As at 31st March 2024	Less than a year	Between 1-2 years	Between 2-5 years	Over year 5	Total
Defined Benefit Obligation	43,370	28,833	45,189	110,147	227,539

Lanka Tiles PLC the Group and the Company the defined benefit liability as of 31st March 2024 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

As at 31st March	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
Discount rate (per annum)	12.50%	16.00%
Salary scale (per annum) - Executives	15.00%	15.00%
- Non Executives	12.00%	12.50%
Weighted Average duration of defined benefit obligation (Years)	9.70	7.00

## 15 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Trade creditors - other	509,372	620,278	506,299	620,278
- related parties (Note 15.1)	133,681	79,424	129,727	79,424
	643,053	699,702	636,026	699,702
Sundry creditors including accrued expenses	955,279	1,168,302	955,280	1,167,623
<b>Total</b>	<b>1,598,332</b>	<b>1,868,004</b>	<b>1,591,306</b>	<b>1,867,325</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 15.1 Trade creditors - related parties

		Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company	Relationship				
Swisstek Ceylon PLC	Affiliated Company	129,727	79,424	129,727	79,424
Lanka Walltiles PLC	Parent Company	3,954	-	-	-
		133,681	79,424	129,727	79,424

## 15.2 Contract Liabilities

		GROUP / COMPANY	
		2024	2023
		Rs.'000	Rs.'000
As at 31st March		94,211	101,826

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

		GROUP		COMPANY	
Current		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company	Relationship				
Lanka Ceramic PLC	Affiliated Company	32,541	15,211	32,541	15,211
Royal Ceramics Lanka PLC	Affiliated Company	9,233	11,227	9,233	11,227
Uni Dil Packaging Limited	Affiliated Company	22,418	29,634	22,418	29,634
Swisstek Aluminium Limited	Associate Company	277	-	-	-
Vallibel One PLC	Ultimate Parent Company	67,719	72,658	67,719	72,658
LWL Development (Private) Limited	Affiliated Company	-	5,721	-	-
		132,188	134,451	131,911	128,730

## 17 REVENUE FROM CONTRACTS WITH CUSTOMERS

		GROUP		COMPANY	
Year ended 31st March		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of tiles & associated items					
Export sales		497,066	525,498	497,066	525,498
Local sales		15,634,470	18,158,544	15,633,821	18,158,544
		16,131,536	18,684,042	16,130,887	18,684,042
Turnover net of tax		16,131,536	18,684,042	16,130,887	18,684,042

### 17.1 Contract balances

Current	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Trade receivables (Note 08)	1,478,014	2,410,052	1,448,229	2,410,052
Contract liability (Note 15.2)	94,211	101,826	94,211	101,826
	1,572,225	2,511,878	1,542,440	2,511,878

### 18 OTHER INCOME / (EXPENSES)

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Disposal gain/(Loss) on property, plant and equipment	4,087	-	4,087	-
Sundry income	31,685	42,440	30,485	38,377
	35,772	42,440	34,572	38,377

### 19 FINANCE COST

	GROUP / COMPANY	
	2024 Rs.'000	2023 Rs.'000
Interest expense on overdrafts	28,403	47,123
Interest expense on bank loans	132,345	209,279
Finance charges on lease liabilities	9,528	8,240
	170,276	264,642

### 20 FINANCE INCOME

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Interest income	187,150	518,453	186,678	518,453
	187,150	518,453	186,678	518,453

# NOTES TO THE FINANCIAL STATEMENTS

## 21 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

	GROUP		COMPANY	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Included in cost of sales</b>				
Depreciation And Amortization Cost	421,684	367,640	421,684	367,640
Defined Benefit Plan Costs - Gratuity	30,950	27,279	30,950	27,279
Defined Contribution Plan Costs - EPF & ETF	48,519	37,907	48,519	37,907
Other Staff Cost	1,069,993	1,074,633	1,069,993	1,074,633
<b>Included in administration expenses</b>				
Depreciation And Amortization Cost	53,909	57,091	53,909	57,091
Defined Benefit Plan Costs - Gratuity	8,001	4,634	8,001	4,634
Defined Contribution Plan Costs - EPF & ETF	16,440	11,853	16,440	11,853
Other Staff Cost	155,767	126,724	155,535	126,724
Audit Fee	2,068	1,165	1,340	1,165
Non Audit Fee	1,833	1,690	1,833	1,690
Technical Fee	259,251	246,014	259,251	246,014
Inventory Written Off And Allowances	107,584	40,473	107,584	40,473
Social Security Contribution Levy ( SSCL)	321,802	203,745	321,802	203,745
Exchange (Gain) / Loss	117,499	(14,005)	117,499	(14,005)
<b>Included in distribution cost</b>				
Depreciation And Amortization Cost	50,126	32,374	50,126	32,374
Defined Benefit Plan Costs - Gratuity	5,568	4,576	5,568	4,576
Defined Contribution Plan Costs - EPF & ETF	12,158	9,750	12,158	9,750
Other Staff Cost	167,971	186,944	167,971	186,944
Allowance For Doubtful Debts	11,300	3,000	11,300	3,000

