



# Tiles that tell a Story

LANKA TILES PLC  
Integrated Annual Report 2024/25

 **LANKATILES**





# Tiles that tell a Story

Each tile we craft at LANKATILES embodies a legacy—a story woven into the very fabric of the spaces it shapes. More than just surfaces, our tiles have become the backdrop to life's most meaningful moments, enduring through the decades.

Across generations, our products have witnessed the evolution of Sri Lanka's architectural landscape, helping shape environments where tradition and innovation seamlessly blend. Every room, every building, tells a story of dreams realised and memories made, all supported by the enduring beauty and strength of our tiles.

With every installation, we create spaces that stand the test of time, enriching the lives within them. At LANKATILES, we are committed to shaping environments where stories unfold, where heritage is honoured, and where the future is built.

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# ABOUT US

Lanka Tiles PLC is a leading manufacturer and exporter of premium ceramic and porcelain tiles, headquartered in Sri Lanka. Established in 1984 and listed on the Colombo Stock Exchange, the Company has built a strong reputation for quality, design innovation, and sustainability. Lanka Tiles PLC operates as part of the Royal Ceramics Lanka PLC Group, contributing significantly to the Group's local and international market presence.

With a commitment to delivering world-class products, LANKATILES caters to a diverse clientele across residential, commercial, and industrial segments, both domestically and in over 05 export markets. The Company blends cutting-edge technology with local craftsmanship, ensuring high performance, aesthetic appeal, and eco-friendly production practices.

## VISION



Creating a fine art of living

## MISSION

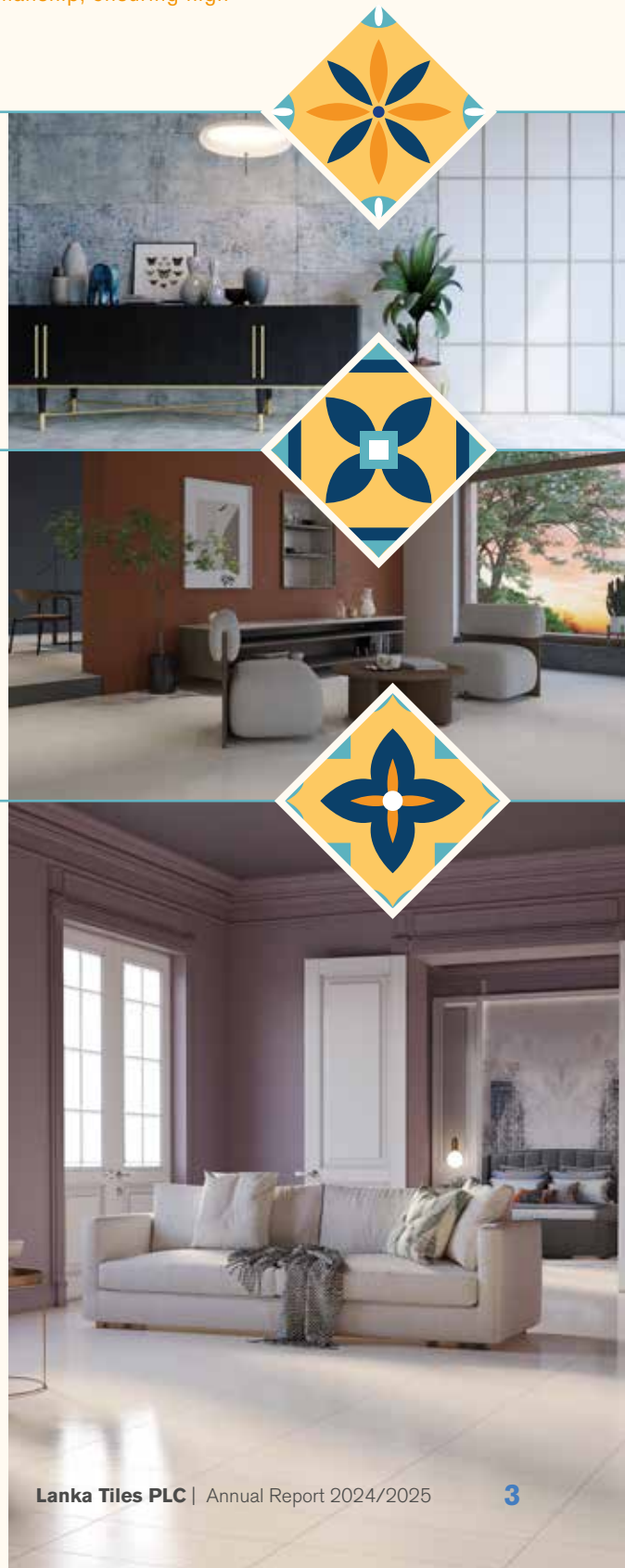


Creating contemporary fashionable lifestyles for our customers while adding value to our stakeholders by excelling in everything we do with the strength of our inherited values.

## VALUES



Quality, Trust, Sense of heritage, Longstanding relationships



# OUR VALUES

## OUR VALUES

**Quality**

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

**Style**

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

**Elegance**

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

**Value**

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

## INTERNATIONAL STANDARDS



ISO 9001: 2015 for Quality Management Systems



ISO 27001: 2022 for Information Security Management Systems



SLS ISO 14001:2015 for Environmental Management Systems



CE Mark Certificate for Quality Export Products



Green Labelling system for sustainable building material and products Version 2.0

### OUR POLICIES

#### Environmental Policy

We establish, implement and maintain our EMS to minimise 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.



# ABOUT THIS REPORT

## ABOUT THIS REPORT

This Integrated Annual Report of Lanka Tiles PLC presents a comprehensive overview of the Company's performance, strategy, and value creation for the year ended 31st March 2025. In alignment with the principles of integrated reporting, this report offers a holistic view of how company leverages our financial, manufactured, intellectual, human, social, and natural capitals to deliver sustainable value to its stakeholders.

As a leading manufacturer and exporter of glazed ceramic tiles in Sri Lanka and global markets, LANKATILES has continued to strengthen our operational resilience and innovation capabilities amid evolving economic, environmental, and industry challenges. This report reflects the Company's commitment to transparency, corporate governance, and sustainable growth, while articulating the strategic decisions that shape our future.



## Scope and Boundary

This report presents a detailed account of both financial and non-financial information necessary to assess the performance of Lanka Tiles PLC, the parent entity, along with our 3 subsidiaries, collectively known as "the Group." It covers the financial year ended 31st March 2025, building on the prior reporting period that concluded on 31st March 2024, and includes comparative data to facilitate a clear year-on-year performance assessment. The scope of both financial and non-financial reporting has remained consistent throughout the Group, ensuring transparency, consistency, and ease of comparison.

## REPORTING FRAMEWORKS AND PRINCIPLES

### Financial Reporting



- Companies Act No.7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No 15 of 2015.
- Sri Lanka Financial Reporting Standards

### Integrated Reporting



- International <IR> Framework 2021

### Corporate Governance



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



### Sustainability Reporting



- Global Reporting Initiative Sustainability Reporting Standards
- Sustainable Development Goals (SDGs) of United Nations
- IFRS Sustainability Reporting Standards
- Sustainability Accounting Standards for Construction material

# ABOUT THIS REPORT

## ASSURANCE

Assurance on financial statements has been provided by Messrs Ernst & Young, Chartered Accountants and their reports are set out on pages 114 to 116.



## SIGNIFICANT CHANGES AND RESTATEMENTS

There were no significant changes requiring restatements of financial or sustainability information during the reporting period.



## GUIDING PRINCIPLES

### Strategic focus and future orientation

This report outlines our strategic direction and its role in generating value across the short, medium, and long term, while also assessing how it influences and utilises different types of capital.

### Reliability and completeness

This report conveys all significant matters, both favourable and unfavourable, in an objective and balanced way, ensuring accuracy and freedom from material misstatements.

### Stakeholder relationships

This report offers a clear understanding of the nature and strength of our relationships with key stakeholders, highlighting how we recognise, engage with, and respond to their valid needs and expectations.

### Connectivity of information

This report provides a comprehensive perspective on the interrelated elements, relationships, and dependencies that shape the organisation's capacity to generate value over the long term.

### Materiality

This report discloses key information on matters that significantly affect our capacity to create value over the short, medium, and long term.

### Consistency and comparability

This report is presented on a consistent basis over time and in a manner that allows for comparison with other organisations, where relevant, to assess the organisation's ability to create value over time.

### Conciseness

This report is presented concisely.

## FORWARD LOOKING STATEMENTS

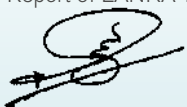
This report includes forward-looking statements based on our current perceptions, opinions, and views of both external and internal information. These statements aim to assess the Group's potential to create value in the future. However, it's crucial to acknowledge the inherent uncertainty associated with these statements, as they pertain to future events and outcomes beyond our control. These uncertainties significantly impact our ability to create value. We advise users about the heightened levels of uncertainty in forward-looking statements, given the dynamic nature of markets and extreme volatility of key economic indicators. Users are encouraged to form their own judgments using the latest available information. It's important to clarify that all forward-looking statements are provided without recourse or liability to the Board or other preparers of the Annual Report due to the uncertainties mentioned above.



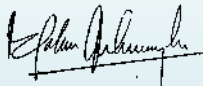
## The Statement of Responsibility

The Annual Report has been prepared by the Senior Management of the Group on behalf of the Board of Directors. Senior Management has used internal and external resources in compiling this report to enhance presentation and readability of the report.

The Annual Report of the Board of Director includes an acknowledgement of the Directors' responsibility with regard to the Annual Report. The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that Integrated Annual Report of LANKA TILES PLC for the financial year ended 31st March 2025 is presented in accordance with the <IR> Framework 2021.



A M Weerasinghe  
Chairman



R M M J Ratnayake  
Chairman Audit Committee



L P B Talwatte  
Managing Director

### Feedback and Inquiries

Your feedback is valuable to us, and we are dedicated to improving the quality of our report. Should you have any questions or feedback, please feel free to reach out to the following contact:

Ms. S U Amarasinghe  
General Manager (Finance)  
E-mail - sajeewani@lankatiles.com  
Tel - 0114526700

### Navigating Our Report

#### Capital



##### Financial Capital



##### Human Capital



##### Manufactured Capital



##### Social & Relationship Capital



##### Intellectual Capital



##### Natural Capital

#### Stakeholder



##### Investors



##### Customers



##### Employees



##### Suppliers



##### Community



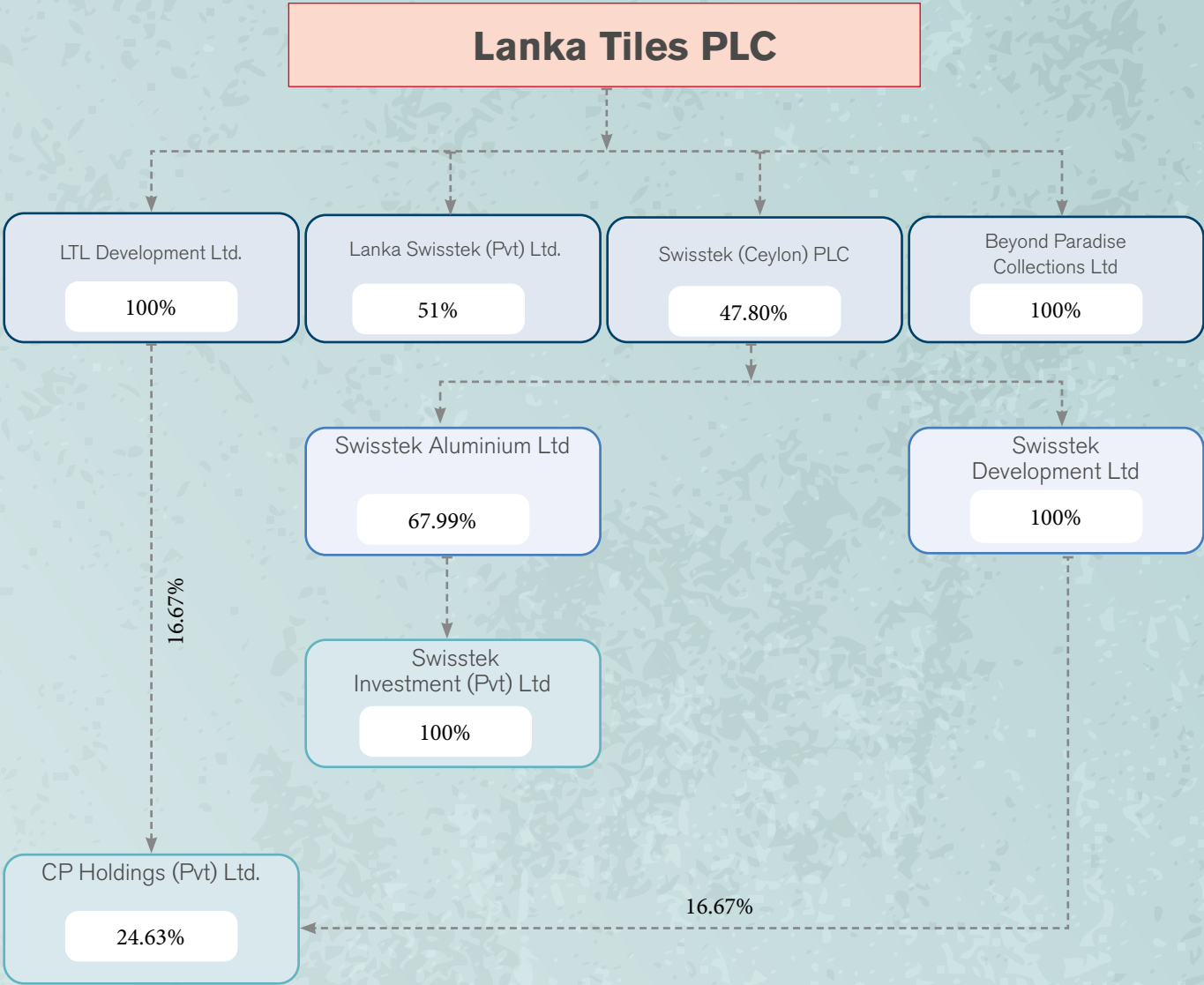
##### Regulators



# OUR PRODUCT PORTFOLIO



# OUR GROUP STRUCTURE



# MILESTONE AND KEY EVENTS

2025

- **Implementation of SAP throughout the group companies.**

In January 2025, Swisstek (Ceylon) PLC, Lanka Swisstek (Pvt) Ltd, and Beyond Paradise Collections Ltd implemented the SAP S/4 HANA system to enhance their decision-making capabilities.

- **Open up a state of art aluminum fabrication plant and design studio in India through the Lanka Swisstek (Pvt) Ltd**

LANKA SWISSTEK is setting a new benchmark for innovative tile and aluminum solutions, seamlessly integrating sophisticated design with cutting-edge technology to elevate residential and commercial spaces. Based in Bangalore, we are driven by a mission to transform urban landscapes across India through precision-engineered products that inspire and endure. Drawing from over a century of combined expertise, we merge the pioneering craftsmanship of LANKATILES rooted in Sri Lankan heritage and globally recognised for its innovative tile solutions with advanced technologies to enhance the built environment.

- **Open up a new showroom in Maldives to enhance the LANKATILES global presence.**

Export efforts were reinforced by opening a flagship showroom in the Maldives in partnership with Alba International Pvt Ltd, further establishing the brand's regional presence. The showroom has been designed to offer an immersive brand experience, showcasing a curated range of our premium ceramic and porcelain tile collections. It enables us to cater more effectively to the unique preferences of the Maldivian market, particularly within the booming hospitality and construction sectors

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

## 2024

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

On 30th March 2024, LANKATILES 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 LANKATILES 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

### Recognised at the Architect Exhibition 2023

LANKATILES 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.

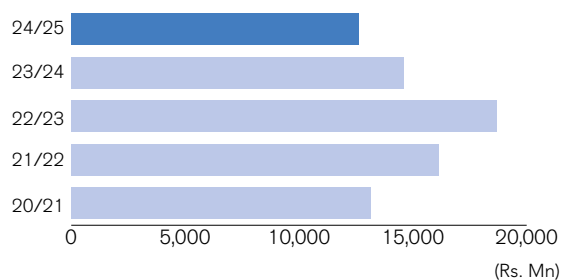
# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE

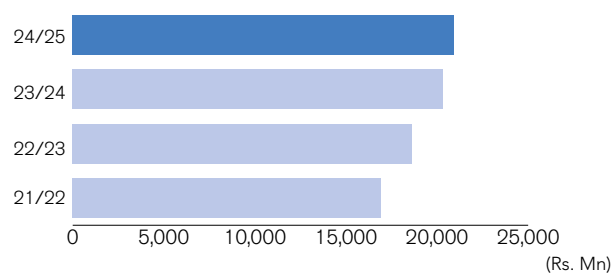
|                               | Unit         | 2024/25             | 2023/24      | %    |
|-------------------------------|--------------|---------------------|--------------|------|
| <b>Financial Performance</b>  |              |                     |              |      |
| Revenue                       | Rs. 000      | <b>13,168,060</b>   | 16,131,536   | (18) |
| Operating Expenses            | Rs. 000      | <b>(11,832,595)</b> | (12,009,160) | (1)  |
| Operating Profit              | Rs. 000      | <b>1,335,465</b>    | 4,122,375    | (68) |
| Profit Before Tax             | Rs. 000      | <b>1,677,014</b>    | 4,108,733    | (59) |
| Profit After Tax              | Rs. 000      | <b>1,083,085</b>    | 2,906,870    | (63) |
| Gross Profit Margin           | %            | <b>33</b>           | 46           | (28) |
| Operating Profit Margin       | %            | <b>10</b>           | 26           | (62) |
| <b>Return to Shareholders</b> |              |                     |              |      |
| Earnings Per Share            | Rs.          | <b>4.3</b>          | 10.9         | (61) |
| Dividend Per Share            | Rs.          | <b>2.4</b>          | 6.1          | (61) |
| Dividend Payout Ratio         | %            | <b>59</b>           | 56           | 5    |
| Return on Equity (ROE)        | %            | <b>7.03</b>         | 19.46        | (63) |
| Price to Book value           | No. of Times | <b>0.87</b>         | 0.92         | (5)  |
| Market Capitalisation         | Rs. 000      | <b>13,448,279</b>   | 13,713,531   | (2)  |
| Market Value per Share        | Rs.          | <b>50.70</b>        | 51.70        | (2)  |
| <b>Growth and Stability</b>   |              |                     |              |      |
| Total Assets                  | Rs. 000      | <b>20,926,178</b>   | 20,335,680   | 3    |
| Shareholder funds             | Rs. 000      | <b>15,404,854</b>   | 14,991,225   | 3    |
| Debt                          | Rs. 000      | <b>1,809,401</b>    | 1,153,255    | 57   |
| Inventory                     | Rs. 000      | <b>8,116,154</b>    | 7,414,063    | 9    |
| Net Assets per Share          | Rs.          | <b>58.08</b>        | 56.52        | 3    |
| Gearing ratio                 | %            | <b>12</b>           | 8            | 50   |
| Current Ratio                 | No. of Times | <b>2.94</b>         | 2.99         | (2)  |
| Quick Assets Ratio            | No. of Times | <b>0.6</b>          | 0.8          | (25) |

**Rs. 13,168 Mn** Revenue      **Rs. 13,448 Mn** Market Capitalisation      **Rs. 20,926 Mn** Total Assets

### Revenue



### Asset Growth



# NON –FINANCIAL HIGHLIGHTS

|                                        | Unit   | 2024/25           | 2023/24    | %    |
|----------------------------------------|--------|-------------------|------------|------|
| <b>Human Capital</b>                   |        |                   |            |      |
| Employees                              | Nos    | <b>890</b>        | 843        | 6    |
| Employee Resignation                   | Nos    | <b>74</b>         | 51         | 45   |
| Training Hours                         | Hrs    | <b>6,957</b>      | 11,084     | (37) |
| Training Expenses                      | Rs. Mn | <b>12</b>         | 19         | (36) |
| Recruits                               | Nos    | <b>121</b>        | 135        | (10) |
| Injuries                               | Nos    | <b>8</b>          | 9          | (11) |
| <b>Manufactured Capital</b>            |        |                   |            |      |
| Manufacturing Capacity                 | Sqm    | <b>5,626,250</b>  | 5,626,250  | -    |
| Capacity Utilisation                   | Sqm    | <b>3,726,212</b>  | 4,297,975  | (13) |
| Capex                                  | Rs. Mn | <b>720</b>        | 1030       | (30) |
| No. of showrooms                       | Nos    | <b>56</b>         | 55         | 2    |
| <b>Social and Relationship Capital</b> |        |                   |            |      |
| Local suppliers                        | Nos    | <b>604</b>        | 593        | 2    |
| Payment to Local suppliers             | Rs. Mn | <b>10,296</b>     | 12,417     | (17) |
| Foreign Suppliers                      | Nos    | <b>45</b>         | 36         | 25   |
| Payments to foreign suppliers          | Rs. Mn | <b>2,733</b>      | 3,899      | (30) |
| Distributors & Dealers                 | Nos    | <b>68</b>         | 53         | 28   |
| Franchisees                            | Nos    | <b>54</b>         | 53         | 2    |
| CSR Spend                              | Rs. Mn | <b>3</b>          | 2          | 50   |
| <b>Intellectual Capital</b>            |        |                   |            |      |
| Brand Value                            | Rs. Mn | <b>2,084</b>      | 2,084      | -    |
| No. of new designs                     | Nos    | <b>102</b>        | 122        | (16) |
| <b>Natural Capital</b>                 |        |                   |            |      |
| Material Consumption                   | MT     | <b>90,658</b>     | 108,667    | (17) |
| Energy Consumption                     | Rs. Bn | <b>3.04</b>       | 3.8        | (20) |
| Water Consumption                      | Mn.Lts | <b>132</b>        | 197        | (33) |
| Diesel Consumption                     | Liters | <b>324,650</b>    | 294,644    | 10   |
| LPG Consumption                        | Kgs    | <b>9,478,910</b>  | 10,901,847 | (13) |
| Electricity Consumption                | Kwh    | <b>21,422,584</b> | 23,295,070 | (8)  |
| Water Recycle                          | Liters | <b>14,735,000</b> | 16,701,284 | (12) |

**Rs. 2,084 Mn**      **5,626,250 (Sqm)**      **102 Nos**

Brand Value      Total Production Capacity      New Designs

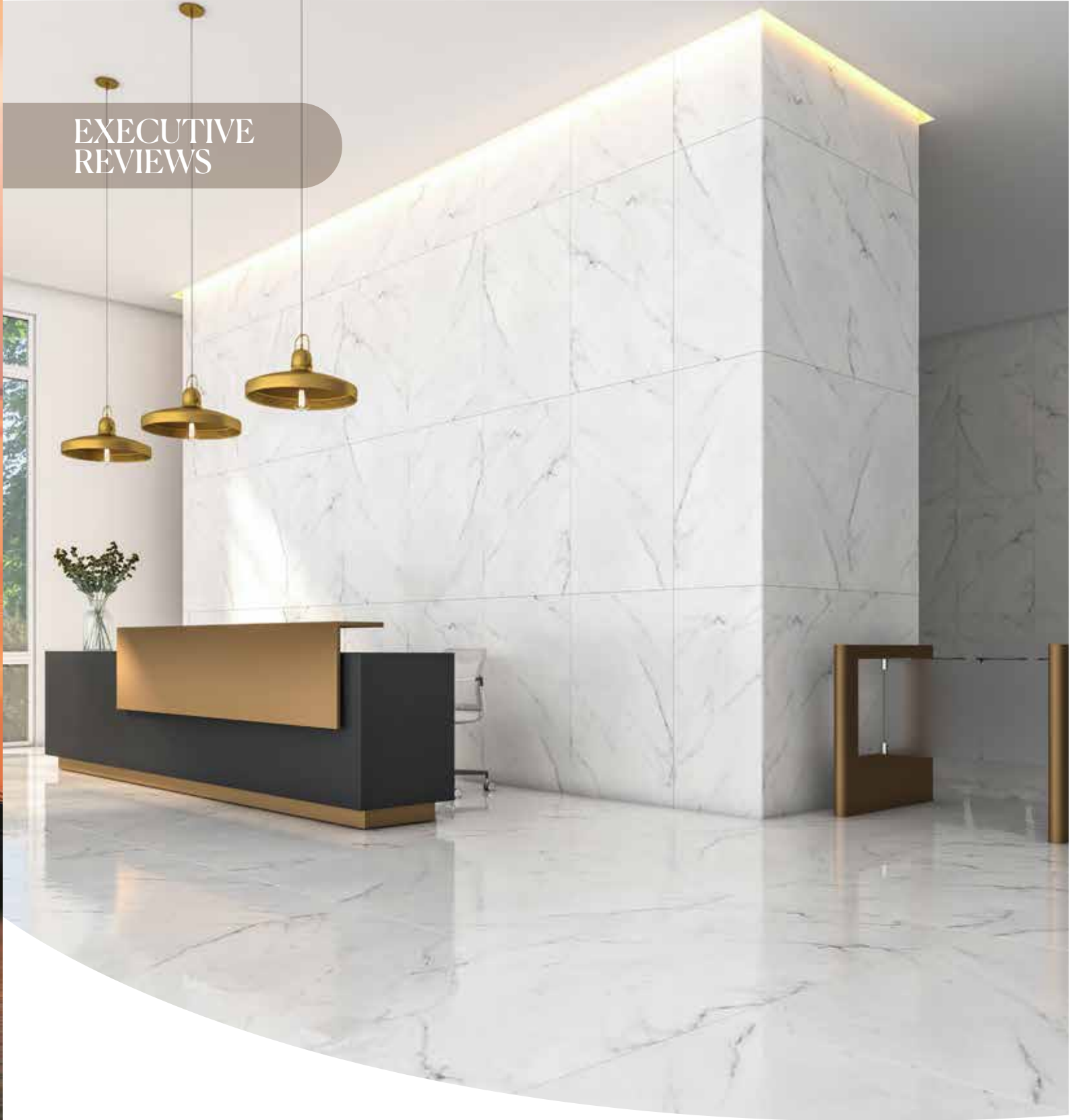


**ISLAND LIVING**

### **Born of Sun and Sea**

From the warm breeze that dances through coconut palms to the unhurried rhythm of coastal life, Sri Lanka's natural elegance is more than a lifestyle—it is a living design philosophy. At Lanka Tiles, the soul of our island pulses through every pattern we craft.

Our collections reflect the grace of seaside mornings, the harmony between heritage and spontaneity, and the tropical tones that define our homeland. Inspired by the shapes of coral, the geometry of stone, and the movement of the sea, our designs capture the essence of island living—where beauty and nature meet in perfect rhythm.



EXECUTIVE  
REVIEWS

# Leadership that tells a Story

Visionary leadership drives transformation. Through bold decisions and a clear sense of purpose, Lanka Tiles continues to navigate change, seize opportunity, and shape a future built on strength and ambition.

## CHAIRMAN'S MESSAGE

A portrait of A M Weerasinghe, the Chairman, standing with his hands clasped in front of him. He is wearing a grey suit, a white shirt, and a blue patterned tie. The background is a teal color with a decorative border at the top and bottom featuring a repeating geometric pattern.

“Export growth will be key to moving inventory and the LT Group plans to redouble its efforts to do so”

**A M WEERASINGHE**  
Chairman

Lanka Tile PLC Group recorded a Group Profit after tax of Rs. 1,083 Mn despite challenges in the construction industry. The Group continues to innovate and invest in technology and capabilities to advance Sri Lanka's tile industry. The Board ensures financial stability by maintaining adequate headroom for increased leverage if needed. The Group holds its market leadership position through expansion and innovation as Sri Lanka's prominent tile brand.

### Difficult terrain

Sri Lanka's economy recovered in 2024, recording positive GDP growth of 5% after two years of negative growth. Despite two national elections, economic stability prevailed with the new government continuing the IMF Extended Fund Facility programme. A strong mandate to the government saw stability in the policy environment. Inflation continued to decline, reaching negative territory by August 2024, easing household disposable incomes. Interest rates also declined further, restoring investor confidence. Strong growth in tourist arrivals and earnings combined with increasing worker remittances and export growth to boost foreign exchange inflows. Easing import restrictions resulted in rapid growth of imports, resulting in a widening of the trade deficit. This played a key role in the dynamics of the tile industry as cheap in the absence of anti-dumping legislation in the country continues to skew the playing field to favour importers. The impact of this was exacerbated by continuing low levels of activity in the construction sector, reducing demand for quality tiles produced by the domestic market. This continues to weigh on performance of the country's tile manufacturing industry as we not only take pride in the quality of our products but uphold our commitment to sustainability. Our employees enjoy the right of collective bargaining with many enrolled in unions and we also screen suppliers on environment and social criteria which all add costs. However, there are no soft barriers for ensuring that these fundamental principles of sustainability are upheld when importing products into the country.

Tile manufacture has also been affected by climate change as the wet weather experienced during the year resulted in higher moisture levels in the mined raw materials. This necessitated increasing the stock holding period of raw materials to reduce the moisture levels. Additionally, we also needed to ensure availability of raw materials for production, which also led to increased stock holding periods and expansion of the working capital cycle. Inventory management is critical to maintain profitability as working capital financing can erode profit margins.

### Geared for growth

Sri Lanka forecasts an uptick in construction sector activity in 2025 with both commercial construction and housing construction expected to increase in line with demand. Additionally, the housing renovation market is expected to pick up with the easing of household budgets and the refurbishment of hotels provide further opportunities for growth. I am pleased to observe the progress made in exports by the Group and trust that the foundations laid this year prove a sound launching pad for growth in the year ahead.

Lanka Tiles has invested in expansion over the years, keeping pace with technology progress in the sector. It has also enhanced its collections, ensuring that products are in line with design trends, enhancing customer appeal. Additionally, a network of franchisees coupled with a growing number of our own showrooms provide islandwide customer touchpoints and strong brand visibility. We believe there is opportunity for growth, both in our domestic market and in export markets.

### Performance

Despite prevailing market challenges, the Group recorded a growth in sales volume of 1.6%, demonstrating the underlying strength of our distribution and customer engagement strategies. However, revenue declined by 18% year-on-year, primarily due to the need to offer significant discounts to stimulate demand, manage inventory levels, and safeguard market share.

The Group reported a Profit Before Tax of Rs. 1.7 Bn and a Profit After Tax of Rs. 1.08 Bn, reflecting declines of 59% and 63%, respectively, compared to the previous year. These results underscore the difficult operating environment marked by subdued construction activity and increased competition from low-cost imports.

Our Balance Sheet remains robust, with net assets growing modestly by 3% to Rs. 20.9 Bn, supported by prudent financial management and the absence of

major capital expenditure initiatives during the year. Total assets stood at Rs. 20.9 Bn, comprising Rs. 8.5 Bn in Property, Plant & Equipment and Rs. 8.1 Bn in inventory.

### Governance & Sustainability

The Managing Director Mr. Mahendra Jayasekera retired on 31st March 2025 after more than two decades at the helm and we take this opportunity to acknowledge his invaluable contribution to the Group during his tenure. We welcome Mr. Priyantha Talwatte who brings invaluable experience into this role, having served at the helm of two banks in the country. His experience in managing both retail operations of the Bank as well as the Bank itself brings relevant experience as we seek to expand the retail operations of the Group.

Mr. S.M. Liyanage and Mr. K.D.G. Gunaratne resigned from the Board and we are deeply appreciative of the contributions made by them in guiding the Group. We welcomed Mr. Hareesh Somashantha as a Executive Director and Mr. R.M. Ratnayake as an Independent Non-Executive Director, strengthening industry insights at Board level.

We completed compliance with the CSE Rule 9 on Corporate Governance which saw the Board Committees being reconstituted and directors being re-designated during the year. The required policies were published on the website and the Corporate Governance report contains a summary of the Group's compliance with Section 9.

The Board also noted the issue of SLFRS on Sustainability which established the framework for sustainability reporting in Sri Lanka which will be effective for reporting periods starting after 1st April 2025. Lankatiles will prepare itself to comply with the requirements during the year in anticipation for mandatory reporting in 2025/26.

### Moving ahead

Sri Lanka made remarkable progress during the year and is forecast to grow by 3.1% in 2025. There is a high levels of uncertainty regarding world trade due to the announcement of tariffs on all imports by the US administration which has now shifted trade more or less to a bilateral basis. Large economies, notably China, witnessed an escalation followed by a de-escalation within a period of months and other large economies are going through similar cycles. Smaller nations are yet to see reductions in applicable tariffs making them perhaps more vulnerable to shifting patterns of world trade.

Export growth will be key to moving inventory and the LT Group plans to redouble its efforts to do so. Meanwhile, there is room to strengthen domestic sales, leveraging the high visibility and recognition of the Lanka Tiles brand. Seizing the opportunities within both the retail market and exports will be key to driving top line growth in the year ahead. Strengthening supply chains is another key area of focus given the increasing complexities in the quality and procurement of raw materials. Investments made in designs and formats are expected to combine to create vibrant portfolio that appeals to customers at multiple price points, moving finished goods inventory from warehouses. The Board will monitor progress on its key priorities for the year, export growth, managing working capital and finances, retaining leadership of the domestic market and managing liquidity and capital.

### Acknowledgements

The Board and I commend Lanka Tiles PLC for their dedication and resilience through challenges. I appreciate my fellow Board members' guidance this year. We value our stakeholders' support and look forward to future collaboration for mutual growth.



**A M Weerasinghe**  
Chairman

29th May 2025

## MANAGING DIRECTOR'S MESSAGE

A portrait of Mr. L P B Talwatte, the Managing Director, standing with his hands clasped in front of him. He is wearing a dark pinstripe suit, a white shirt, and a red and black striped tie. The background is a teal color with a decorative pattern of light-colored tiles at the top and bottom.

“We have made considerable strides in growing our international presence this year.”

**MR. L P B TALWATTE**  
Managing Director

## Dear Shareholder,

I am pleased to share the Lanka Tiles PLC Annual Report for the 2024/25 financial year. Having assumed the role of Managing Director in April 2025, I look forward to working closely with the Lanka Tiles team as we build on the Company's foundations and continue to pursue steady, long-term progress.

The past year brought significant challenges for both Lanka Tiles and the broader industry. Despite these headwinds, I am pleased to report that Lanka Tiles delivered a resilient performance, supported by the Group's proactive and adaptive strategic approach.

Although the Sri Lankan economy showed early signs of recovery, the construction sector's rebound remained sluggish, which continued to dampen demand for building materials and tiles. This was further exacerbated by a surge in unregulated tile imports, disrupting fair competition. The lack of anti-dumping measures and the presence of importers operating outside the formal tax system created a challenging environment for local manufacturers, who faced considerable pricing disadvantages as a result.

## Responding to challenges with resilience and foresight

To remain competitive against lower-priced imported tiles, we were compelled to offer significant discounts to our customers. While necessary, this approach exerted pressure on our profit margins. Moreover, increased production capacity, combined with subdued market demand, led to the risk of stock build-up, requiring further discounting to manage inventory levels effectively. In response, we also focused on broadening our product portfolio to stimulate demand and safeguard our market share. I'm pleased to highlight that we launched 99 new designs during the year, enhancing the depth and appeal of our offerings. Additionally, we introduced specialised products such as new mosaic trims and field tiles, tailored specifically for the export market.

We have made considerable strides in growing our international presence this year. A major achievement was the opening of our first overseas showroom in the Maldives, in collaboration with Alba International Pvt Ltd, marking a significant milestone in extending our brand beyond Sri Lanka. Additionally, we reinforced our footprint across key export markets including Africa and the Middle East. In the United States, Lanka Tiles accelerated its expansion by establishing a dedicated warehouse in Texas. This move supported our successful onboarding of 15 leading buyers, who together account for roughly 70% of the U.S. tile market. We remain optimistic that these developments will generate strong returns in the near future.

On the domestic front, we continued to enhance our retail network by launching a new showroom in Boralesgamuwa. Four existing showrooms were relocated and modernised to improve customer accessibility and elevate the overall customer experience.

Lanka Tiles placed strong emphasis on improving operational efficiency to help alleviate pressure on our profit margins. Through a range of initiatives, we achieved total cost savings of Rs. 548 Mn during the year, which partially offset the impact of the discounts we offered. Moving forward, we remain committed to pursuing efficiency improvements as a key strategy to stay competitive and support sustainable growth.

## Performance

Despite operating in a highly competitive market, our contemporary product portfolio and focused marketing initiatives contributed to growth in both domestic and export sales volumes, which increased by 2% and 8.9% respectively. However, overall revenue declined by 18% to Rs. 13.1 Bn, mainly due to the impact of discounted pricing and exchange rate volatility.