## 22 INCOME TAX EXPENSES

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

	GROUP		COMPANY	
Year ended 31st March	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Current income tax				
Current income tax charge	1,256,863	1,270,990	1,256,863	1,271,002
Under/(over) provision of current taxes in respect of prior years	(31,660)	4,756	(31,660)	4,756
Tax effect on Inter company Dividends	-	8,244	-	8,244
	1,225,203	1,283,990	1,225,203	1,284,002
(b) Deferred income tax				
Deferred taxation charge/(reversal)	(23,340)	313,093	(23,340)	299,152
Income tax expense reported in the Income statement	1,201,863	1,597,083	1,201,863	1,583,154



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

Year ended 31st March	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Accounting profit before income tax	4,108,734	5,284,885	4,151,913	5,279,262
Non deductible expenses	756,162	732,891	756,162	732,891
Deductible expenses	(746,208)	(916,767)	(746,208)	(916,767)
<b>Total Statutory Income</b>	<b>4,118,688</b>	<b>5,101,009</b>	<b>4,161,867</b>	<b>5,095,386</b>
<b>Net Taxable profit</b>	<b>4,118,688</b>	<b>5,101,009</b>	<b>4,161,867</b>	<b>5,095,386</b>
Taxable Profit	4,118,688	5,101,009	4,161,867	5,095,386
<b>Net Taxable profit</b>	<b>4,118,688</b>	<b>5,101,009</b>	<b>4,161,867</b>	<b>5,095,386</b>
<b>Current income tax expense</b>				
Taxation -14%	-	14,947	-	14,947
Taxation -18%	-	441,429	-	441,429
Taxation -24%	-	70,704	-	70,704
Taxation -30%	1,242,922	743,910	1,256,863	743,922
	<b>1,242,922</b>	<b>1,270,990</b>	<b>1,256,863</b>	<b>1,271,002</b>
<b>Deferred income tax reported in income statement</b>				
Capital Allowances	21,562	477,461	21,562	463,520
Retirement Benefit Liability	7,330	(25,642)	7,330	(25,642)
Lease Liability	2,023	(2,729)	2,023	(2,729)
Provision for Obsolete and Slow Moving, Consumables and Spares	(38,591)	(28,558)	(38,591)	(28,558)
Provision for Undistributed Associate Retained Earnings	(12,370)	(103,812)	(12,370)	(103,812)
Allowances for Doubtful Debts	(3,294)	(3,627)	(3,294)	(3,627)
Deferred taxation charge/(reversal)	<b>(23,340)</b>	<b>313,093</b>	<b>(23,340)</b>	<b>299,152</b>
<b>Deferred income tax reported in other comprehensive income</b>				
Revaluation Surplus	269,917	112,841	269,917	112,841
Retirement Benefit Liability	(16,472)	(3,858)	(16,472)	(3,858)
	<b>253,445</b>	<b>108,983</b>	<b>(253,445)</b>	<b>108,983</b>
<b>Effective Income Tax Rate</b>	<b>30.25%</b>	<b>24.05%</b>	<b>30.27%</b>	<b>24.08%</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 23 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	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Amounts used as the numerator:</b>				
Profit attributable to equity holders for basic earnings per share	2,912,277	3,687,589	2,915,724	3,696,108
<b>Number of ordinary shares used as the denominator:</b>				
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	10.98	13.90	10.99	13.93

## 24 DIVIDENDS PAID

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Declared and paid during the year</b>				
Equity dividends on ordinary shares :				
Final 2022/23 (Rs.1.10 Per share)	291,777	503,978	291,777	503,978
1st Interim 2023/24 (Rs.5.00 per share)	1,326,260	1,724,138	1,326,260	1,724,138
	1,618,037	2,228,116	1,618,037	2,228,116
Dividend Payout Ratio(%)	56%	60%	55%	60%

## 25. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	GROUP		COMPANY	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	306,811	810,691	298,796	790,371
	306,811	810,691	298,796	790,371
Unfavourable cash & cash equivalent balances				
Bank overdrafts (12)	(277,631)	(545,095)	(277,631)	(545,095)
<b>Total cash and cash equivalents for the purpose of cash flow statement</b>	<b>29,180</b>	<b>265,596</b>	<b>21,165</b>	<b>245,276</b>

## 26. ASSETS PLEDGED

No immovable assets were pledged as at 31st March 2024. other than disclosed in note 12.3.