Export growth was largely driven by the continued success of our mosaic tile range, particularly in the United States and Asian markets. These products have been well received for their design quality and durability, helping us maintain strong relationships with key distributors and customers.

Our gross profit margins declined from 46% to 33%, primarily as a result of lower average selling prices due to necessary discounting in response to market conditions. While a number of cost-efficiency measures were implemented during the year, they were not sufficient to fully offset the impact of reduced revenue. Consequently, gross profit fell by 42% to Rs. 4.3 Bn.

Pre-tax profit amounted to Rs. 1.7 Bn, reflecting a 59% decrease from the previous year, driven by lower revenue and margin compression. Net profit after tax declined by 63% to Rs. 1.08 Bn.

The Group's asset base remained broadly unchanged over the year. Capital expenditure was approached cautiously in light of market conditions, with Rs. 720 Mn invested in targeted infrastructure and capacity upgrades. Inventory increased by 9% and accounted for 40% of total assets at year-end, a result of higher production volumes outpacing sales growth.

As of the end of the financial year, 74% of the Group's balance sheet was funded through equity, while interest-bearing liabilities accounted for 9%. Total equity increased by 3% to Rs. 15.4 billion. The Group carried no long-term interest-bearing debt, while Rs. 167 million was reclassified as current interest-bearing liabilities. The current portion also includes short-term loans amounting to Rs. 167 Mn utilised to support Group's working capital needs, particularly in response to the increase in inventory levels.

## Talent Management

During the year, we placed a strong emphasis on developing and supporting our people, recognising that their contribution is essential to navigating the evolving business environment. With increased competition and pressure on margins, we focused on enhancing employee capabilities through structured training programs, leadership development, and digital learning platforms. We also continued to prioritise employee wellbeing, introducing initiatives to support work-life balance, mental health, and overall engagement. Clear career paths and internal mobility opportunities helped retain key talent and strengthen our leadership pipeline.

## Our socioeconomic impact

Sustainability remains at the heart of our operations, driving us to continuously refine how we source, produce, and deliver value. From adopting energy-efficient technologies and renewable energy solutions to optimising raw material use and reducing waste, we are actively working to lower our environmental impact. These efforts go hand in hand with our Group-wide initiatives aimed at improving operational efficiency and cost effectiveness.

As a key player in Sri Lanka's construction ecosystem, which contributes around 6% to national GDP, our influence extends well beyond our factory floors. We directly employ 890 people, while also supporting a wide network of franchisees, distributors, and skilled tilers. Recognising their importance to our success, we invest in developing their capabilities, offering training and support that help them grow alongside us.

## Moving Forward, Stronger

Sri Lanka's construction sector is poised for a strong rebound in 2025, with both commercial and residential markets expected to see significant growth driven by rising demand. The home renovation segment is also anticipated to accelerate as household incomes improve, while hotel refurbishment projects present fresh opportunities for expansion and added value.

We are well-positioned to take advantage of this upswing, having invested substantially in upgrading our production facilities to ensure our tile offerings align with current design trends and market expectations. We remain hopeful that existing challenges will soon ease, enabling us to fully utilise our enhanced production capacity.

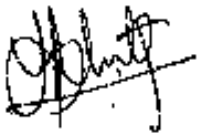
# MANAGING DIRECTOR'S MESSAGE

Meanwhile, our international expansion efforts continue to gain momentum, and I am confident these initiatives will begin to yield concrete results in the near term, contributing to the Group's overall growth and strengthening our global footprint.

As we grow, careful production management, including optimising our product mix, and prudent working capital oversight will be essential. We will stay vigilant, exploring all options to manage production flow effectively and balance profitability with healthy liquidity.

## Acknowledgements

I would like to express my heartfelt thanks to all employees across the Lanka Tiles Group. Your dedication and teamwork have been essential to our progress. I look forward to your continued support as we pursue new opportunities for growth together. My sincere gratitude also goes to the Board for their vision and guidance throughout this challenging year. I deeply appreciate our investors and shareholders for their ongoing confidence in the Group as we strive to unlock greater value. Lastly, I wish to sincerely thank Mr. Mahendra Jayasekera, my predecessor, for his exceptional leadership in positioning the Group as an industry leader and for facilitating a smooth transition.



**Mr. L P B Talwatte**  
Managing Director

29th May 2025

# BOARD OF DIRECTORS



**MR. A M WEERASINGHE**  
Chairman - Non Executive Director

Founder of Royal Ceramics Lanka PLC in 1990 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 is a Landed Proprietor

**Total No. of Companies Holding  
Directorship/Key Management positions: 16**

He serves as Executive Chairman - Rocell Bathware Limited and Non-Executive Chairman of Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Singhe Hospitals PLC, Ever Paint and Chemical Industries (Private) Limited, TradeHuts (Pvt) Ltd, Weerasinghe Gems (Pvt) Ltd, Weerasinghe Property Development (Pvt) Ltd

He is also a Non-Executive Director of Swisstek (Ceylon) PLC, Biscuits and Chocolate Company Ltd

C P Holding (Pvt) Ltd, LC Plantation Projects (Pvt) Ltd, Rocell Properties Limited, Royal Ceramics Distributors (Private) Ltd, Swisstek Aluminium Limited

Appointed to the Board on 15th March 2017



**MR. L P B TALWATTE**  
Managing Director/Executive Director

Mr. Priyantha Talwatte is an accomplished business leader with over 32 years of senior management experience in banking, finance, and telecommunications. His career includes a decade in telecommunications both locally and internationally, followed by 20 years in banking and finance, with a proven track record of driving sustainable growth and delivering strong stakeholder outcomes.

He is a graduate of the Chartered Institute of Marketing (UK), an alumnus of Harvard Business School (AMP-196), and a certified business trainer and high-performance coach.

Mr. Talwatte played a pivotal role in transforming Nations Trust Bank (NTB) into a leading institution in Sri Lanka. As CEO and Director, he led NTB's strategic evolution, securing the American Express franchise, establishing market leadership, and advancing digital banking capabilities. He championed customer segmentation, enhanced service culture, implemented risk frameworks, and optimised the branch network through a hub-and-spoke model.

He also served as CEO of SDB Bank, leading it through a challenging period immediately after the economic crisis.

**Total No. of Companies Holding  
Directorship/ Key Management positions  
: 16**

Mr. Talwatte serves as the Managing Director/ Executive Director of Lanka Walltiles PLC, Lanka Tiles PLC and Lanka Ceramic PLC.

He is a Non-Executive Independent Director at LB Finance PLC and Non-Executive Director of Beyond Paradise Collections Ltd, LWL Development (Pvt) Ltd, LTL Development Ltd, C P Holdings (Pvt) Ltd, L C Development (Pvt) Ltd, L C Plantation Projects Ltd, L W Plantation Investments Ltd, Uni Dil Packaging Limited, Uni Dil Packaging Solutions Limited, Vallibel Plantation Management Limited, Lanka Tiles USA Inc, Valley View Ceramics LLC.

Appointed to the Board on 01st April 2025

## BOARD OF DIRECTORS



**MR. H SOMASHANTHA**

Director Finance / Executive Director

Mr. Hareesh Somashantha is a seasoned finance and operations professional with over 25 years of leadership experience. His expertise spans business planning and development, strategic and financial management, and internal and external process optimisation. With a strong track record in driving team-led process improvements, he has successfully implemented innovative solutions to enhance revenue, operational efficiency, customer satisfaction, and overall profitability.

A Fellow of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka, Mr. Somashantha is also an Associate Member of CPA Australia. He holds a Bachelor of Science degree in Mathematics.

**Total No. of Companies Holding  
Directorship/Key Management  
positions: 16**

He currently serves as the Director Finance of Royal Ceramics Lanka PLC (Rocell Group). Additionally, he is a Director and Audit Committee Member of Hayleys Fabrics PLC, Vallibel Power Erathna PLC and Unidil Packaging Limited. His directorships further extend to several subsidiary companies within the Unidil and Delmege Group.

Appointed to the Board on 25th April 2025



**DR. S SELLIAH**

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.

**Total No. of Companies Holding  
Directorship/Key Management positions: 13**

Dr. Selliah serves on a non executive capacity in the following company Boards. Dr. Selliah is the Chairman of JAT Holdings PLC and serves as a Director of Commercial Bank of Ceylon PLC, Swisstek (Ceylon) PLC, ACL Cables PLC, Arunodhaya Private Ltd, Lanka Walltiles PLC, Lanka Tiles PLC, Arunodhaya Industries (Pvt) 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. Selliah has served as a Senior Lecturer in the Faculty of Medicine, University of Kelaniya for many years in the past and served on several committees. He has also been Head of the Department of Physiology for many years during this period at the Faculty. He has also served as a Member of the University Council at the University of Colombo in the past.

Appointed to the Board on 29th January 2002



**MR. T THORADENIYA**

Non-Executive Director

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

Recognised 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

**Total No. of Companies Holding  
Directorship/Key Management positions: 14**

He is Group Director of Marketing and Business Development 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.

Appointed to the Board on 28th May 2013



**MS. A M L PAGE**

**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.

**Total No. of Companies Holding**

**Directorship/Key Management positions: 03**

She holds directorships as Independent Non-Executive Director of Lanka Walltiles PLC and Lanka Ceramic PLC.

Appointed to the Board on 01st October 2013



**MR. J A N R ADHIHETTY**

**Independent Non-Executive Director**

Mr. Amrith Adhihetty has full membership of CPA, Australia and holds a B.Com degree from University of Macquarie, Sydney, Australia. After completing his studies 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 synthesise technical analysis into business insights.

**Total No. of Companies Holding**

**Directorship/Key Management positions: 05**

He serves as 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

Appointed to the Board on 10th October 2018



**MR. S R JAYAWEERA**

**Independent Non-Executive Director**

Mr. Jayaweera was appointed to the Board in 2021 and also serves as a member of the Audit Committee. He has a proven track record spanning over two decades in a senior management position of several John Keells Group of Companies listed on the Colombo Stock Exchange (CSE) possessing a well established reputation for adhering to high ethical standards and integrity.

He has expertise in Financial Accounting, Management Accounting, Hotel Management, Manufacturing, Retail, Audit and Compliance. He has also been a member of the Group Operating Committee (GOC) of John Keells Holding PLC from July 2005 to June 2018.

**Total No. of Companies Holding**

**Directorship/Key Management positions: 03**

He serves as Independent Non-Executive Director of Lanka Tiles PLC and Lanka Walltiles PLC and Non- Executive Director of Delmege Limited

Appointed to the Board on 09th October 2020

## BOARD OF DIRECTORS



**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.

**Total No. of Companies Holding Directorship/Key Management positions: 08**

Mr. Gunaratne is the Non Executive Chairman of Delmege Limited, Independent Non Executive Chairman of The Fortress Resorts PLC. He is an Independent Non-Executive Director of C I C Holdings PLC, Lanka Tiles PLC, Royal Ceramics Lanka PLC. Serves as Non Executive Deputy Chairman of Link Natural Products (Private) Limited and CISCO Speciality Packaging (Pvt) Ltd and Non-Executive Director of C I C Feeds (Private) Limited.

Appointed to the Board on 15th March 2021



**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.

**Total No. of Companies Holding Directorship/Key Management positions: 17**

She serves as 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).

Appointed to the Board on 19th October 2022



**MR. R M M J RATNAYAKE**

Independent Non-Executive Director

Mr Mohan J Ratnayake is a Fellow of the Chartered Institute of Management Accountants UK and has read for an MBA. He was the Chairman of the Committee which issued Sri Lanka's first internationally listed USD Bond by a corporate entity for Sri Lanka Telecom PLC (SLT), which traded on the Singapore Stock Exchange, for the expansion of SLT and Mobitel. This was when the sovereign had not been rated by International Rating Agencies.

**Total No. of Companies Holding Directorship/Key Management positions: 05**

Mr Ratnayake currently serves as the Managing Director of Colonial Motors Ceylon Ltd. He is also an Independent Non-Executive Director of ACL Plastics PLC and UB Finance PLC, and a Non-Executive Director of C M Holdings PLC. Mr Ratnayake serves on several Board Sub Committees and Chairs the Audit Committee of ACL Plastics PLC.

He has served on the Board of a State owned entity in the Export Sector and has expertise in the fields of Tea Exports, Tea Plantations, Telecommunications and the Motor Industry. He held the position of Deputy Chairman of a listed Financial Institute falling under the purview of the Central Bank of Sri Lanka and served as the Chairman of Lanka Realty Investments PLC.

Appointed to the Board on 01st January 2025

# SENIOR MANAGEMENT



**Priyantha Talwatte**  
Managing Director



**Haresh Somashantha**  
Director - Finance



**Nandajith Somaratne**  
Director - Manufacturing



**Shirley Mahendra**  
Director - Group Marketing



**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



**Athula Hewapathirana**  
Chief Human Resource Officer



**Kapila Ranatunga**  
Group Commercial Manager



MANAGEMENT  
DISCUSSION &  
ANALYSIS

# Progress that tells a Story

At Lanka Tiles, progress is driven by purpose. Through sharp insight and strategic focus, we turn challenges into opportunities—delivering performance that reflects resilience, agility, and long-term value.

# STRATEGY

Our business strategy reflects the Company's commitment to sustained growth, operational excellence, and responsible value creation in a rapidly evolving global market. Building on our legacy as a market leader in tile manufacturing, the strategy is designed to align with emerging trends, customer expectations, and sustainability imperatives.

This forward-looking approach outlines key strategic priorities across six core pillars-market expansion, innovation, operational efficiency, sustainability, digital transformation, and talent development. Each pillar is crafted to strengthen LANKATILES competitive position, drive profitability, and enhance stakeholder value over the short, medium, and long term.

By integrating cutting-edge technologies, environmentally conscious practices, and a customer-centric mindset, LANKATILES aims to reinforce our status as a trusted brand locally and internationally. The strategy also emphasises agility and resilience, enabling the company to navigate risks, seize new opportunities, and lead the industry into the future.



| Market Expansion & Diversification          |                                                                                                                                         | Sustainability & ESG Leadership              |                                                                                                                    |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Domestic Market Leadership                  | Strengthen brand presence through retail partnerships, design showrooms, and targeted marketing campaigns.                              | Sustainable Sourcing                         | Source raw materials responsibly and increase the use of recycled inputs.                                          |
| Export Growth                               | Expand presence in key export markets (Middle East, North America, South Asia) through distributors, trade shows, and digital channels. | Environmental Compliance                     | Meet or exceed local and international environmental standards and aim for ISO 14001 and LEED certifications.      |
| Product Diversification                     | Launch complementary product lines.                                                                                                     | Community Engagement                         | Support local communities through employment, training, and CSR initiatives.                                       |
| Innovation & Design Excellence              |                                                                                                                                         | Digital Transformation & Customer Experience |                                                                                                                    |
| R&D Investment                              | Develop new textures, sizes, eco-friendly tiles, and anti-bacterial surfaces to meet evolving consumer demands.                         | E-Commerce Platform                          | Expand digital sales channels with product visualisations for online customers and interior designers.             |
| Smart Manufacturing                         | Integrate automation to support customised production and improve agility in design.                                                    | CRM & Data Analytics                         | Use analytics to track buying patterns, improve customer service, and personalise marketing.                       |
| Operational Efficiency & Lean Manufacturing |                                                                                                                                         | Talent Development & Culture                 |                                                                                                                    |
| Process Optimisation                        | Adopt Lean and Six Sigma methodologies to reduce waste, lower production costs, and enhance throughput.                                 | Skill Development                            | Upskill the workforce with training in automation, design software, and international standards.                   |
| Energy Efficiency                           | Invest in green energy sources (e.g., solar, biomass) and improve kiln efficiency to reduce carbon footprint.                           | Employer Branding                            | Position LANKATILES as an employer of choice through career development, safety, and inclusive workplace policies. |

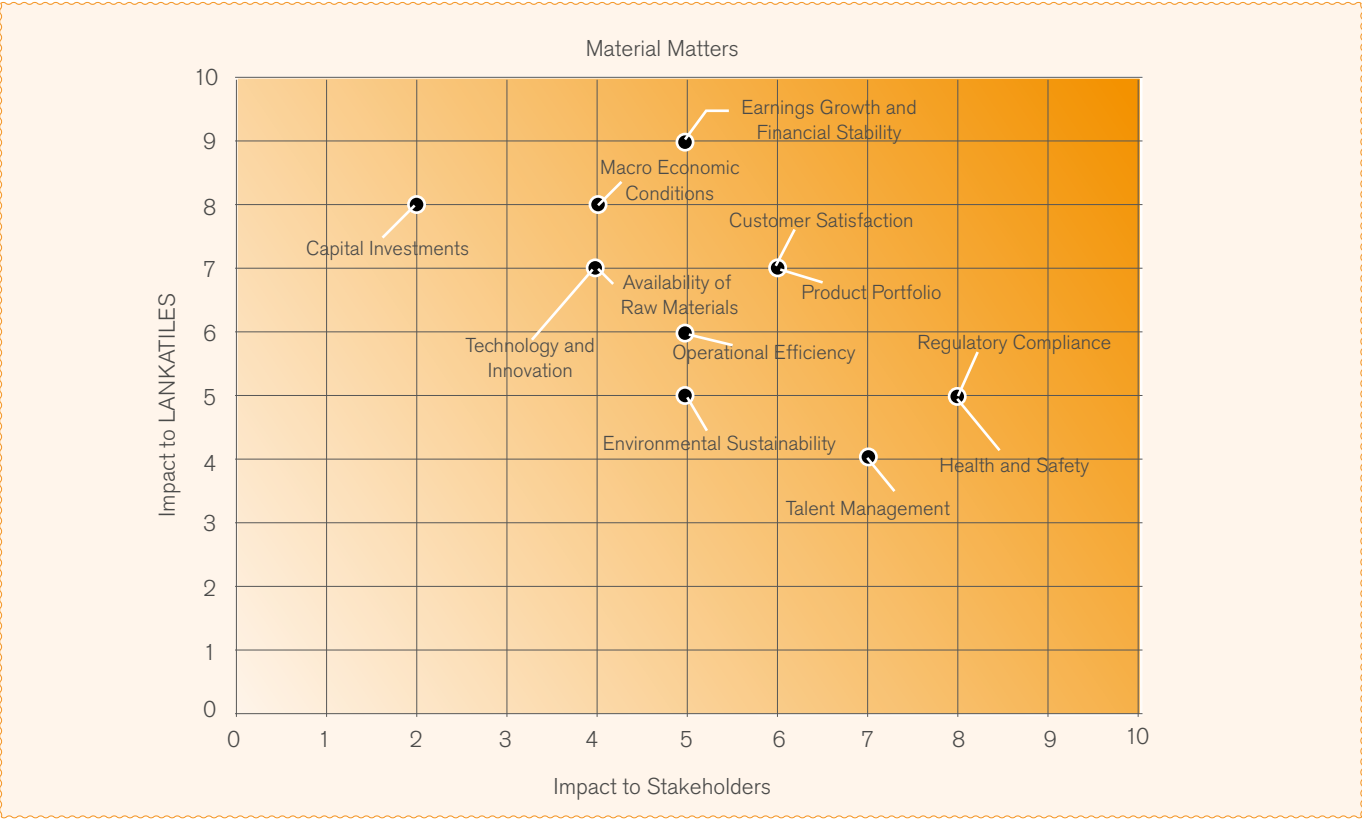
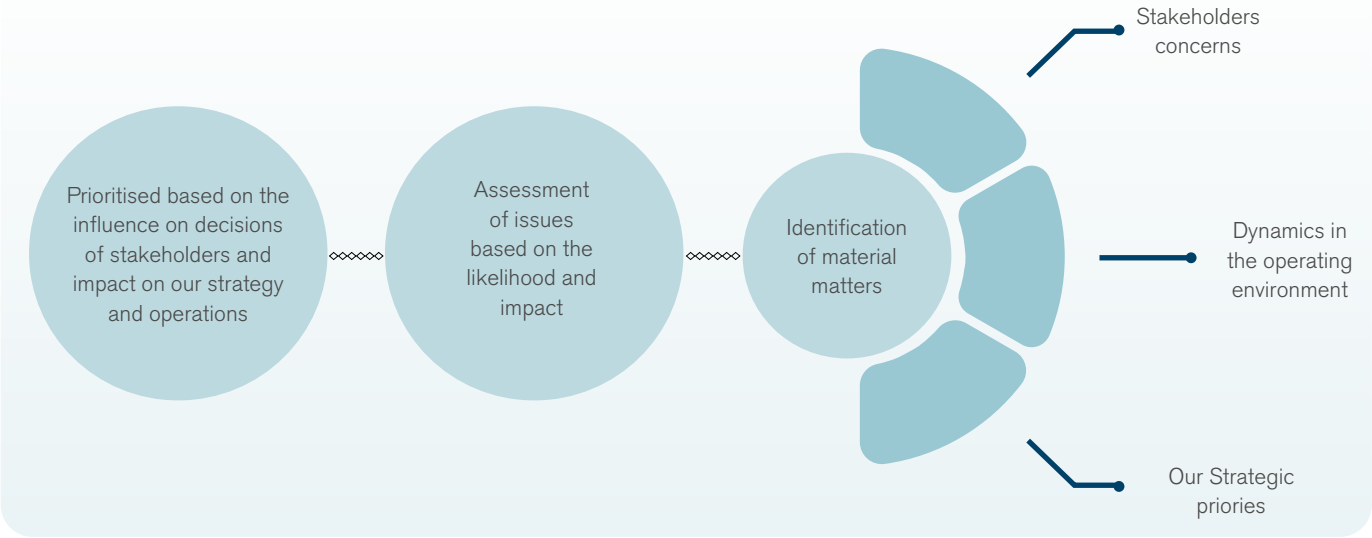
# MATERIALITY

**Materiality is a key principle guiding our integrated reporting at Lanka Tiles PLC. It enables us to identify and focus on the environmental, social, governance, and economic issues that have the greatest impact on our long-term value creation and are most relevant to our stakeholders.**

Our materiality assessment is an ongoing process, informed by regular engagement with key stakeholder groups, such as employees, customers, investors, regulators, and the communities we operate in. This allows us to prioritise topics that influence stakeholder decision-making and align closely with our strategic objectives.

By addressing these material matters in our reporting, we aim to provide transparent, meaningful insights into our performance, risks, and opportunities, ensuring that our strategy remains responsive, responsible, and resilient.

Below is a graphical illustration of how we determine our material matters.



|    | Material Topic                          | Impact on our operations                                                                                                                                                                          | Our Strategy                               |
|----|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 1  | Health and Safety                       | Ensures a safe work environment, reduces accidents, protects the workforce, and enhances productivity and compliance. It also strengthens employee morale and supports a responsible brand image. | Human Capital in Page 62                   |
| 2  | Macro Economic Conditions               | Influences consumer demand, cost of imports, interest rates, and construction industry performance. All of which directly affect revenue, margins, and strategic planning.                        | Risk management in page 35                 |
| 3  | Product Portfolio                       | A diverse and innovative product range allows the Company to meet varied customer needs, compete in different market segments, and reduce dependency on any single category.                      | Intellectual Capital in Page 74            |
| 4  | Earnings Growth and Financial Stability | Provides the foundation for reinvestment, stakeholder confidence, and long-term resilience, especially during economic downturns or market volatility.                                            | Financial Capital in Page 48               |
| 5  | Availability of Raw Materials           | Directly impacts production continuity and cost structures. Scarcity or price volatility in raw materials can disrupt operations and reduce margins.                                              | Business Line Review in Page 43            |
| 6  | Talent Management                       | Attracting, retaining, and developing skilled employees is critical for innovation, operational excellence, and leadership continuity.                                                            | Human Capital in Page 60                   |
| 7  | Customer Satisfaction                   | Drives repeat business, strengthens brand loyalty, and enhances the company's reputation. Essential for sustaining competitive advantage.                                                         | Social and Relationship Capital in Page 69 |
| 8  | Capital Investments                     | Enables modernisation, expansion, and efficiency improvements. Strategic investments support long-term growth and operational scalability.                                                        | Financial Capital in Page 48               |
| 9  | Regulatory Compliance                   | Helps avoid legal penalties, reputational risks, and operational disruptions. Compliance also supports ethical governance and stakeholder trust.                                                  |                                            |
| 10 | Operational Efficiency                  | Improves cost competitiveness, product quality, and delivery timelines. Efficiency gains contribute directly to profitability and sustainability.                                                 | Business Line Review in Page 44            |
| 11 | Environmental Sustainability            | Reduces environmental impact, ensures regulatory alignment, and enhances the company's appeal to conscious consumers and ESG-focused investors.                                                   | Natural Capital in Page 80                 |
| 12 | Technology and Innovation               | Supports product development, process automation, and customer experience. Innovation is vital for adapting to market trends and maintaining relevance.                                           | Intellectual Capital in Page 75            |

# STAKEHOLDER ENGAGEMENT

At Lanka Tiles PLC, we recognise that proactive and transparent engagement with our stakeholders is essential for sustainable value creation. Understanding the expectations, concerns, and priorities of our stakeholders allows us to align our strategy, operations, and reporting with what truly matters.

Our stakeholder engagement process is structured, ongoing, and guided by the principles of inclusivity, responsiveness, and materiality. We engage with a broad range of stakeholder groups through both formal and informal channels to gather insights that inform our decision-making and sustainability initiatives.

Through consistent stakeholder dialogue, LANKATILES is better equipped to manage risks, identify opportunities, and ensure our business decisions are socially and environmentally responsible.

|                                                                                                                    | Stakeholder Concerns                                                                                                                                                                                                                                                         | Modes of Engagement                                                                                                                                                                                                                                                                                                | Our Strategy                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br>Customers                     | <ul style="list-style-type: none"> <li>A wide variety of products in terms of price, designs, colour, size and finish</li> <li>Value for money</li> <li>Convenience</li> <li>Product availability</li> <li>Customer service</li> </ul>                                       | <ul style="list-style-type: none"> <li>Island-wide showroom network</li> <li>Direct visits</li> <li>Corporate website</li> <li>Call centre</li> <li>Tilers App</li> <li>Trade fairs</li> <li>Print/digital and social media</li> </ul>                                                                             | <ul style="list-style-type: none"> <li>Comprehensive market research to understand customer preferences</li> <li>Continuous expansion of product offerings</li> <li>Continuous investments in technology and innovation to ensure superior quality</li> <li>Island wide presence</li> <li>Continuous training to showroom staff to enhance services offered</li> </ul>                                                   |
| <br>Employees                   | <ul style="list-style-type: none"> <li>Competitive and attractive Remuneration</li> <li>Career progression and recognition</li> <li>Job security</li> <li>Fair and safe workplace</li> <li>Healthy work-life balance</li> <li>Opportunities for skill development</li> </ul> | <ul style="list-style-type: none"> <li>A comprehensive training calendar</li> <li>Open door policy</li> <li>Staff meetings/ department meetings</li> <li>Staff appraisals</li> <li>Welfare activities/annual events</li> <li>Corporate website</li> </ul>                                                          | <ul style="list-style-type: none"> <li>Effective human resource management</li> <li>Maintaining employee engagement</li> <li>Competitive remuneration with annual revisions</li> <li>Continuous training opportunities</li> <li>Clear career paths with opportunities for progression</li> <li>Maintaining strict safety standards in all workplaces</li> <li>Fair workplace with equal opportunities for all</li> </ul> |
| <br>Business Partners/Suppliers | <ul style="list-style-type: none"> <li>Timely and competitive commission payments</li> <li>Financial stability</li> <li>Opportunities for business growth</li> <li>Training opportunities</li> <li>Rewards and other benefits</li> </ul>                                     | <ul style="list-style-type: none"> <li>Direct Meetings</li> <li>Supplier Visits</li> <li>Telephone/email communication</li> <li>Dedicated service teams</li> <li>Trade fairs</li> <li>Training programs</li> <li>Corporate website</li> <li>Tilers' app</li> <li>Annual events</li> <li>Industry events</li> </ul> | <ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Direct meetings</li> <li>Press releases</li> <li>Annual and quarterly financial statements</li> <li>CSE disclosures</li> <li>Corporate website</li> <li>Access to Company Secretary</li> </ul>                                                                                                                                                    |

|                                                                                                  | Stakeholder Concerns                                                                                                                                                                                                        | Modes of Engagement                                                                                                                                                                                                                                                                     | Our Strategy                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br>Investors   | <ul style="list-style-type: none"> <li>▪ Group's performance</li> <li>▪ Return on investments</li> <li>▪ Investment security</li> <li>▪ Financial Stability</li> <li>▪ Timely repayments</li> <li>▪ Transparency</li> </ul> | <ul style="list-style-type: none"> <li>▪ Annual General Meeting</li> <li>▪ Direct meetings</li> <li>▪ Press releases</li> <li>▪ Annual and quarterly financial statements</li> <li>▪ CSE disclosures</li> <li>▪ Corporate website</li> <li>▪ Access to Company Secretary</li> </ul>     | <ul style="list-style-type: none"> <li>▪ Implementing a sound business strategy to achieve sustainable growth</li> <li>▪ Maintaining a strong and stable financial position</li> <li>▪ Effective management of resources</li> <li>▪ Comprehensive governance framework</li> <li>▪ Effective risk management framework</li> </ul> |
| <br>Regulator   | <ul style="list-style-type: none"> <li>▪ Compliance</li> <li>▪ Good Governance</li> <li>▪ Industry growth</li> <li>▪ Timely filing of returns</li> <li>▪ Maintaining a fair marketplace</li> </ul>                          | <ul style="list-style-type: none"> <li>▪ Periodic filings</li> <li>▪ Meetings</li> <li>▪ Visits</li> <li>▪ Tax filings</li> <li>▪ Regulatory reporting disclosure</li> <li>▪ Responses to proposals/ letters</li> <li>▪ Industry collaborations</li> <li>▪ Corporate website</li> </ul> | <ul style="list-style-type: none"> <li>▪ Timely payments and disclosures</li> <li>▪ Good corporate governance</li> <li>▪ Effective Risk Management</li> <li>▪ Collaboration with industry bodies</li> </ul>                                                                                                                      |
| <br>Community | <ul style="list-style-type: none"> <li>▪ A fair market place</li> <li>▪ Transparent dealings</li> <li>▪ Sustainable business practices</li> <li>▪ Job creations</li> <li>▪ Community developments</li> </ul>                | <ul style="list-style-type: none"> <li>▪ CSR activities</li> <li>▪ Marketing and promotional events</li> <li>▪ Corporate website</li> <li>▪ Print/digital and social media</li> </ul>                                                                                                   | <ul style="list-style-type: none"> <li>▪ Good governance</li> <li>▪ Implementing sustainable business practices</li> <li>▪ Practicing ethical business dealings</li> <li>▪ Recruitment from local communities</li> <li>▪ CSR activities</li> </ul>                                                                               |

# OUR BUSINESS MODEL

## Input



### Financial Capital

- **Rs.20,926 Mn** Assets
- **Rs.15,405 Mn** Equity
- **Rs.1,809 Mn** Debt



### Human Capital

- **890** employees
- **121** new recruits
- **6,957** training hours



### Manufactured Capital

- **Rs.8,536 Mn** of PPE
- **Rs.720 Mn** Capex
- **56** showrooms



### Social & Relationship Capital

- **604** Local suppliers
- **45** foreign suppliers
- **27** Distributors
- **54** Franchisees



### Intellectual Capital

- **Rs.2,084 Mn** of brand value
- Systems & Processes
- Research & Development

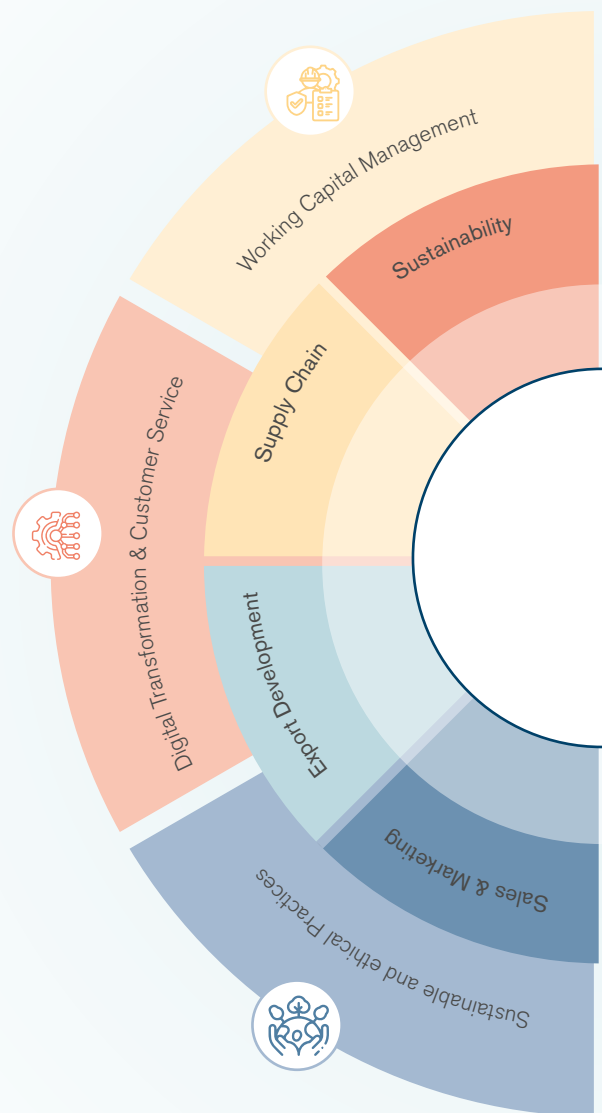


### Natural Capital

- **90,658 MT** of material
- **Rs.3,025 Mn** of energy
- **Liters.132 Mn** water

## Value Creation

### Corporate



### Risk

| Process                                                                                                                                                                                                                                                                                                                       | Output/outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Value Delivered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div> <div>Governance</div> <div> <div> <div> <div> <div>Talent Management</div> <div>Strategic Planning</div> <div>Innovation</div> <div>Capital Investments</div> <div>Tile Manufacturing</div> <div>Research &amp; Development</div> <div>Quality Assurance</div> </div> <div>Management</div> </div> </div> </div> </div> | <div> <div>Output</div> <div> 4,354,165 SQM<br/>of tiles </div> </div> <div> <div>Outcomes</div> <div> <div>Economic</div> <div> <ul style="list-style-type: none"> <li>Rs. 1,403 Mn paid as remuneration</li> <li>Rs.13,029 Mn paid to Suppliers</li> <li>Rs. 637 Mn paid to equity holders</li> <li>Direct and indirect tax payments of Rs. 3,329 Mn.</li> </ul> </div> </div> <div> <div>Social</div> <div> <ul style="list-style-type: none"> <li>Direct and indirect employment opportunities</li> <li>Community development initiatives</li> </ul> </div> </div> <div> <div>Environmental</div> <div> 5,429 MT<br/>of waste discharged </div> <div> 14,735,00 liters<br/>of water discharged </div> <div> 2,960 MT<br/>of waste Recycled </div> </div> </div> | <div> <div>Shareholder</div> <div> <ul style="list-style-type: none"> <li>Earnings per Share of Rs. 4.25</li> <li>Dividend per Share of Rs. 2.40</li> </ul> <div> <div>1 Share</div> <div>8 Shareholder Value</div> </div> </div> </div> <div> <div>Customer</div> <div> <ul style="list-style-type: none"> <li>Delivery of high quality, innovative designs</li> <li>Customer support</li> </ul> <div>9 Customer Satisfaction</div> </div> </div> <div> <div>Employees</div> <div> <ul style="list-style-type: none"> <li>Employee remuneration of Rs.1,403 Mn</li> <li>Rs.12 Mn investment in training and development</li> <li>Job security</li> <li>Healthy and safe workplace</li> <li>An inclusive workplace</li> </ul> <div> <div>4 Skills Development</div> <div>5 Gender Equality</div> <div>8 Decent Work and Labour Rights</div> <div>10 Worker's Well-being</div> </div> </div> </div> <div> <div>Suppliers/business partners</div> <div> <ul style="list-style-type: none"> <li>Rs.10,296 Mn payments to local suppliers</li> <li>Rs. 2,733 Mn payments to overseas suppliers</li> <li>Rs.676 Mn paid as commission</li> </ul> <div> <div>8 Decent Work and Labour Rights</div> <div>17 Sustainable Procurement</div> </div> </div> </div> <div> <div>Communities</div> <div> <ul style="list-style-type: none"> <li>Recruitment of 121 new employees</li> <li>CSR spend of Rs. 3 Mn</li> </ul> <div> <div>3 Good Health and Well-being</div> <div>9 Sustainable Communities</div> <div>10 Worker's Well-being</div> <div>12 Responsible Consumption and Production</div> </div> </div> </div> <div> <div>Government</div> <div> <ul style="list-style-type: none"> <li>Tax payments of Rs. 3,329 Mn</li> </ul> <div> <div>9 Sustainable Communities</div> <div>11 Sustainable Cities and Communities</div> </div> </div> </div> |