Lanka Tiles PLC

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

## 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	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at 01st April 2023	1,229,203	(130,350)	181,535	(312,236)	1,410,738	(442,586)
Purchases	-	(4,333)	(1,691,622)	(3,190,642)	(1,691,622)	(3,194,976)
Sale of raw materials & spares	11,620	17,580	18,632	30,780	30,252	48,361
Settlements/(Recoveries) by the Company	(1,685,220)	(391,094)	1,371,854	3,863,540	(313,366)	3,472,445
Rent received/(paid)	3,953	6,883	(12,997)	(2,900)	(9,044)	3,983
Expenses apportioned	714,886	659,588	68,185	183,929	783,071	843,517
Commission on sales	-	-	(50,985)	(37,724)	(50,985)	(37,724)
Expenses incurred and transferred	(441,948)	(222,433)	(21,499)	(317,661)	(463,447)	(540,095)
Credit Cards Collected On Behalf Of Subsidiary	1,126,810	666,291	-	-	1,126,810	666,291
Loan	-	837,500	50,000	-	50,000	837,500
Technical Fees	(207,068)	(210,431)	(25,859)	(35,550)	(232,927)	(245,982)
<b>Balance as at 31st March 2024</b>	<b>752,236</b>	<b>1,229,203</b>	<b>(112,756)</b>	<b>181,535</b>	<b>639,480</b>	<b>1,410,735</b>
<b>Included Under</b>						
Trade and other payableAmount	-	-	(129,727)	(79,424)	(129,727)	(79,424)
Amount due from related parties	819,955	1,301,860	81,163	317,029	901,118	1,618,889
Amount due to related parties	(67,719)	(72,658)	(64,192)	(56,073)	(131,911)	(128,731)
<b>Balance as at 31st March 2024</b>	<b>752,236</b>	<b>1,229,202</b>	<b>(112,756)</b>	<b>181,532</b>	<b>639,480</b>	<b>1,410,734</b>

## NOTES TO THE FINANCIAL STATEMENTS

The above subsidiaries and affiliates include following companies;

### Company

- Royal Ceramics Lanka PLC
- Unidil Packaging Limited
- Swisstek Aluminum Limited
- Swisstek (Ceylon) PLC
- Rocell Bathware Limited
- LWL Development ( Private) Limited
- Beyond Paradise Collection Limited
- Lanka Swisstek ( 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 Ceramics Lanka PLC and Vallibel One PLC are for services rendered in providing technical advises to improve manufacturing process of Lanka Tiles PLC.

Lanka Tiles PLC provided a loan to Lanka Walltiles PLC at an interest rate of cost plus 2% per annum

Corporate guarantees were given at monthly interest charge of adding 2% premium to the AWPLR.

## 27.2 Group - Related Party Transactions

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at 01st April 2023	1,229,203	(130,350)	181,535	(312,236)	1,410,738	(442,586)
Purchases	(3,954)	(4,333)	(1,692,324)	(3,190,642)	(1,696,278)	(3,194,976)
Sale of raw materials & spares	11,620	17,580	13,018	30,780	24,638	48,361
Settlements/(Recoveries) by the Company	(1,685,220)	(391,094)	1,371,321	3,863,540	(313,899)	3,472,445
Rent received/(paid)	3,953	6,883	(12,997)	(2,900)	(9,044)	3,983
Expenses apportioned	714,886	659,588	69,168	185,584	784,054	845,173
Commission on sales	-	-	(50,984)	(37,724)	(50,984)	(37,724)
Expenses incurred and transferred	(441,948)	(222,433)	(21,498)	(317,661)	(463,446)	(540,095)
Credit Cards Collected On Behalf Of Subsidiary	1,126,810	666,291	-	-	1,126,810	666,292
Loan	-	837,500	50,000	-	50,000	837,500
Technical Fees	(207,068)	(210,431)	(25,858)	(35,550)	(232,926)	(245,982)
<b>Balance as at 31st March 2024</b>	<b>748,282</b>	<b>1,229,203</b>	<b>(118,619)</b>	<b>183,188</b>	<b>629,663</b>	<b>1,412,391</b>
Included Under						
Trade and other payable	(3,954)	-	(129,727)	(79,424)	(133,681)	(79,424)
Amount due from related parties	819,955	1,301,860	75,577	324,405	895,532	1,626,266
Amount due to related parties	(67,719)	(72,658)	(64,469)	(61,793)	(132,188)	(134,451)
<b>Balance as at 31st March 2024</b>	<b>748,282</b>	<b>1,229,202</b>	<b>(118,619)</b>	<b>183,188</b>	<b>629,663</b>	<b>1,412,391</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short Term Employment Benefits	101,910	89,384	101,910	89,384
Post Employment Benefits	-	37,758	-	37,758
	101,910	127,142	101,910	127,142

## 28. COMMITMENTS AND CONTINGENCIES

### 28.1 Capital commitments

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

#### Lease commitments

Lanka Tiles PLC is committed to pay Rs. 19,872,341.00/- as rent per year for the use of land & buildings situated in Nawala.

#### Corporate Guarantees

Lanka Tiles PLC has given a corporate guarantee to Sampath Bank PLC on behalf of Swisstek Ceylon PLC to secure banking facility of Rs. 250 million. Lanka Tiles PLC charge an interest of 2% per annum for the said security.

### 28.2 Contingencies

There were no material contingent liabilities outstanding as at reporting date.

## 29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, on 28th May 2024 by circular resolution, The Board of Directors has recommended the final dividend of Rs.0.70 per share for the year ended 31st March 2024.