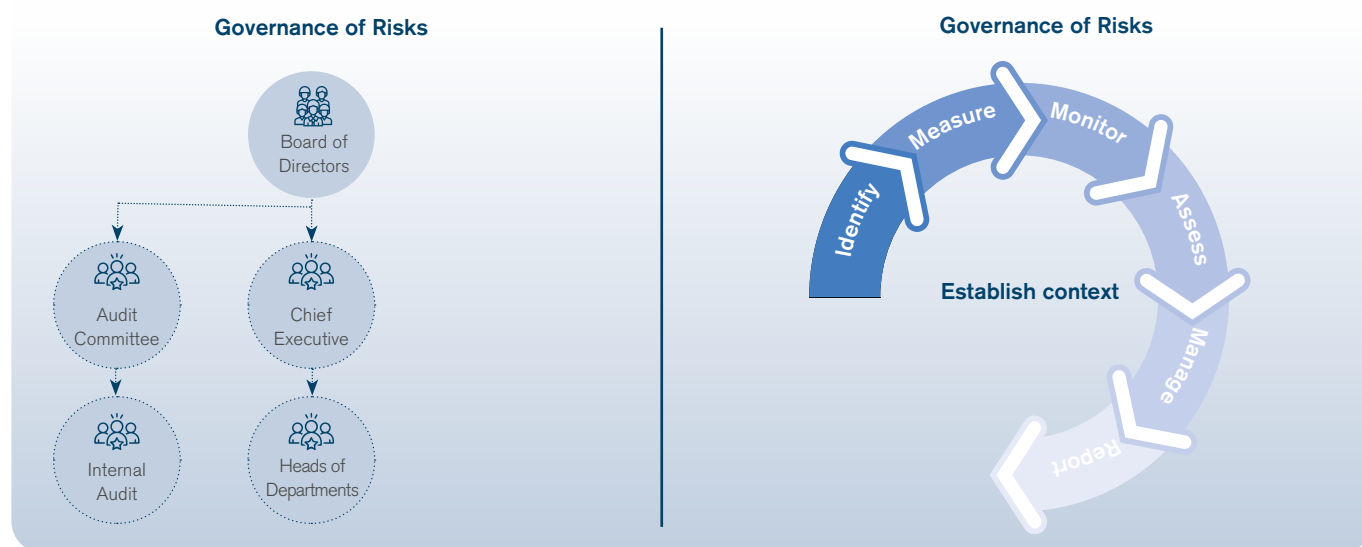
# RISK MANAGEMENT

## Opportunities & Risks

The risk landscape changed considerably for local tile manufacturers with the easing of import restrictions as cheap imports flooded the local market. The absence of anti-dumping protection for local manufacturers has been a significant challenge for local manufacturers who compete in the local market with cheaper, lower quality products but also compete with potentially dubious practices, resulting in an uneven playing field. This was exacerbated by the subdued performance of the construction sector which is yet to recover.

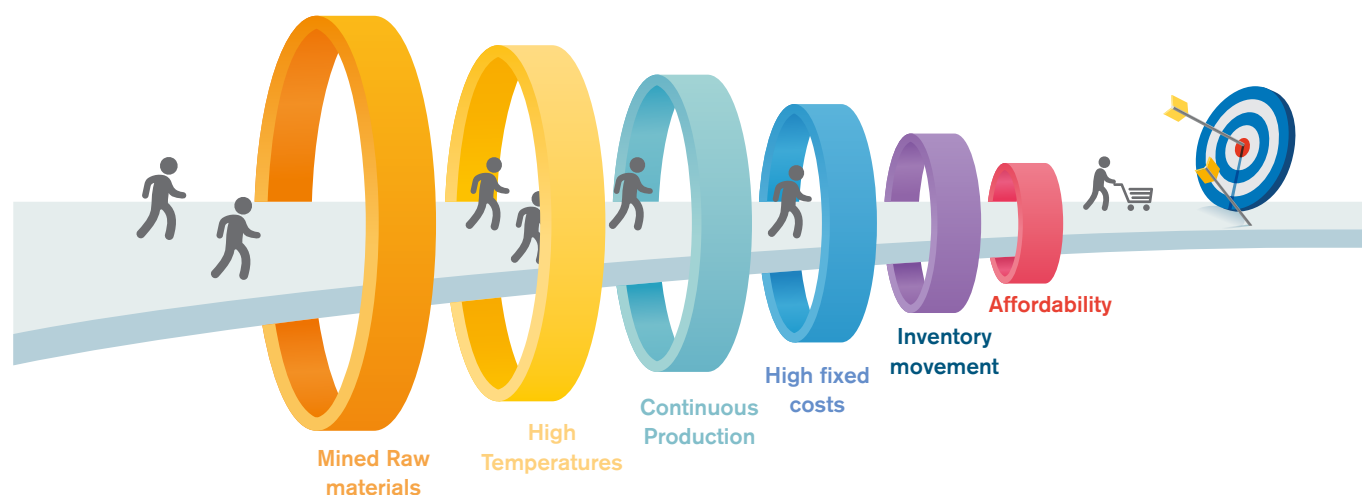
## Oversight of Risk Management

The Board is ultimately responsible for risk management, supported by the Audit Committee, subsidiary Boards, and Senior Management. The CEO and Senior Management implement risk management processes and ensure employees understand their roles. Risk is regularly discussed in Senior Management meetings and is a constant agenda item for the Board.



## Inherent Industry Risks

LANKATILES has a significant presence across the value chain in the construction sector. Therefore, the Group is positively correlated to the performance and prospects of the construction sector in the country as well as the lengthy supply chains for low volume but high value items. Additionally, the mining of high volume raw materials such as ball clay, feldspar and silica sand is regulated and the quality is affected by moisture and other impurities. Arguably, the highest risk is the process of tile making itself which requires kilns to be operated at very high temperatures that takes over 10 days of heating with vast quantities of energy used to raise the temperature. Once the high temperatures are reached, shutting down is a costly and time-consuming exercise due to the cooling and reheating process required to restore production. Consequently, continuity of production is vital to ensure that costs per tile/square foot is maintained at optimal levels as the fixed cost absorption significantly influences margins and profitability. Additionally, affordability is a critical decision for many retail customers and it is necessary to maintain a wide portfolio that caters to the current design trends at various price points. The designs change rapidly and it is necessary to ensure that new tile collections are introduced to maintain the vibrancy of the brand.



## Macro Trends

Global GDP growth has been moderated to 1.7% for 2025 following the announcement of tariffs by the US Administration. Similarly, The World Bank has also reduced Sri Lanka's growth rate to between 3.1% for the medium term.

### Global economic outlook



Global GDP growth is expected to moderate from 3.3% in 2024 to 2.8% in 2025 as a result of the disruptions to global trade. World Trade growth is also expected to moderate to 3.8% in 2024 to 1.7% in 2025 dampening prospects for growth in exports.

### Country Economic Outlook



Sri Lanka recorded positive GDP growth of 5% in 2024 and is forecast to grow at 3.1% in 2025. Resurging Tourist arrivals, migrant worker remittances and export growth supported a build of foreign currency reserves which led to the appreciation of the rupee by 10% in 2024.

### Construction Industry



The construction sector is expected to gather momentum in 2025. The demand for housing is seeing an early uptick with new condominium and housing projects being floated which will drive further growth. We also note that hotel, hospitals and other key buildings have not been renovated for a while and is likely to need renovation, driving up sales for tiles.

### Energy security and affordability



Energy is a key cost for tile manufacturing. Sri Lanka witnessed a steep increase in energy costs over the past two years (over 140%) and it is unlikely that it will climb further. Global oil prices are forecast to decline in 2025 which maybe beneficial. The Group is focused on energy management, generating renewable energy where possible while also trying to improve energy efficiency.

### Talent pipelines



The country's talent pools diminished significantly during the year as many young people migrated due to the decline in their purchasing power. Inflation, exchange rates, taxation and interest rates continue to exert pressure on salaries and wages and will be a key factor in the year ahead as well.

### Rainfall Patterns



Sri Lanka has experienced a high number of rainy days making it difficult to procure high volume raw materials which are mined like ball clay, feldspar and silica sand. Increased moisture in these raw materials necessitate a longer stock holding period to dry it out prior to use in production.

### Resource depletion



Resource depletion is a key factor which has affected the quality of ball clay used in the manufacture of tiles. Recent innovations for new tile recipes have reduced the wastage which goes a long way to reduce the impact. Additionally, the Group has purchased land with adequate deposits for a further 10 years.

### Technology



The Group has invested significantly in state of the art technology, investing consistently in the recent past. This has significantly minimised the risk of technological obsolescence as we now have the ability to cater to large format tiles, mosaics and multiple sizes in between.

### Design trends and customer lifestyles



These are key drivers for the industry and the Group has technical partnerships and a design pipeline that will ensure it remains future forward on design.

# RISK MANAGEMENT

## Key Risks

The top risks of the Lanka Tiles Group are set out below, categorised in line with the parent company classification.



## Financial Risks

Risk that involves financial loss to firms generally arising from instability and losses in the financial market caused by movements in stock prices, currencies, interest rates, commodities and more.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises:

- Interest rate risk,
- Exchange rate risk,
- Commodity price risk and
- Equity price risk.

### Interest Rate Risk

Movements – Interest rates declined during the year as the government sought to stimulate investing and economic growth.

Impact in 2024/25 - Interest rate movements were beneficial with most sectors reducing interest costs as rates declined.

Interest rate sensitivities

| Change in basis points | Company Rs. Mn | Group Rs. Mn |
|------------------------|----------------|--------------|
| 0.5%                   | 8,517          | 9,210        |
| 1.0%                   | 17,034         | 18,420       |
| 1.5%                   | 25,551         | 27,630       |
| (0.5%)                 | (8,517)        | (9,210)      |
| (1.0%)                 | (17,034)       | (18,420)     |
| (1.5%)                 | (25,551)       | (27,630)     |

### Mitigating Activities

- Repayment of Rs. 6.8 Bn in loans by Group
- Leverage of Group at a comfortable 11%
- New borrowings of Rs. 7.3 Bn at a lower rate.



## Financial Risks

### Exchange Rate Risk

**Movements** – The rupee appreciated by 10% during 2024 having devalued sharply in the previous year. As the Group is mainly exposed to imports, this was a favourable movement. If exports surge and exposures change, the impact will be the opposite.

**Impact** – The Group is exposed to currency risk as high value raw materials are imported. While exports increased, the hedge from exports is less than 4% from revenue.

|      | Further change in rupee vs USD | Company Change in PBT | Group Change in PBT | Mitigating Activities                                                                                                                                                        |
|------|--------------------------------|-----------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2025 | 5%                             | 16,153                | 16,156              | <ul style="list-style-type: none"> <li>Increased stocks of imported raw materials</li> <li>Forward exchange contracts when appropriate</li> <li>Growth of exports</li> </ul> |
|      | 10%                            | 32,306                | 32,311              |                                                                                                                                                                              |
|      | 15%                            | 48,459                | 48,467              |                                                                                                                                                                              |
|      | (15%)                          | (16,153)              | (16,156)            |                                                                                                                                                                              |
|      | (10%)                          | (32,306)              | (32,311)            |                                                                                                                                                                              |
|      | (5%)                           | (48,459)              | (48,467)            |                                                                                                                                                                              |

### Credit Risk

Total exposure to overall credit risk decreased. As distributors and franchise partners economic challenges eased, we normalised credit terms and strengthened credit controls. The Group maintains tight control over credit reinforced with strong relationships with distributors and franchise partners to manage this key exposure.

### Liquidity Risk

Liquidity tightened during the year as inventory and receivables increased resulting in increased borrowings and decreased cash and cash equivalents. The debt equity ratio increased from 7% to 11% reflecting some liquidity constraints. However, we have doubled our efforts to develop new export markets to compete effectively in global markets.



## Strategic Risks

Strategic risk is the risk that failed business decisions may pose to a company.

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Diversification</b> | The Group is primarily focused on the Sri Lankan market where it has enjoyed a leadership position for many years. Exports account for 4% of revenue. The Group is investing in developing new markets to drive growth of the top line.                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Technology</b>      | The Group has invested in upgrading technology consistently over the past few years, ensuring it has cutting edge technology. The Group also uses Total Productive Maintenance to drive process efficiencies to existing technology, driving resource efficiency.                                                                                                                                                                                                                                                                                                                                            |
| <b>Innovation</b>      | Innovation is key in terms of design and manufacturing processes. Both are well integrated into the operations of the Group, institutionalising these aspects. We continue to work with technical partners to develop innovation pipelines and portfolio while we also work with technical consultant to develop new tile recipes which significantly enhance the resource efficiencies, vital to manage depletion of ball clay deposits. It is necessary to drive focused innovation and the Group continues to create a culture conducive to ideation to encourage employees to explore new possibilities. |

# RISK MANAGEMENT



## Operational Risks

The risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events, differ from the expected losses

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Health &amp; Safety</b> | Health and safety of employees is a key risk as our factories. All factories have health and safety protocols which strictly reinforced including wearing of PPE in designated areas. There were no major injuries during the year as employee health and safety and wellbeing is integrated into the Group's employee value proposition with significant resources dedicated to minimising identified risks.                                                                                                                                          |
| <b>Quality</b>             | The Group has invested in obtaining local and global certifications for quality management to ensure that the Group is benchmarked with global standards. Total Productive Maintenance enhances the product quality focus, engaging a wider pool of employees in our quality journey.                                                                                                                                                                                                                                                                  |
| <b>Fraud &amp; Error</b>   | The Board, the Audit Committee and Internal audit are key pillars that support review of the comprehensive system of internal controls established within the entities of the Group. We keep an open mind to the potential of fraud and error given the high levels of stress due to prevailing economic conditions in the country. The programme of comprehensive support to our staff during this period is a compensating factor but we recognise the increased motivation and are conscious of the need to minimise the opportunities for the same |



## Environmental Risks

These are the risks associated with potentially harmful effects to human health or to ecological systems

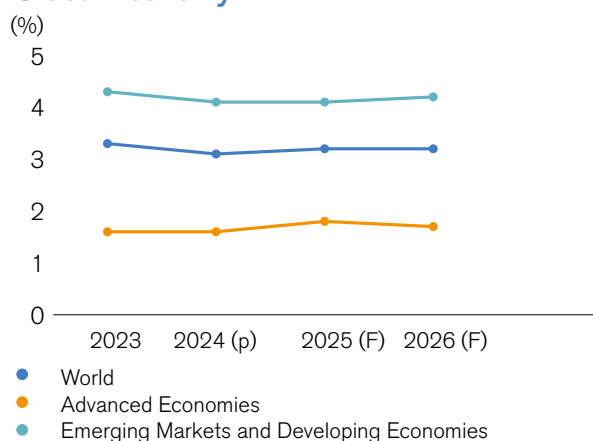
|                           |                                                                                                                                                                                                                                                                                                                                        |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Compliance</b>         | All factories are required to comply with requirements of the Environment Protection License obtained for operation of factories from the Central Environment Authority.                                                                                                                                                               |
| <b>Resource Depletion</b> | Ball clay and feldspar are obtained from licensed suppliers approved by the Department of Geology and Mining. The Lanka Tiles Group verifies supplier licenses and has secured land with ball clay deposits for future use.                                                                                                            |
| <b>Energy</b>             | Energy is a significant cost for the Group. The Group is investing in solar energy with the ability to store energy and even power generators, reducing the country's dependency on LP Gas, furnace oil and diesel. These investments will also serve to reduce emissions and the Group's environmental footprint.                     |
| <b>Emissions</b>          | Global warming is a growing concern, driving extreme weather and climate change that increase inequalities. Governments are ramping up regulations to shift towards low-carbon economies. The Group's ESG reporting and emission reduction efforts align with this trend. We monitor developments to identify necessary early actions. |

# OPERATING ENVIRONMENT

## Global Economic Performance

In 2024, the global economy showed notable resilience as it moved through a disinflationary period, largely shaped by aggressive and synchronised monetary policy tightening across major economies. While global growth is forecast at 3.2%, modest by historical standards, stabilisation trends are emerging. Advanced economies are expected to grow by 1.8%, whereas emerging and developing economies are projected to achieve a stronger expansion of 4.2%.

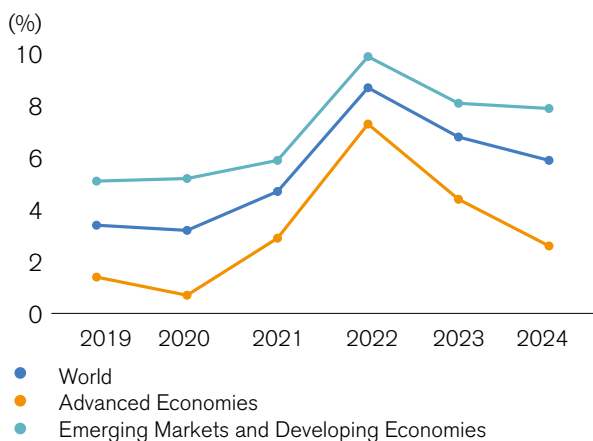
### Global Economy



Economic output in many major markets has begun to align more closely with long-term potential, contributing to the gradual moderation of inflation. Nonetheless, the pace of disinflation slowed in early 2024. Although prices for goods have leveled off or declined in some regions, inflation in services remains elevated, primarily due to strong wage growth as incomes adjust following the sharp inflation experienced in 2021–2022.

Global trade, as a percentage of world GDP, has held steady despite persistent geopolitical tensions. However, early indicators of geoeconomic fragmentation are emerging. Trade flows are increasingly concentrated within geopolitical alliances rather than across them, signaling a slow but significant shift in global trade structures.

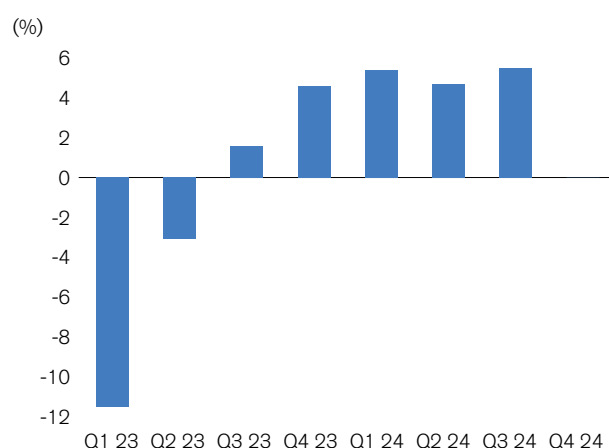
### Global Inflation



## Sri Lanka

In 2024, Sri Lanka's economy showed strong signs of stabilisation and recovery, marking a turning point following the deep financial crisis of 2022. Real GDP grew by 5.0%, the highest annual growth rate since 2017, indicating renewed economic momentum and growing investor confidence.

### GDP Growth



## Credit Rating Upgrade and Debt Restructuring

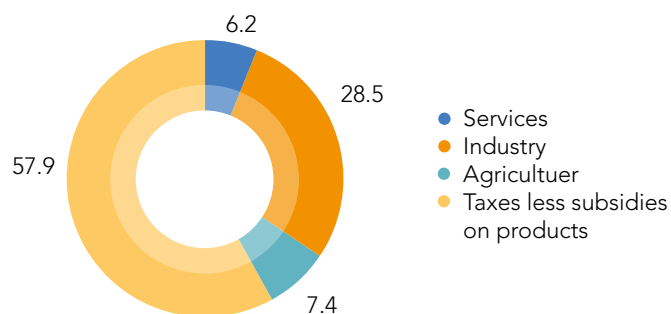
In a significant boost to the country's financial credibility, Moody's Investors Service upgraded Sri Lanka's long-term foreign currency issuer rating to 'Caa1' with a stable outlook. This followed the successful agreement on a \$12.55 billion debt restructuring plan with international creditors. The rating upgrade reflects improved credit fundamentals, including reduced external vulnerabilities, enhanced government liquidity, and a clearer path toward macroeconomic stability.

## Sectoral Performance and GDP Expansion

- The economy grew by 5.5% in Q3 2024, driven by strong performances across key sectors:
- Industrial Sector: Expanded by 10.8%, supported by a revival in the construction industry. The resumption of stalled infrastructure projects and settlement of government arrears contributed to this resurgence.
- Services Sector: Grew by 2.6%, underpinned by a rebound in tourism-related industries such as accommodation, food and beverage services, and transportation.
- Agricultural Sector: Recorded a 3% growth, mainly due to increased production in tea and livestock farming

# OPERATING ENVIRONMENT

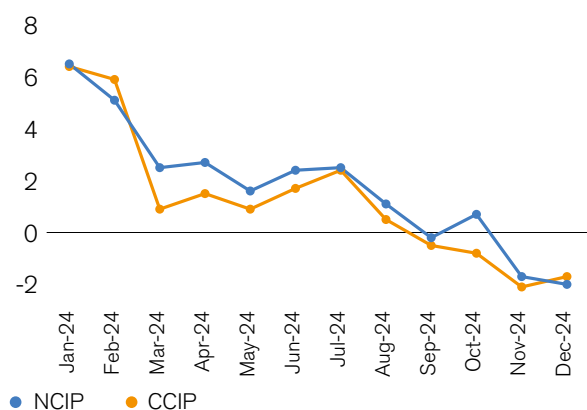
## GDP Composition (%)



## Monetary Policy and Inflation

The Central Bank of Sri Lanka (CBSL) adopted a more accommodative stance by introducing a unified policy interest rate of 8%, aimed at stimulating private sector credit and supporting economic recovery. Inflation dynamics shifted dramatically, with the country transitioning from high inflation to deflationary conditions. Inflation remained in single digits throughout 2024, and by year-end, headline inflation stood at -1.7%, reflecting subdued demand and easing supply-side pressures.

## Inflation

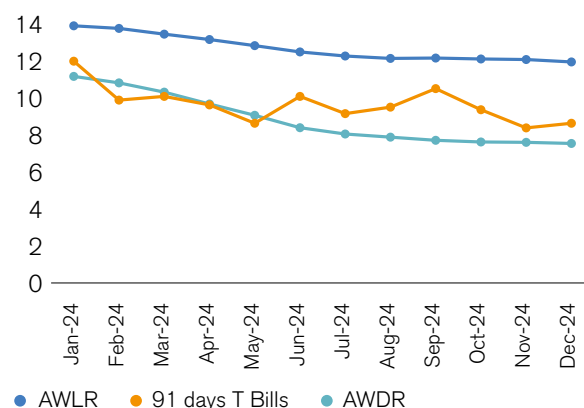


## External Sector and Exchange Rate Developments

Foreign exchange reserves improved due to financial account inflows, bolstered by support from development partners and the ongoing suspension of external debt repayments. However, the trade deficit widened, as a stronger rebound in imports outpaced export earnings, indicating rising domestic demand.

The Sri Lankan rupee appreciated by 10.7% in 2024, closing the year at Rs.292.5 per USD, supported by improved reserve levels and macroeconomic sentiment. However, in January 2025, the rupee recorded a modest depreciation of 1.7%, suggesting near-term volatility amid global currency movements.

## Interest Rates



## Construction Sector

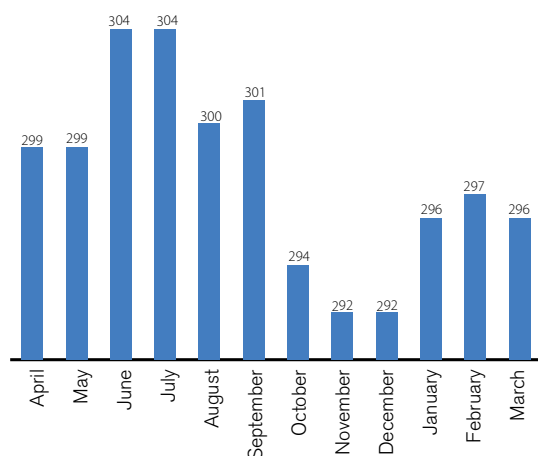
In 2024, Sri Lanka's construction sector experienced a strong resurgence, marking a significant turnaround from the sharp contraction witnessed in the previous year. This recovery was fueled by the gradual launch of new infrastructure and private development projects, supported by a more stable and favorable macroeconomic environment.

The sector posted an impressive growth rate of 19.4%, a stark contrast to the 20.8% decline recorded in 2023, highlighting renewed confidence and momentum. Construction activities contributed approximately 7% to the nation's overall GDP growth, underscoring the sector's importance in driving economic recovery.

Credit flows to the construction sub-sector, the largest component within industrial activity, increased by 5.5% in 2024. This indicates a steady revival in construction-related investment following a prolonged period of stagnation. Credit disbursed for housing projects by Licensed Commercial Banks (LCBs) expanded by 8.5%, signaling rising demand in the residential segment and renewed activity across real estate development.

## Exchange Rate

Rs.



## Domestic Tile Sector

Sri Lanka's tile manufacturing industry is predominantly led by four major players: Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, and Macksons Tiles Lanka (Pvt) Ltd. These companies have built strong brand equity and market presence over the years, backed by wide-reaching distribution networks and a reputation for high-quality ceramic and porcelain products.

In the post-COVID-19 environment, the industry responded to heightened demand and restricted imports by investing heavily in capacity expansion and technological modernisation. Several of these projects have now been completed, significantly improving production capabilities and positioning the sector for future growth.

However, this momentum has been dampened by a slowdown in the domestic construction sector, the industry's primary demand driver. The result has been underutilised capacity, leading to increased financial strain on manufacturers who had scaled up production in anticipation of sustained demand.

The situation has been further aggravated by the government's removal of import restrictions on tiles, reintroducing low-cost foreign products, primarily from China and India, into the local market. These imports often undercut domestic prices, despite the superior quality of locally manufactured tiles.

Adding to the challenge, a significant number of tile importers operate outside the VAT system, offering products at artificially low prices by avoiding tax obligations. This gives them an unfair competitive advantage over VAT-compliant local manufacturers who bear the full burden of regulatory and fiscal compliance.

At the same time, production costs continue to rise, driven by high energy tariffs, raw material costs, and wage inflation. Without any anti-dumping duties or tariff protections in place, the influx of cheap imports threatens the market share, profitability, and long-term sustainability of domestic tile producers.

# BUSINESS LINE REVIEW

**LANKA TILES PLC IS THE LARGEST TILE MANUFACTURER IN SRI LANKA AND THE UNDISPUTED MARKET LEADER IN FLOOR TILES. OUR EXTENSIVE PRODUCT PORTFOLIO FEATURES A DIVERSE ARRAY OF STYLES, TEXTURES, AND SIZES, CATERING TO A WIDE RANGE OF DESIGN PREFERENCES AND FUNCTIONAL NEEDS. BACKED BY A STATE-OF-THE-ART PRODUCTION FACILITY EQUIPPED WITH CUTTING-EDGE TECHNOLOGY AND RIGOROUS QUALITY CONTROL SYSTEMS, WE ENSURE CONSISTENCY, INNOVATION, AND EXCELLENCE IN EVERY TILE WE PRODUCE. WITH A WELL-ESTABLISHED LOCAL DISTRIBUTION NETWORK SPANNING THE ENTIRE ISLAND AND A GROWING PRESENCE IN KEY INTERNATIONAL MARKETS, INCLUDING AUSTRALIA, NORTH AMERICA, AND INDIA, WE ARE COMMITTED TO SETTING THE BENCHMARK FOR QUALITY AND DESIGN IN THE GLOBAL TILE INDUSTRY.**

## POLITICAL



The lifting of the tile import ban has intensified competition, with non-VAT-registered importers gaining an unfair pricing advantage due to weak regulatory enforcement.

## ECONOMIC



Increased local manufacturing capacity has led to a supply surplus, intensifying price-based competition and squeezing margins.

## SOCIAL



Demand is increasing for premium and customised products, especially in the luxury and renovation segments.

## TECHNOLOGICAL



Implementation of ERP, IoT sensors, real-time dashboards, and AI-based quality control has significantly improved productivity, predictive maintenance, and decision-making.

## ENVIRONMENTAL



Use of recycled materials, low-impact glazes, water reuse systems, and compressed air savings show commitment to sustainable production.

## LEGAL



The prevalence of non-VAT-registered importers undermines fair market competition and requires stronger legal enforcement.

### Strategic Priorities

- Market expansion, both local and international
- Product innovation and customisation
- Operational excellence and technological transformation
- Sustainability and responsible manufacturing
- Customer centric growth

### Our Approach

- Grow presence in international markets such as USA, Australia, Africa, and the Middle East.
- Strengthen local distribution via new showrooms, franchised dealers, and project channels.
- Develop export-focused product lines and showroom networks
- Introduce high-end, customisable products to serve premium segments.
- Develop functional tiles (e.g., antibacterial, energy-efficient, self-cleaning).
- Implement ERP systems, real-time dashboards, and predictive maintenance.
- Use AI and IoT technologies for quality control and efficiency.

## PERFORMANCE REVIEW

During the year, Lanka Tiles PLC navigated a dynamic and increasingly competitive operating environment. The lifting of the tile import ban reintroduced a significant volume of imported tiles into the local market, many of which are sold by entities not registered for VAT, giving them an unfair pricing advantage over domestic manufacturers. Additionally, the expansion of local manufacturing capacities has resulted in an oversupply of tiles, intensifying pricing pressure across the industry.

Despite these challenges, several key opportunities were leveraged. The Company focused on expanding our export footprint into strategic markets such as Africa, the Middle East, and the Maldives, where demand for quality tiles remains strong. Domestically, the ongoing growth in the real estate and tourism infrastructure sectors created a healthy pipeline of projects. Further, LANKATILES enhanced competitive edge by offering customised tile products targeting the high-end segment.

However, the company faced multiple headwinds. Alongside pricing pressures from imported tiles, consumer purchasing behavior shifted towards lower-priced products due to constraints on disposable income, which affected category value. Additionally, tariffs on Sri Lankan exports to the U.S. posed a challenge for international market expansion. The potential loss of skilled labor and experienced management due to migration trends also emerged as a growing concern

| Financial Capital |        |        |      |
|-------------------|--------|--------|------|
| (Rs. Mn)          | 2025   | 2024   | %    |
| Revenue           | 13,168 | 16,132 | (18) |
| Profit after tax  | 1,083  | 2,907  | (63) |
| Total Assets      | 20,926 | 20,336 | 3    |
| Total Liabilities | 5,521  | 5,345  | 3    |

| Human Capital          |       |        |      |
|------------------------|-------|--------|------|
|                        | 2025  | 2024   | %    |
| Employees - No         | 890   | 843    | 6    |
| Total Recruitment - No | 121   | 135    | (10) |
| Training hours - Hrs   | 6,957 | 11,084 | (37) |

| Manufactured Capital      |           |           |      |
|---------------------------|-----------|-----------|------|
|                           | 2025      | 2024      | %    |
| Production capacity-Sqm   | 5,626,250 | 5,626,250 | -    |
| Capacity utilization-Sqm  | 3,726,212 | 4,297,975 | (13) |
| Capital investment Rs. Mn | 720       | 1030      | (30) |

| Social and Relationship Capital |       |       |      |
|---------------------------------|-------|-------|------|
|                                 | 2025  | 2024  | %    |
| Suppliers                       | 649   | 629   | 3    |
| Own showrooms                   | 02    | 02    | -    |
| Franchise showrooms             | 54    | 53    | 2    |
| Hybrid and factory outlets      | 21    | 19    | 10   |
| Dealers and distributors        | 68    | 53    | (28) |
| Tiler club members              | 5,084 | 4,740 | 7    |

## BUSINESS LINE REVIEW

| Natural Capital               |               |         |      |
|-------------------------------|---------------|---------|------|
|                               | 2025          | 2024    | %    |
| Material consumption - MT     | <b>90,658</b> | 108,667 | (17) |
| Water consumption - Liters Mn | <b>132</b>    | 197     | (33) |
| Energy consumption – Rs. Mn   | <b>3,025</b>  | 3,887   | (22) |

| Intellectual Capital |      |      |
|----------------------|------|------|
|                      | 2025 | 2024 |
| CE Mark              | ✓    | ✓    |
| Green Building       | ✓    | ✓    |
| ISO 14001:2015       | ✓    | ✓    |
| ISO 9001:2015        | ✓    | ✓    |
| SLS 1181             | ✓    | ✓    |
| Social Audit         | ✓    | ✓    |

### Innovation and Product development

A total of 102 new SKUs were introduced including formats tiles and innovative mosaic designs tailored for export. Sustainability was prioritised in both product development and manufacturing processes. Products incorporated eco-efficient elements such as slip density optimisation, low-cost glazes, zirconium alternatives, and recycled inks.

### Expanding our footprint

Export efforts were reinforced by opening a flagship showroom in the Maldives in partnership with Alba International Pvt Ltd, further establishing the brand's regional presence. Locally, one new showroom was established in Boralesgamuwa, four others were relocated (Kandy, Kiribathgoda, Jaffna, and Matale), and two were renovated. These moves reflect an ongoing commitment to modernise the retail footprint and improve accessibility.

### People perspective

Extensive learning and development programs, mental wellness initiatives, and performance-based recognition systems were implemented to boost employee morale, retention, and capability. Support measures included welfare societies, healthcare, educational grants, profit-sharing, and financial assistance for employees in need.

### Driving Operational Efficiency

TPM initiatives yielded LKR 372.2 Mn in savings, and strategic sourcing projects reduced input costs without compromising quality while energy savings initiatives like thermal recovery systems delivered notable cost reductions amounting to LKR 122.52 Mn. Automation and ERP integration further enhanced efficiency and decision-making across the value chain.

### Technological Advancements

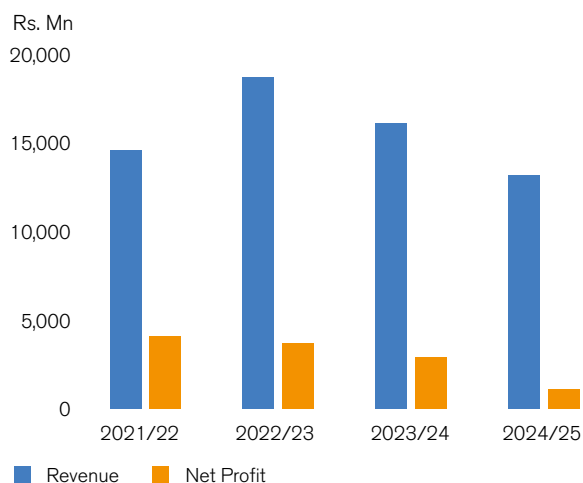
Technological advancements played a pivotal role, with ERP (SAP) implementation enabling real-time KPI tracking, while IoT sensors and predictive maintenance tools streamlined operations. AI-based quality control systems are currently being piloted to drive further improvements in product consistency.

## FINANCIAL PERFORMANCE

The Group recorded Rs. 13.17 Bn in revenue for year, reflecting a decline of 18% compared to the previous year, largely due to reduced demand, increased competition from imports and pricing pressures.

- » Despite the drop in revenue, Cost of Sales only slightly increased. As a result, Gross Profit declined sharply by 42%, from Rs. 7.46 Bn in the previous year to Rs. 4.29 Bn.
- » Distribution Costs decreased slightly to Rs. 1.91Bn, reflecting efforts to optimise logistics or scale down operations while Administrative Expenses also reduced to Rs. 1.09 Bn. These cost reductions helped partially cushion the impact of the declining gross profit.
- » Finance Costs remained stable at around Rs. 170 Mn. However, Finance Income fell by 46% to Rs. 101 Mn due to lower cash reserves and declining interest yields.
- » PBT dropped sharply from Rs. 4.1 Bn to Rs. 1.7 Bn, a 59% decline, mainly driven by lower gross profit. PAT followed suit, declining by 63%, from Rs. 2.9 Bn to Rs. 1.08 Bn.
- » The Group maintained a stable financial position with total assets slightly increasing to Rs. 20.9 Bn from Rs. 20.3 Bn in the previous year. Equity strengthened marginally due to retained earnings growth, despite a drop in profit. Inventories rose significantly while receivables and related party dues declined, due to sales slowdowns and tighter credit management.