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 minimize potential adverse effects on the financial performance of the group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the group 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 due to the change in interest rate

#### 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 foreign, trade receivables and trade creditors.

#### Foreign currency sensitivity

		Change in profit before tax Group/ Company	
Change in		Appreciation Rs.'000	Depreciation Rs.'000
2024	5.0%	16,489	(16,489)
	10.0%	32,977	(32,977)
	15.0%	49,466	(49,466)
	20.0%	65,954	(65,954)
	25.0%	82,443	(82,443)
	30.0%	98,931	(98,931)
2023	5.0%	19,158	(19,158)
	10.0%	38,316	(38,316)
	15.0%	57,474	(57,474)
	20.0%	76,632	(76,632)
	25.0%	95,790	(95,790)
	30.0%	114,948	(114,948)

# NOTES TO THE FINANCIAL STATEMENTS

## Cash flow and fair value interest rate risk

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

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

## Interest rate sensitivity

		Change in profit before tax Group/ Company	
Change in		Increase Rs.'000	Decrease Rs.'000
2024	0.5%	5,918	(5,918)
	1.0%	11,836	(11,836)
	1.5%	17,753	(17,753)
	2.0%	23,671	(23,671)
	2.5%	29,589	(29,589)
	5.0%	59,178	(59,178)
2023	0.5%	9,048	(9,048)
	1.0%	18,096	(18,096)
	1.5%	27,145	(27,145)
	2.0%	36,193	(36,193)
	2.5%	45,241	(45,241)
	5.0%	90,482	(90,482)

## 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 utilization 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)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 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 group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2024 based on contractual undiscounted (principal plus interest) payments.

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 economic condition.

#### Group

At 31 March 2024	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
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	749,036	205,781	172,292	-	-
Lease Liability on Right of Use Assets	22,501	22,293	34,024	-	-
Trade and other payables	1,692,542	-	-	-	-
Amounts due to related parties	132,188	-	-	-	-

At 31 March 2023	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
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	1,170,938	217,162	298,806	238,531	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,969,830	-	-	-	-
Amounts due to related parties	134,451	-	-	-	-

#### Company

At 31 March 2024	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
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	749,036	205,781	172,292	-	-
Lease Liability on Right of Use Assets	17,938	17,772	21,623	-	-
Trade and other payables	1,685,514	-	-	-	-
Amounts due to related parties	131,911	-	-	-	-

At 31 March 2023	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
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	1,170,938	217,162	298,806	238,531	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,969,151	-	-	-	-
Amounts due to related parties	128,730	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## Capital management risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize 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	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Borrowings	1,153,255	1,750,288	1,153,255	1,750,288
Total equity	14,991,225	12,932,183	14,774,705	12,752,926
Gearing ratio ; Debt to Equity	8%	14%	8%	14%

# Echoes of Adaptability



Supplementary Information



# FIVE YEAR SUMMARY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	2020 Rs.'000	2021 Rs.'000	2022 Rs.'000	2023 Rs.'000	2024 Rs.'000
<b>GROUP</b>					
Revenue	6,694,824	12,626,485	14,591,620	18,684,042	16,131,536
Operating profit	1,026,965	2,775,596	4,545,765	5,297,540	4,122,376
Finance income/(costs)	(334,292)	(207,473)	85,890	253,811	16,874
Share of results of associate-Net of Tax	82,602	286,545	405,353	(266,466)	(30,516)
<b>Profit before income tax</b>	<b>775,275</b>	<b>2,854,668</b>	<b>5,037,008</b>	<b>5,284,885</b>	<b>4,108,734</b>
Income tax expense	(193,330)	(403,774)	(926,692)	(1,597,083)	(1,201,863)
<b>Profit for the year</b>	<b>581,945</b>	<b>2,450,894</b>	<b>4,110,316</b>	<b>3,687,802</b>	<b>2,906,870</b>
<b>Profit attributable to the equity holders of the Company</b>	<b>581,787</b>	<b>2,450,774</b>	<b>4,110,139</b>	<b>3,687,589</b>	<b>2,912,277</b>
Dividends	-	(856,764)	(1,856,763)	(2,228,116)	(1,618,037)
<b>Retained profit for the year</b>	<b>581,787</b>	<b>1,594,010</b>	<b>2,253,376</b>	<b>1,459,473</b>	<b>1,294,240</b>
Earnings per share - basic (Rs)	2.19	9.24	15.50	13.90	10.98

Year ended 31st March	2020 Rs.'000	2021 Rs.'000	2022 Rs.'000	2023 Rs.'000	2024 Rs.'000
<b>COMPANY</b>					
Revenue	6,694,824	12,626,485	14,591,620	18,684,042	16,130,887
Operating profit	1,025,903	2,775,990	4,546,130	5,296,875	4,135,511
Finance income/(costs)	(334,292)	(207,473)	85,890	253,811	16,402
Share of results of associate-Net of Tax	82,602	286,545	402,764	(271,424)	(34,326)
<b>Profit before income tax</b>	<b>774,213</b>	<b>2,855,062</b>	<b>5,034,784</b>	<b>5,279,262</b>	<b>4,117,587</b>
Income tax expense	(193,316)	(410,388)	(913,924)	(1,583,154)	(1,201,863)
<b>Profit for the year</b>	<b>580,897</b>	<b>2,444,675</b>	<b>4,120,860</b>	<b>3,696,108</b>	<b>2,915,724</b>
<b>Profit attributable to the equity holders of the Company</b>	<b>580,897</b>	<b>2,444,675</b>	<b>4,120,860</b>	<b>3,696,108</b>	<b>2,915,724</b>
Dividends	-	(856,764)	(1,856,763)	(2,228,116)	(1,618,037)
<b>Retained profit for the year</b>	<b>580,897</b>	<b>1,587,911</b>	<b>2,264,097</b>	<b>1,467,992</b>	<b>1,297,687</b>
Earnings per share - basic (Rs)	2.19	9.22	15.54	13.93	10.99



# FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

As at 31st March	2020 Rs.'000	2021 Rs.'000	2022 Rs.'000	2023 Rs.'000	2024 Rs.'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5,974,804	6,373,888	6,471,179	7,001,724	8,335,196
Right of Use Assets	106,187	63,878	65,378	19,510	48,805
Intangible Assets	12,594	11,295	8,970	92,155	85,244
Investment in subsidiary	6,242	6,242	270,242	327,326	387,701
Investments in associates	1,005,793	1,283,017	1,501,249	1,076,445	1,135,917
	7,105,620	7,738,320	8,317,018	8,517,160	9,992,863
<b>Current assets</b>					
Inventories	4,780,594	2,322,116	2,473,794	5,036,886	7,403,268
Trade and other receivables	1,702,492	1,638,223	975,691	4,028,941	2,349,347
Income tax assets	-	-	-	-	-
Cash and cash equivalents	64,953	2,316,965	4,919,853	790,371	298,794
	6,548,039	6,277,304	8,369,338	9,856,198	10,051,409
<b>Total assets</b>	<b>13,653,659</b>	<b>14,015,624</b>	<b>16,686,356</b>	<b>18,373,358</b>	<b>20,044,272</b>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Stated capital	900,968	900,968	900,968	900,968	900,968
Retained earnings	5,606,252	7,262,288	9,567,744	10,389,489	11,781,461
Revaluation reserve	730,515	1,122,372	1,115,159	1,002,318	1,632,125
Amalgamation reserve	460,151	460,151	460,151	460,151	460,151
	7,697,886	9,745,779	12,044,022	12,752,926	14,774,705
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	1,270,881	971,206	705,420	434,405	188,290
Deferred income tax liabilities	776,804	740,486	853,797	1,261,933	1,492,040
Defined benefit obligations	181,034	198,598	158,999	199,753	225,793
	2,228,719	1,910,290	1,718,216	1,896,091	1,906,123
<b>Current liabilities</b>					
Current liabilities					
Trade and other payables	1,382,482	1,774,881	1,867,905	2,097,881	1,817,428
Current income tax liabilities	2,222	262,947	293,821	310,577	581,051
Borrowings	2,342,350	321,727	762,392	1,315,883	964,965
	3,727,054	2,359,555	2,924,118	3,724,341	3,363,444
<b>Total liabilities</b>	<b>5,955,773</b>	<b>4,269,845</b>	<b>4,642,334</b>	<b>5,620,432</b>	<b>5,269,567</b>
<b>Total equity and liabilities</b>	<b>13,653,659</b>	<b>14,015,624</b>	<b>16,686,356</b>	<b>18,373,358</b>	<b>20,044,272</b>

# SHAREHOLDER INFORMATION

Year ended 31st March		2020	2021	2022	2023	2024
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)	(No. of Shares Mn)	53.05	265.25	265.25	265.25	265.25
Shareholders						
- Institutions	(Number)	172	244	355	329	317
- Individuals	(Number)	2,084	3,083	4,277	5,476	5,375
Total		2,256	3,327	4,632	5,805	5,692
Shares held by						
- Institutions	(%)	90.10	87.40	90.93	88.92	89.08
- Individuals	(%)	9.89	12.60	9.07	11.08	10.92
Total		99.99	100.00	100.00	100.00	100.00

## DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2024

Size of shareholdings		Shareholders	Shares	Holdings
Number		Number	Number	%
1	- 1,000	3,377	972,395	0.36
1,001	- 10,000	1,743	6,769,984	2.55
10,001	- 100,000	503	14,104,193	5.32
100,001	- 1,000,000	60	14,954,843	5.64
Over	- 1,000,000	9	228,450,635	86.13
		5,692	265,252,050	100.00

## CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	5,325	28,553,251	10.76
Local Institutions	313	235,510,919	88.79
Foreign Individuals	50	413,277	0.16
Foreign Institutions	4	774,603	0.29
Total	5,692	265,252,050	100.00

## PUBLIC HOLDING

The Percentage of shares held by the Pubic as at 31st March 2024 28.229%

No of public shareholders representing the above percentage 5,685

The float adjusted market capitalization as at 31st March 2024 is **Rs.3,871,221,810.50**