## Group Performance



## Group Financial Position

Rs. Mn

25,000

20,000

15,000

10,000

5,000

0

2021/22

2022/23

2023/24

2024/25

■ Assets ■ Equity ■ Debt



## Outlook

The Group's forward-looking strategy is aimed at revitalising growth and enhancing long-term value creation. Key initiatives include planned capacity expansion in mosaic tile production and the introduction of new formats polished tiles, alongside continued investment in solar energy and gas storage, strengthening operational sustainability and efficiency. Product innovation remains a central pillar, with the expansion of the mosaic range, pool series, sugar cover glazes, and large-format geometric tiles, designed to meet emerging design trends and customer preferences. On the market development front, the Group is committed to reinforcing our brand positioning and design leadership across both local and international markets. This includes launching luxury-inspired, sustainable collections and adopting cutting-edge technologies like antibacterial and self-cleaning tiles. Market reach will be broadened through strengthened local distribution channels and increased focus on high-potential international markets such as the USA, Australia, and East Africa, supported by strategic partnerships and digital engagement. Customer-centric strategies, including enhanced CRM, e-commerce, and a focus on home renovation trends, will further drive brand loyalty and sales. These integrated efforts are expected to position the Group strongly for renewed growth and competitive advantage in the year ahead



# FINANCIAL CAPITAL

We are a leading manufacturer of premium ceramic and porcelain products in Sri Lanka. Our manufacturing capital plays a central role in our value creation process, supported by substantial investments in advanced infrastructure and cutting-edge machinery. We operate the premium tile manufacturing facility in the country, equipped with state-of-the-art technology to produce tiles of outstanding quality. Our capital assets include buildings, plants and machinery, showroom fixtures, fittings, and more, with a total value of Rs 8,536 Mn

**Rs. 13,168Mn**

Revenue

**Rs. 20,926Mn**

Assets

**33%**

GP Margin

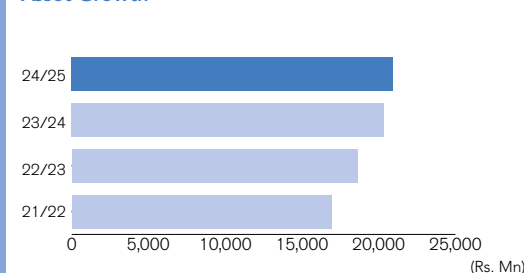




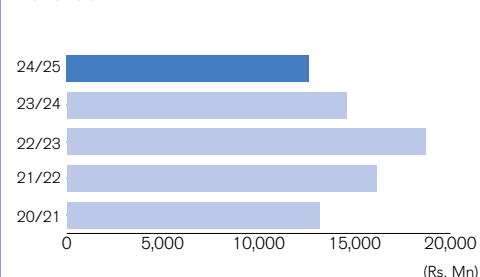
- » Revenue contracted by 18% as the local tile manufacturers struggled to complete with unregulated imported tile products
- » Profitability affected as Lanka Tiles was unable to increase prices in line with cost escalations due to the market's heightened sensitivity to pricing dynamics
- » 1.4% decline in operating expenses driven by contractions in both administrative and distribution expenses.
- » A 62% decline in net profit, owing to the reduction in revenue and pressures on profit margins

|                            | 2024/25 | 2023/24 | Change % |
|----------------------------|---------|---------|----------|
| <b>Profitability</b>       |         |         |          |
| Revenue (Rs. Mn.)          | 13,168  | 16,132  | (18)     |
| Operating Profit (Rs. Mn.) | 1,335   | 4,122   | (68)     |
| Profit After tax (Rs. Mn.) | 1,083   | 2,907   | (63)     |
| ROE %                      | 7       | 19      | (64)     |
| <b>Efficiency</b>          |         |         |          |
| GP margin %                | 33      | 46      | (29)     |
| Asset turnover %           | 63      | 79      | (21)     |
| Working capital turnover % | 16      | 43      | (63)     |
| <b>Stability</b>           |         |         |          |
| Current ratio %            | 2.94    | 2.99    | (2)      |
| Gearing %                  | 11.75   | 7.69    | 53       |
| Equity %                   | 73.62   | 73.72   | -        |
| <b>Growth</b>              |         |         |          |
| Total assets (Rs. Mn.)     | 20,926  | 20,335  | 3        |
| CAPEX (Rs. Mn.)            | 720     | 1030    | 4        |
| PPE % (Rs. Mn.)            | 8,536   | 8,413   | 1        |

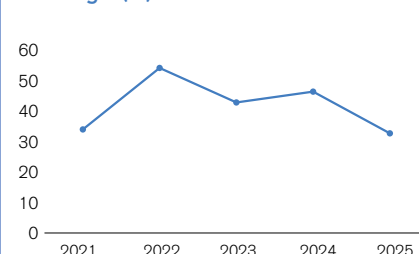
#### Asset Growth



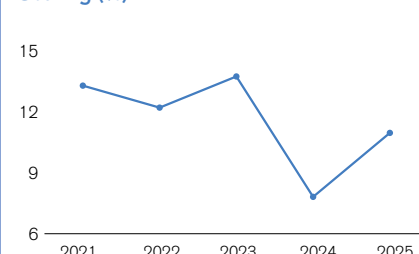
#### Revenue



#### GP margin (%)



#### Gearing (%)



# FINANCIAL CAPITAL

## Revenue

During the year under review, the Company recorded an 18% year-on-year decline in total revenue, driven by decline in revenue from domestic and export sales. Domestic revenue, which contributed 96% to total turnover, fell by 19% to Rs. 3 Bn, driven by reductions in both sales volumes and average selling prices.

The decline in domestic performance was influenced by multiple external factors. The local tile industry experienced subdued demand amid an oversupplied market. This oversupply resulted from significant capacity expansions by key local manufacturers who had anticipated stronger market growth. Additionally, the removal of restrictions on tile imports further increased market saturation. A substantial portion of these imported products entered the market through entities not registered for VAT, enabling them to offer lower prices and gain an unfair competitive advantage over compliant domestic manufacturers such as Lanka Tiles, despite the Company's superior product quality.

## Performance

Rs. Mn

20,000

15,000

10,000

5,000

0

2021/22

2022/23

2023/24

2024/25

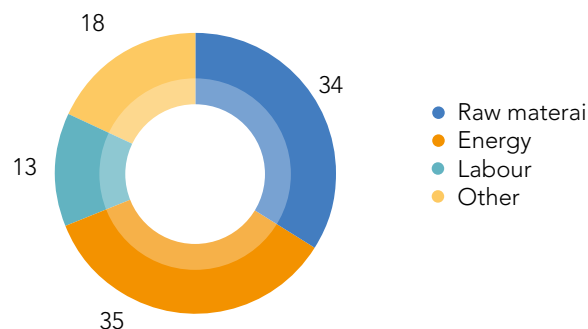
■ Revenue ■ Net Profit

The absence of anti-dumping measures or protective tariffs further intensified competitive pressures, making it increasingly challenging for local manufacturers to compete with low-cost imports. As a result, Lanka Tiles was compelled to offer substantial price discounts in order to remain competitive and retain market share.

Export revenue accounted for 4% of the Company's total income and recorded a marginal decline of 3% year-on-year, amounting to Rs. 15 Mn. This decrease was primarily attributable to the appreciation of the Sri Lankan Rupee, which offset the positive impact of increased export volumes. Notably, export volumes grew by 9% compared to the previous year, reflecting the Company's ongoing efforts to strengthen our footprint in international markets.

## Cost of Production

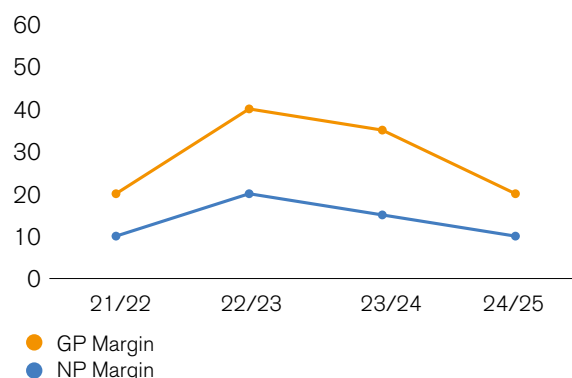
%



Growth in exports was largely driven by the strong performance of our mosaic tile range, particularly in the United States and other markets, where demand continued to build momentum. These products have gained recognition for their design quality and durability, supporting sustained interest from key distributors and customers

## Profit Margins

%



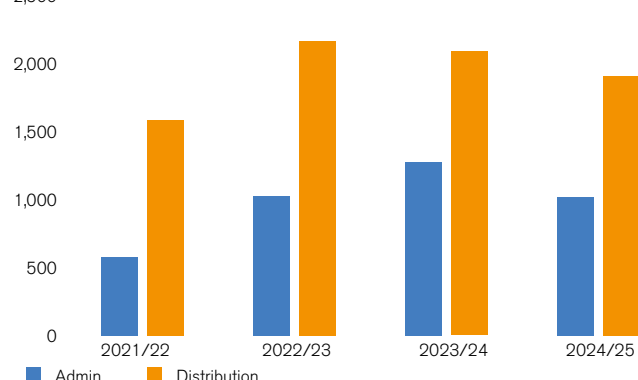
## Profitability and Efficiency

Gross profit margins contracted significantly, declining from 46% to 33%, primarily due to a substantial reduction in average selling prices. This drop was largely driven by aggressive discounting strategies adopted to stimulate demand and protect market share in a highly competitive and challenging market environment. Despite the implementation of several efficiency initiatives, such as thermal recovery systems and compressed air optimisation, which generated cost savings of LKR 176 Mn, along with the use of sustainable inputs like low-cost glazes, zirconium alternatives, and recycled digital inks to manage raw material costs, these measures were insufficient to offset the impact of reduced revenue. As a result, gross profit declined sharply to Rs. 3.1 Bn, representing a 42% year-on-year decrease. On the cost front, raw material and energy expenses remained the most substantial components of the direct production cost, each accounting for 35%. These inputs continued to exert considerable pressure on overall profitability, underscoring the company's ongoing exposure to commodity price fluctuations and energy market volatility.

Selling and distribution costs came down by 8% in line with the reduced sales while administrative expenses came down by 15% due to reduction of statutory expenses which were linked to the sales. Finance expenses remained stable during the year while finance income declined by 46% in line with declining interest rates.

### Operating Expenses

Rs. Mn

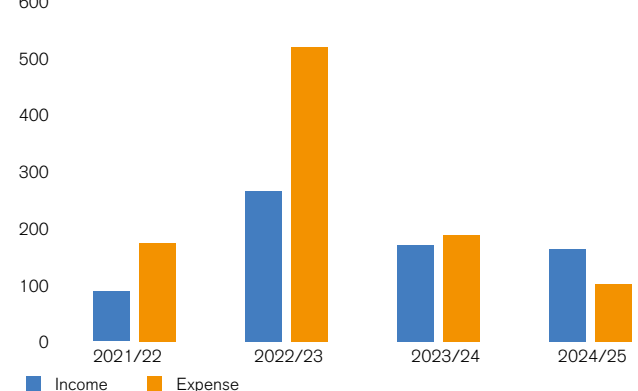


Company intensified our cost saving initiatives in order to remain price competitive amidst challenging market conditions. A total of LKR 372 Mn in savings was achieved through TPM. Real-time production data enabled faster, more informed decisions, reducing operational inefficiencies.

The Company reported a pre-tax profit of Rs.1.8 Bn, a contraction of 57% compared to the previous year due to the reduction in revenue and declining profit margins. Accordingly, post-tax profit also reported a decline 60% amounting to Rs. 1.2 Bn.

### Finance income & expenses

Rs. Mn



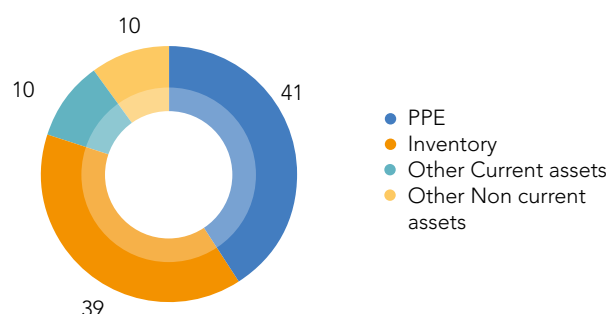
### Asset Base

Asset base remained relatively unchanged during the year. Capital expenditure was thought through as market conditions remained unfavorable. The Company invested Rs. 665 Mn in capital expenditure during the year, focusing on key infrastructure and capacity upgrades. Major improvements included expanding the gas yard, upgrading the generator to a higher capacity, constructing a new raw material storage area, and installing a tube well with a UV filtration system to enhance water quality.

Inventory continued to represent a significant portion of the Company's asset base, accounting for 40% of total assets as at year-end. Overall inventory levels rose further during the year. Raw material inventory remained relatively stable at Rs. 2.9 Bn, reflecting steady procurement aligned with production requirements. In contrast, finished goods inventory saw a notable increase of 22%, reaching Rs. 4.97 Bn. This rise was primarily attributed to higher production volumes not matched by a corresponding increase in sales, leading to an accumulation of stock by year end. Cash and cash equivalents increased by 31% to reach Rs. 393 Mn

### Asset Composition

%

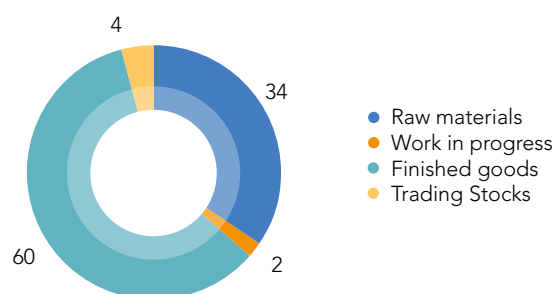


### Funding Structure

As at the end of the financial year, 74% of the Company's balance sheet was funded by equity, while 8% was represented by interest-bearing liabilities. Total equity rose by 3% to Rs. 509 Mn, primarily driven by the profit generated during the year. Notably, the Company had no long-term interest-bearing liabilities as of year-end, with the remaining Rs. 167 Mn reclassified under "Current portion of interest-bearing liabilities" for settlement in the upcoming year. The current portion also includes short-term loans amounting to Rs. 1.7 Bn and a bank overdraft of Rs. 494, which grew by 169% and 101% respectively. These short-term borrowings were utilised to support the Company's working capital needs, particularly in response to the increase in inventory levels.

### Inventory

%



# FINANCIAL CAPITAL

The company's quick asset ratio decreased from 0.80 to 0.62, signaling a deterioration in Company's short-term liquidity position, driven by the increase in inventory levels.

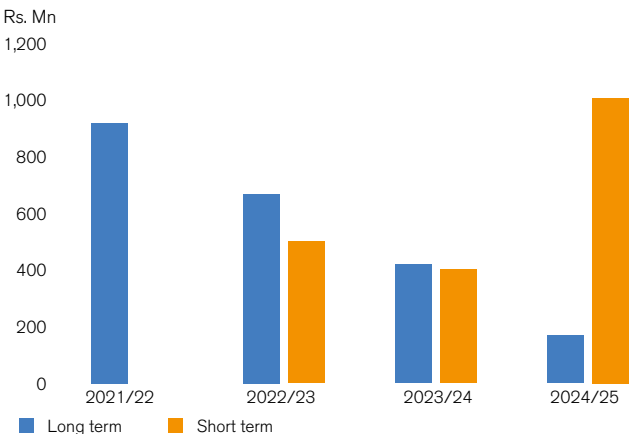
## Cash Flows

During the year, the Company experienced a notable shift in cash flow management, primarily reflecting a deterioration in our operating performance and liquidity position. Net cash flows from operating activities declined significantly to Rs. 801 Mn in 2025 from Rs. 2,768 Mn. This was largely driven by a sharp drop in profit before tax, and adverse working capital movements, most notably a substantial increase in inventories and a decrease in trade and other payables, indicating strain on the Company's liquidity.

Investing activities also saw a reduction in net outflows, with Rs. 584 Mn used in 2025 compared to Rs. 969 Mn in the previous year. This was mainly due to a scaling back of capital expenditure and a rise in dividend income, which helped offset some of the cash burden.

Financing activities reflected continued reliance on external funding. While the Company raised Rs. 7,215 Mn through borrowings, mostly in short term borrowings.

## Borrowings





## URBAN

### Skylines and Storylines

Sri Lankan cities are where tradition meets transformation—where ancient alleyways weave through steel-and-glass skylines, and every corner carries a story. From the vibrant bustle of Pettah to the soaring silhouettes of Colombo, our urban spaces form a living mosaic of dynamic modernity.

At Lanka Tiles, our urban collections are shaped by this vibrant interplay. They mirror the strength of concrete, the elegance of steel, and the energy of renewal. Each tile is a tribute to the evolving cityscape—a celebration of ambition, diversity, and design, rooted deeply in Sri Lankan ingenuity.

# MANUFACTURED CAPITAL

We are a leading manufacturer of premium ceramic and porcelain products in Sri Lanka. Our manufacturing capital plays a central role in our value creation process, supported by substantial investments in advanced infrastructure and cutting-edge machinery. We operate the Premium tile manufacturing facility in the country, equipped with state-of-the-art technology to produce tiles of outstanding quality. Our capital assets include buildings, plants and machinery, showroom fixtures, fittings, and more, with a total value of Rs 8,536 Mn

**4.4<sub>mn</sub> (Sqm)**

Tile

**99.96%**

Capacity Achievement

**102<sub>Nos</sub>**

New Designs





#### Strategic Priorities for 2024/25

- >> Talent Development & Capability Building
- >> Digital Transformation in HR
- >> Employee Retention & Engagement
- >> Focus on Health, Safety & Well-being

#### Our Approach

- >> Internal Training Faculty: Strategic initiative to address skill gaps internally.
- >> Extensive Training Programs: Covering areas from leadership and SAP (HANA) to AI, safety, and lean manufacturing.
- >> Focus on implementing Performance Management Systems, Learning Management Systems, and Applicant Tracking Systems

### HIGHLIGHTS FOR THE YEAR



Launch of the new branded showroom in the Maldives,



Constructed a new **2,212** sqm storage area to streamline raw material handling and improve inventory management.



Increased gas storage capacity from **169m<sup>3</sup>** to **276m<sup>3</sup>**, supporting uninterrupted production and improving energy management.

# MANUFACTURED CAPITAL

## ENHANCING OUR MANUFACTURED CAPITAL

Lanka Tiles PLC allocates substantial financial resources towards enhancing our manufacturing capabilities, reinforcing our competitive edge in the marketplace. All expansion initiatives are carefully evaluated under the oversight of the Board, considering critical factors such as market demand, evolving design trends, technological advancements, and projected returns on investment. This rigorous and data-driven approach ensures that our capital expenditure decisions are strategically aligned with long-term growth objectives and our commitment to maintaining industry leadership.