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

# 25 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2024

NAME	31.03.2024		31.03.2023	
	Shareholding		Shareholding	
	Number	%	Number	%
1 Lanka Walltiles PLC	180,945,975	68.220	180,945,975	68.217
2 Employee's Provident Fund	24,841,565	9.370	24,841,565	9.365
3 Royal Ceramics Lanka PLC.	6,942,405	2.620	6,942,405	2.617
4 Sri Lanka Insurance Corporation Ltd-Life Fund	4,500,294	1.700	3,458,294	1.304
5 Employees Trust Fund Board	3,267,114	1.230	2,844,947	1.073
6 Amana Bank PLC/Mr.mohamed Nayaz Deen	3,084,935	1.160	2,974,097	1.121
7 Mr. A.A. Page	2,169,695	0.820	2,169,695	0.818
8 Mrs. S. Vasudevan / Mr S Vasudevan	1,576,200	0.590	-	-
9 Mr. K.A.S.R. Nissanka	1,122,452	0.420	1,122,452	0.423
10 DFCC Bank PLC A/C No .02	762,432	0.290	721,393	0.272
11 Sri Lanka Insurance Corporation Ltd-General Fund	700,000	0.260	700,000	0.264
12 Sampath Bank PLC/Aruna Enterprises Pvt Ltd.	642,500	0.240	642,500	0.242
13 Mrs. A.A. Merchant	625,000	0.240	-	-
14 Seylan Bank PLC/Mohamed Nayaz Deen	560,802	0.210	560,802	0.211
15 Acuity Partners (Pvt) Limited/Mr. Subramaniam Vasudevan	530,000	0.200	530,000	0.200
16 Mr. D.N.P. Rathnayake	427,000	0.160	-	-
17 Mr. N. Samarasuriya	420,000	0.160	420,000	0.158
18 Mr. S.A.C. Keerthisinghe /Mrs D M J S Dissanayaka	412,000	0.160	400,000	0.151
19 Mr. D.R. Ponnampereuma	398,822	0.150	398,822	0.150
20 Sezeka Limited	380,000	0.140	380,000	0.143
21 Deutsche Bank Ag-National Equity Fund	367,190	0.140	1,362,775	0.514
22 Hatton National Bank PLC A/C No.4 (Hnb Retirement Pension Fund)	352,166	0.130	-	-
23 Code-Gen International Pvt Ltd	327,050	0.120	327,050	0.123
24 DFCC Bank PLC A/C 1	313,335	0.120	-	-
25 Hatton National Bank PLC/Sarravanan Neelakandan	283,058	0.110	283,058	0.107
<b>Sub Total</b>	<b>235,951,990</b>	<b>88.960</b>	<b>232,025,830</b>	<b>87.474</b>
<b>Other 5,667 Shareholders</b>	<b>29,300,060</b>	<b>11.040</b>	<b>33,226,220</b>	<b>12.526</b>
<b>Total</b>	<b>265,252,050</b>	<b>100.000</b>	<b>265,252,050</b>	<b>100.000</b>

## DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2024

	No of Shares	%
Mr A M Weerasinghe	-	-
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	200,000	0.075
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	-	-
Mr. J R Gunaratne	-	-
Ms K A D Brindhiini Perera	-	-

\*The fractional shares of 2,910 arising from the Sub division of share Issue were issued jointly in the names of Mr. J A P M Jayasekera and Mr. A A Page

# SHAREHOLDER INFORMATION

## SHARE PRICE FOR THE YEAR

Market price per share	As at 31/03/2024	As at 31/03/2023
Highest during the year	Rs. 54.90 (13-03-2024)	Rs. 72.00 (30-09-2022)
Lowest during the year	Rs. 39.20 (29-05-2023)	Rs. 33.00 (27-04-2022)
As at end of the year	Rs. 51.70	Rs. 43.10 (31-03-2023)
Number of Transactions during the year	19,582	
Number of Shares traded during the year	20,228,026	
Value of shares traded during the year (Rs.)	974,276,213.50	

- The Percentage of shares held by the Public as at 31st March 2024 – **28.229%**
- No of public shareholders representing the above percentage – **5,685**
- The float adjusted market capitalization as at 31st March 2024 is **Rs 3,871,221,810.50**

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

# STATEMENT OF VALUE ADDED

For the year ended 31st March	2020		2021		2022		2023		2024	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
Sales	6,694,824		12,626,485		14,591,620		18,684,042		16,130,887	
Other income	26,833		42,624		94,420		52,382		34,572	
Less:										
Cost of materials & services bought in	(3,761,960)		(7,540,481)		(7,270,691)		(9,884,905)		(8,299,457)	
Value added	2,959,697		5,128,628		7,415,349		8,851,519		7,866,001	
Distribution of Value Added										
Employees as remuneration & welfare	719,188	24.30	1,017,259	19.83	1,315,973	17.75	1,783,242	20.15	1,076,689	13.69
Government as taxes	985,604	33.30	774,179	15.10	1,890,390	25.49	2,954,467	33.38	3,712,840	47.20
Lenders of capital as interest	316,693	10.70	223,839	4.36	88,126	1.19	256,402	2.90	160,748	2.04
Shareholders as dividends	-	-	856,764	16.71	1,856,764	25.04	1,989,401	22.48	1,618,037	20.57
Retained in the business as										
- Depreciation/deferred tax	440,154	14.87	393,526	7.67	572,123	7.72	510,955	5.77	502,378	6.39
- Profits	498,058	16.83	1,863,060	36.33	1,691,973	22.82	1,357,052	15.33	795,309	10.11
Total	2,959,697	100.0	5,128,628	100.00	7,415,349	100.00	8,851,519	100.00	7,866,001	100.00

# GRI INDEX

Statement of use	Lanka Tiles PLC has reported in accordance with the GRI Standards for the period 1st April 2023 to 31st March 2024
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	There is no applicable sector standard.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	4				
	2-2 Entities included in the organization's sustainability reporting	6 - 7				
	2-3 Reporting period, frequency and contact point	6 - 7				
	2-4 Restatements of information	7				
	2-5 External assurance	99				
	2-6 Activities, value chain and other business relationships	30				
	2-7 Employees	54				
	2-8 Workers who are not employees	54				
	2-9 Governance structure and composition	10				
	2-10 Nomination and selection of the highest governance body	74				
	2-11 Chair of the highest governance body	74				
	2-12 Role of the highest governance body in overseeing the management of impacts	74				
	2-13 Delegation of responsibility for managing impacts	9				
	2-14 Role of the highest governance body in sustainability reporting	16				
	2-15 Conflicts of interest	74				
	2-16 Communication of critical concerns	22				
	2-17 Collective knowledge of the highest governance body	20				
	2-18 Evaluation of the performance of the highest governance body	16				



GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-19 Remuneration policies	99				
	2-20 Process to determine remuneration	99				
	2-21 Annual total compensation ratio	160				
	2-22 Statement on sustainable development strategy	26				
	2-23 Policy commitments	6 & 74				
	2-24 Embedding policy commitments	74-86				
	2-25 Processes to remediate negative impacts	74-80				
	2-26 Mechanisms for seeking advice and raising concerns	56				
	2-27 Compliance with laws and regulations	96				
	2-28 Membership associations	64				
	2-29 Approach to stakeholder engagement	30				
	2-30 Collective bargaining agreements	54				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	28 - 29				
	3-2 List of material topics	28 - 29				
Economic performance						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	32				
	201-2 Financial implications and other risks and opportunities due to climate change	38				
	201-3 Defined benefit plan obligations and other retirement plans	54-59				
	201-4 Financial assistance received from government		GRI 201-4	Not Applicable	No such assistance received from government.	
192   Lanka Walltiles PLC						
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	28-29				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		GRI 202-1	Not Applicable	Remuneration offered above minimum wage without considering gender.	
	202-2 Proportion of senior management hired from the local community		GRI 202-2	Not Applicable	All managers hired from local community.	
Indirect economic impacts						
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	48-53				
	203-2 Significant indirect economic impacts	38				
Procurement practices						
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	32				
Anti-corruption						
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	31				
	205-2 Communication and training about anti-corruption policies and procedures		GRI 205-2	Not Available	The group does not track this information at present.	
	205-3 Confirmed incidents of corruption and actions taken		GRI 205-3	Not Applicable	No such incidents during the FY 2023/24	
Tax						
GRI 207: Tax 2019	207-1 Approach to tax	142				
	207-2 Tax governance, control, and risk management	142				
	207-3 Stakeholder engagement and management of concerns related to tax	30 - 31				
	207-4 Country-by-country reporting		GRI 207-4	Not Applicable	Operating only locally	
Materials						
GRI 301: Materials 2016	301-1 Materials used by weight or volume	66 - 69				
	301-2 Recycled input materials used	66 - 69				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Energy						
GRI 302: Energy 2016	302-1 Energy consumption within the organization	66 - 69				
	302-2 Energy consumption outside of the organization		GRI 302-2	Not Available	The group does not track this information at present.	
	302-3 Energy intensity	66 - 69				
	302-4 Reduction of energy consumption	66 - 69				
	302-5 Reductions in energy requirements of products and services	66 - 69				
Water and effluents						
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	66 - 69				
	303-2 Management of water discharge-related impacts	66 - 69				
	303-3 Water withdrawal	66 - 69				
	303-4 Water discharge	66 - 69				
	303-5 Water consumption	66 - 69				
Emissions						
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	66 - 69				
	305-2 Energy indirect (Scope 2) GHG emissions	66 - 69				
	305-3 Other indirect (Scope 3) GHG emissions	66 - 69				
	305-4 GHG emissions intensity	66 - 69				
	305-5 Reduction of GHG emissions	66 - 69				
	305-6 Emissions of ozone-depleting substances (ODS)		GRI 305-6	Not Available	The group does not track this information at present.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		GRI 305-7	Not Available	The group does not track this information at present.	
Waste						
GRI 306: Waste 2020	306-1 Waste generation and significant waste -related impacts	66 - 69				
	306-2 Management of significant waste- related impacts	66 - 69				
	306-3 Waste generated	66 - 69				
	306-4 Waste diverted from disposal	66 - 69				
	306-5 Waste directed to disposal	66 - 69				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Employment						
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	54-59				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	54-59				
	401-3 Parental leave	54-59				
Occupational health and safety						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	54-59				
	403-2 Hazard identification, risk assessment, and incident investigation	54-59				
	403-3 Occupational health services	54-59				
	403-4 Worker participation, consultation, and communication on occupational health and safety	54-59				
	403-5 Worker training on occupational health and safety	54-59				
	403-6 Promotion of worker health	54-59				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	54-59				
	403-8 Workers covered by an occupational health and safety management system	54-59				
	403-9 Work-related injuries	54-59				
	403-10 Work-related ill health	54-59				
Training and education						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	54-59				
	404-2 Programs for upgrading employee skills and transition assistance programs	54-59				
	404-3 Percentage of employees receiving regular performance and career development reviews	54-59				
Diversity and equal opportunity						
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	54-59				
	405-2 Ratio of basic salary and remuneration of women to men	54-59				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Non-discrimination						
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		GRI 406-1	Not Applicable	No such incidents during the FY 2023/24	
Forced or compulsory labour						
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour		GRI 409-1	Not Applicable	No such incidents during the FY 2023/24	
Local communities						
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	60-65				
	413-2 Operations with significant actual and potential negative impacts on local communities	60-65				
Supplier social assessment						
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	54-59				
	414-2 Negative social impacts in the supply chain and actions taken		GRI 414 - 2	Not Applicable	No such incidents during the FY 2023/24	
Customer health and safety						
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	54-59				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		GRI 416-2	Not Applicable	No such incidents during the FY 2023/24	
Marketing and labelling						
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	60				
	417-2 Incidents of non-compliance concerning product and service information and labelling		GRI 417-2	Not Applicable	No such incidents during the FY 2023/24	
	417-3 Incidents of non-compliance concerning marketing communications		GRI 417-3	Not Applicable	No such incidents during the FY 2023/24	
Customer privacy						
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		GRI 418-1	Not Applicable	No such incidents during the FY 2023/24	

## NOTES





## NOTES



# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Fortieth (40th) Annual General Meeting of Lanka Tiles PLC will be held on 28th day of June 2024 at 1.00 p.m. at "Balmoral", The Kingsbury, No. 48, Janadhipathi Mawatha, Colombo 01 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2024 and the Report of the Auditors thereon.
2. To declare a final dividend of Seventy Cents (Rs. 0.70) per share as recommended by the Board of Directors.
3. To re-elect Dr. S Selliah, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. J A N R Adihetty, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
5. To re-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.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
7. To authorize the Directors to determine donations for the financial year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By Order of the Board

LANKA TILES PLC



**P W Corporate Secretarial (Pvt) Ltd**

Director / Secretaries

30th May 2024

At Colombo

Notes:

- 1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy, to attend and vote instead of him/her. A Proxy need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose.
- 2) 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\* .....(NIC / Passport / Company Reg. No. ....) of..... being a shareholder / shareholders of LANKATILES PLC hereby appoint ..... (NIC/Passport No.....) of .....or failing him/her

Mr. Amarakone Mudiyanseelage Weerasinghe	or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	or failing him*
Dr. Sivakumar Selliah	or failing him*
Mr. Tharana Gangul Thoradeniya	or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	or failing him*
Ms. Anjalie Maryanne Letitia Page	or failing her*
Mr. John Amrith Nishan Ratnatunga Adihetty	or failing him*
Mr. Sameera Madushanka Liyanage	or failing him*
Mr. Sanjeewa Renuka Jayaweera	or failing him*
Mr. Jitendra Romesh Gunaratne	or failing him*
Ms. Kulappu Arachchige Dona Brindhiini Perera	or failing her*

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 28th June 2024 at 1.00 p.m. and any adjournment thereof and at every poll which may be taken in consequence thereof

	FOR	AGAINST
1) To declare a final dividend of Seventy Cents (Rs. 0.70) per share as recommended by the Board of Directors	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Dr. S Selliah, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. J A N R Adihetty who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Ms. A M L Page who retires in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine donations for the financial year ending 31st March 2025 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
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 / Passport / Company Registration number (as applicable) and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy [Full name, National Identity Card / Passport number and the address] 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 at No.215, Nawala Road, Narahenpita, Colombo 05, Sri Lanka 48 hours before the time fixed for the meeting



# 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 and bears Registration No. PQ 129.

## DIRECTORS

Mr. A M Weerasinghe (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  
Ms. K A D B 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  
Facsimile : + 94 - 11 - 2141045  
E-mail : factory@lankatiles.com

## BANKERS

Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Bank of Ceylon  
Hongkong & Shanghai Banking Corp. Limited  
Hatton National Bank PLC  
Sampath Bank PLC  
Seylan Bank PLC  
National Development Bank PLC  
Habib Bank Limited  
Nations Trust Bank PLC  
Union Bank of Colombo PLC  
Pan Asia Banking Corporation PLC

## AUDITORS

EY  
Chartered Accountants  
109, Galle Road,  
Colombo 03



**LANKA TILES PLC**

215, Nawala Road, Narahenpita, Colombo 05, Sri Lanka.  
Tel: (+94-11) 4526700, e-mail: [info@lankatiles.com](mailto:info@lankatiles.com)