During the financial year, Lanka Tiles PLC adopted a prudent approach to capital expenditure, maintaining minimal capital infusions in response to ongoing challenges in the construction sector, which has a direct bearing on the company's sales volumes. Although signs of recovery have begun to emerge, the sector has yet to return to pre-crisis levels, leading the company to prioritise financial discipline and operational efficiency over new investments.

This large-scale investment enhanced production capacity, integrated advanced machinery, and modernised infrastructure to support future growth. However, given the scale of this upgrade, the associated financial commitments temporarily constrained liquidity and limited the scope for additional capital spending during the reporting period

| Manufactured Capital by Type (Rs. Mn)           |       |
|-------------------------------------------------|-------|
| Plant & Machinery                               | 3,770 |
| Buildings                                       | 2,172 |
| Water supply, Electricity Distribution facility | 163   |
| Transport & Communication Equipment             | 112   |
| Furniture fittings, Office Equipment            | 208   |
| Total                                           | 6,425 |
| CAPEX by Type (Rs. Mn)                          |       |
| Plant & Machinery                               | 583   |
| Buildings                                       | 63    |
| Water supply, Electricity Distribution facility | 22    |
| Transport & Communication Equipment             | 16    |
| Furniture fittings, Office Equipment            | 36    |
| Total                                           | 720   |

Following improvements were made during the year,

### Gas Yard Expansion

To ensure uninterrupted energy supply and enhance operational resilience, the company expanded the gas storage capacity from 169m³ to 276m³. This upgrade has significantly strengthened energy management capabilities, reduced dependency on frequent refills, and provided greater flexibility in managing production schedules, especially during periods of high demand.

### Generator Upgrade

Recognising the importance of power reliability in continuous manufacturing operations, the existing 500 kVA generator was replaced with 2,000 kVA unit. This upgrade enhances backup power capacity, ensuring smooth operational continuity during grid outages and contributing to overall production stability.

## Raw Material Storage Facility

A new 2,212 square meter raw material storage facility was constructed to improve the efficiency of inventory management and logistics. This facility enables better organisation of raw material inputs, reduces bottlenecks in the supply chain, and supports timely production planning by ensuring adequate stock levels of critical inputs.

## Production Facility in Ranala

Lanka Tiles PLC's principal manufacturing facility, located in Ranala, remains central to the Company's value creation and operational excellence. With a daily production capacity of 16,250 square meters and an annual capacity of 5,626,250 Sqm, the facility operated at a strong 92% capacity utilisation during the year under review.

The plant is fully integrated, equipped with state-of-the-art machinery and systems supporting the complete product lifecycle, from raw material processing to final packaging. In line with our strategy to maintain manufacturing leadership and support long-term efficiency, the Company invested Rs. 455 Mn in essential maintenance during the financial year.

Additional investments were made to improve the performance of existing machinery and optimise processes, with a strong focus on waste reduction and energy efficiency. As a result, the facility achieved cost savings of Rs. 372 Mn, reflecting the success of these operational improvements.

## Our Showroom Network

In line with our customer-centric strategy and efforts to strengthen brand presence, **LANKATILES** continued to invest in the expansion and modernisation of our showroom network during the year. These developments were aimed at enhancing the customer experience, improving accessibility, and showcasing the full breadth of our product portfolio in modern, aesthetically pleasing retail environments.

During the year, the Company opened one new showroom in Boraesgamuwa, further extending our footprint in high-potential urban areas. In addition, four showrooms were strategically relocated to more accessible and commercially vibrant locations in Kandy, Kiribathgoda, Jaffna, and Matale to align with changing market dynamics and customer traffic patterns.

To maintain brand consistency and elevate visual merchandising, two showrooms, Athurugiriya and Welimada, underwent significant renovations, incorporating the latest design and display standards. These refurbishments are expected to drive footfall and conversion rates, contributing to both brand equity and sales performance.



# MANUFACTURED CAPITAL

## FRANCHISE DEALER CHANNEL

| NO | LOCATION      | SHOWROOM ADDRESS                                         |
|----|---------------|----------------------------------------------------------|
| 1  | Athurugiriya  | No. 182, Pore, Athurugiriya                              |
| 2  | Awissawella   | No. 260, Kiriwandala , Awissawella                       |
| 3  | Boralesgamuwa | No.128, Divulapitiya, Borelasgamuwa                      |
| 4  | Chilaw        | No.160, Colombo Road, Maikkulama , Chilaw.               |
| 5  | Gampaha       | No. 23, Queens Marys Road, Gampaha                       |
| 6  | Ja Ela        | No. 351, Colombo Road, Weligampitiya, Ja-Ela             |
| 7  | Kadawatha     | No. 572/A, Kandy Road, Ranmuthugala, Kadawatha.          |
| 8  | Kaduwela      | No. 160/10/U, Bandarawatta, Biyagama, Kaduwela.          |
| 9  | Kegalle       | No. 714/A,Kandy Road, Meepitiya, Kegalle.                |
| 10 | Kiribathgoda  | No.199, Kandy Road, Kiribathgoda                         |
| 11 | Kiridiwela    | No 65 Nugahenawaththa,Kiridiwela.                        |
| 12 | Kottawa       | No.327, Highlevel Road, Makubura , Kottawa, Pannipitiya  |
| 13 | Kuliyapitiya  | No.220, Hettipola Road Kuliyapitiya.                     |
| 14 | Kurunegala    | No.250, Negombo Road, Kurunagala.                        |
| 15 | Malabe        | No. 302/6, Kaduwela Rd, Koswatta, Thalangama North       |
| 16 | Minuwangoda   | No. 88,Air Port Road, Boragodawatta, Minuwangoda         |
| 17 | Moratuwa      | No. 468, Galle Road, Rawathawatta , Moratuwa             |
| 18 | Negambo       | No: 495, Colombo Road, Negombo                           |
| 19 | Nittambuwa    | No.02/1,Kandy Road,Nittambuwa.                           |
| 20 | Warakapola    | No. 229 A, Kandy Road, Dummala Deniya, Warakapola.       |
| 21 | Wariyapola    | No.221, Kurunagala Road, Wariyapola.                     |
| 22 | Wattala       | No. 580, Negombo Road, Mabola, Watta                     |
| 23 | Wennappuwa    | No. 350/A, Chilaw Road, Kolinjadija, Wennappuwa.         |
| 24 | Aluthgama     | No. 409, Galle Road, Aluthgama.                          |
| 25 | Ambalangoda   | No. 10, Main Street, Ambalangoda                         |
| 26 | Ambalantota   | U K G Mahagedara Tissa Road, Dehigahalanda, Ambalanthota |
| 27 | Badulla       | No.315, Passara Road, Badulla                            |
| 28 | Balangoda     | No.350g,Ratnapura Road,Balagahamula Rd,Balangoda         |
| 29 | Bandarawela   | No. 482, Badulla Road, Bandarawela.                      |
| 30 | Dickwella     | No. 97/19, Thangalle Matara Main Rd, Dickwella.          |
| 31 | Embilipitiya  | No. 365, Rice Boutique, Pallegama, Embilipitiya          |
| 32 | Galle         | No. 357/B/3, Dangedara, Galle                            |
| 33 | Horana        | No. 580,Galledadugoda, Panadura Road, Horana             |
| 34 | Kalutara      | No. 365, Galle Road,Kalutara South, Kaluthara            |
| 35 | Matara        | No. 247,Kotuwegoda,Matara                                |
| 36 | Mathugama     | No. 206, Agalawatta Road, Mathugama                      |
| 37 | Monaragala    | No. 132/1,Wellawaya Road,Monaragala                      |
| 38 | Panadura      | No. 04, Sri Medananda Road, Panadura (Facing Galle Road) |
| 39 | Ratnapura     | No. 28, Main Road, Batugedara, Rathnapura                |
| 40 | Welimada      | No. 90 Badulla Road,Welimada                             |
| 41 | Wellawaya     | Weerasekaragama, Wellawaya                               |
| 42 | Ampara        | No. 774, Brown Junction, Kalmunai Road, Ampara.          |
| 43 | Anuradhapura  | No. 20/1,Thibirikadawala,Jayanthi Mawath,Anuradhapura    |

| NO | LOCATION      | SHOWROOM ADDRESS                                     |
|----|---------------|------------------------------------------------------|
| 44 | Batticaloa    | No. 384b, New Kalmunai Road, Navatkudha, Batticaloa. |
| 45 | Dambulla      | No. 27, Kurunegala Rd, Dambulla                      |
| 46 | Digana        | No. 61/4, Mahiyagana Road, Digana,Rajawella          |
| 47 | Gampola       | No. 98,A, Nawalapitiya Road, Gampola                 |
| 48 | Jaffna        | No. 212, Kadaramadam Junction , Palali Road, Jaffna. |
| 49 | Kandy         | No.130,Uda Mahayyawa, Kandy                          |
| 50 | Mahiyanganaya | No. 44 1/2, Padiyathalawa Road, Mahiyanganaya.       |
| 51 | Matale        | No. 857,Trincomalee Street, Mandandawala, Matale     |
| 52 | Peradeniya    | No. 255,Udaeriyagama, Peradeniya.                    |
| 53 | Trincomalee   | No. 485 Kandy Road Abepura, Trincomalee              |
| 54 | Vavuniya      | No. 58, Jaffna Road, Vavunia                         |

#### FACTORY OUTLET CHANNEL

| NO | LOCATION      | FACTORY OUTLET ADDRESS                              |
|----|---------------|-----------------------------------------------------|
| 1  | Eheliyagoda   | Rathnapura Road, Bendaluwa,Parakaduwa               |
| 2  | Godagama      | No. 774A, Highlevel Road, Panagoda, Homagama.       |
| 3  | Mahabage      | No.431, Negombo Road, Welisara, Ragama.             |
| 4  | Matara        | No. 12, St.Thomas mawatha, Matara.                  |
| 5  | Meetiyagoda   | 2nd Kaolin Refinery, Lanka Ceramic PLC, Meetiyagoda |
| 6  | Mirigama      | No. 3/M, Negombo Road, Rendapola, Mirigama.         |
| 7  | Tissamaharama | Saranda Building, Hambanthota Road,Tissamaharama    |
| 8  | Alawwa        | No. 87/A, Colombo Road, Wariyagoda, Alawwa          |
| 9  | Anamaduwa     | No. 43 Chilaw Road Anamaduwa                        |
| 10 | Anuradhapura  | No. 74/4, Niwaththaka Chethiya Rd, Anuradhapura     |
| 11 | Dambulla      | No. 689, Anuradapura Road, Dambulla.                |
| 12 | Kalmunai      | No. 306/B, Batticaloa Rd, Pandiruppu 2C, Kalmunai   |
| 13 | Kandy         | No. 369E Colombo Rd,Embilmegama,Pilimathalawa       |
| 14 | Kilinochchi   | No. 175, Karadipokku Junction A9. Road Kilinochchi. |
| 15 | Polonnaruwa   | No. 173/1, Palugasdamana, Polonnaruwa               |
| 16 | Kochchikade   | No. 533/1,Chillaw Road, Walihena,Kochchikade        |
| 17 | Pelmadulla    | No. 222,Gurudola Road,Gurudola,Pelmadulla           |
| 18 | Puttalam      | No.188, Puttalam Road,Thalgaskanda,Palavi           |
| 19 | Belumhara     | Belumhara,Imbulgoda                                 |

#### EXPANSION INTO MALDIVES

As part of our strategy to strengthen our export footprint and enhance global brand visibility, LANKATILES inaugurated a new branded showroom in the Maldives in collaboration with our international partner, Alba International Pvt Ltd. This development marks a significant milestone in our efforts to expand into key international markets with high growth potential.

The showroom has been designed to offer an immersive brand experience, showcasing a curated range of our premium ceramic and porcelain tile collections. It enables us to cater more effectively to the unique preferences of the Maldivian market, particularly within the booming hospitality and construction sectors.

# HUMAN CAPITAL

At Lanka Tiles PLC, human capital is recognised as a cornerstone of sustained business success and innovation. We recognise that our success is driven by the passion, expertise, and commitment of our employees. Our human capital strategy is centered on attracting, developing, and retaining a high-performing and engaged workforce, aligned with the company's long-term vision and values. We foster a culture of continuous learning, inclusivity, and accountability, empowering our teams to adapt to evolving industry dynamics and contribute meaningfully to our growth journey. With a strong focus on health and safety, employee well-being, and professional development, we are building a resilient and future-ready workforce capable of sustaining LANKATILES' leadership in both local and international markets.





#### Strategic Priorities for 2024/25

- >> Talent Development & Capability Building
- >> Digital Transformation in HR
- >> Employee Retention & Engagement
- >> Focus on Health, Safety & Well-being
- >> Revisit spiritual management with a focus on spiritual well-being to strength employee engagement.

#### Our Approach

- >> Internal Training Faculty: Strategic initiative to address skill gaps internally.
- >> Extensive Training Programs: Covering areas from leadership and SAP to AI, safety, and lean manufacturing.
- >> Focus on Automation of Performance Management System, align to the learning Management System.

### HIGHLIGHTS FOR THE YEAR



**121**  
New Recruits



**Rs. 1,403 Mn**  
Paid as Remuneration



**6,957**  
Training Hours



**Rs. 12 Mn**  
Investment in Training

# HUMAN CAPITAL

## MANAGING HUMAN CAPITAL



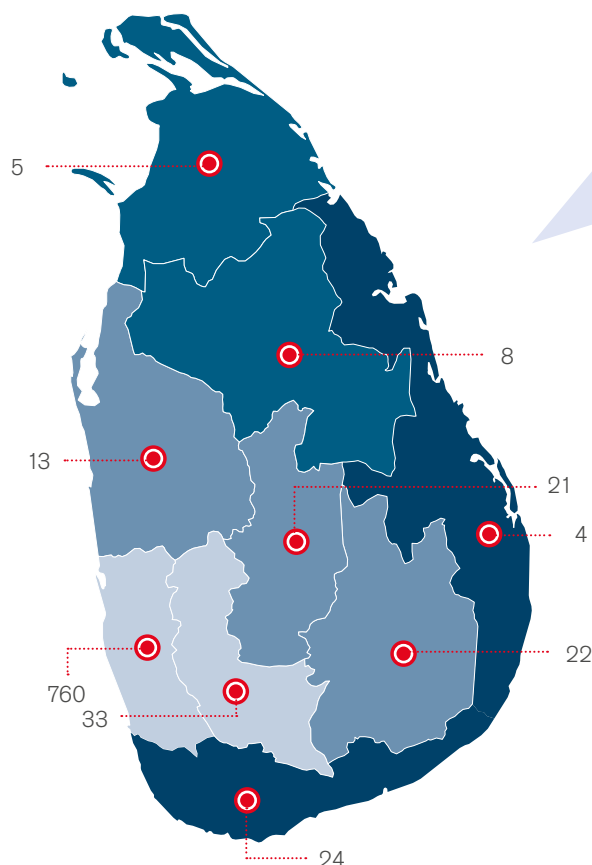
**At Lanka Tiles PLC**, our Human Resources (HR) framework is built on industry best practices and is closely aligned with our organisational culture and core values. Operating under the oversight of the General Manager – (Finance), the HR Department plays a pivotal role in integrating human capital strategies with the Company's overarching business objectives, while ensuring strict adherence to regulatory requirements and internal policy frameworks.

In the financial year 2024/25, a key milestone was the successful finalisation of the LANKATILES HR Policy Manual, a comprehensive document that summarises 18 areas into 8 key results areas. This achievement reflects our commitment to strengthening governance, enhancing operational effectiveness, and fostering a workplace culture rooted in compliance, accountability, and continuous improvement.

The HR team remained focused on reinforcing structures and systems that promote employee well-being, engagement, and performance. As part of our ongoing transformation, emphasis was placed on skills development, internal capability building, and the digitalisation of HR processes, laying the foundation for a resilient and future-ready workforce.

Our approach to human capital management continues to support LANKATILES' strategic vision, ensuring our people remain at the center of sustainable business growth.

## TEAM PROFILE

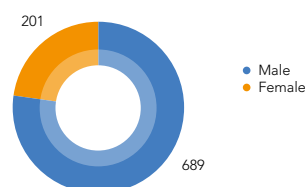


The Company has a workforce of **890 employees** distributed across five different sectors. A significant portion of our employees are recruited from the local communities in which we operate, reinforcing our commitment to regional economic development and inclusive growth. All employees are given adequate notice of any significant operational changes.

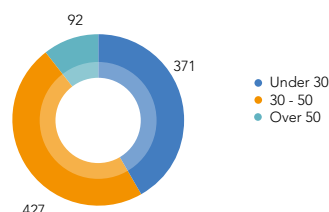
The Group's workforce is primarily made up of full-time employees, although a notable portion of outsourced personnel is engaged in specific production-related operations.

Age and Gender wise breakdown of the team composition is provided below.

### By Gender



### By Age

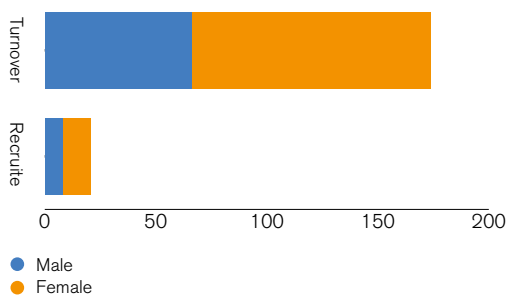


## STAFF ATTRITION

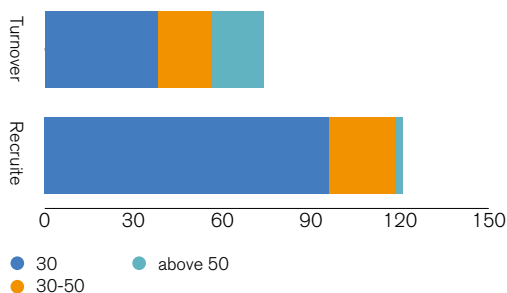
During the year, Lanka Tiles PLC experienced a total of 74 employee departures, while onboarding 121 new recruits. The majority of new hires were under 30 years of age, reflecting the company's ongoing efforts to build a younger, agile workforce. Employee retention remained a key focus area, with 121 new recruits continuing beyond the initial period. In response to turnover trends, the HR Department introduced targeted interventions including enhancements to the compensation structure, skills development programmes, and initiatives to promote employee engagement and well-being, reinforcing our commitment to a stable and motivated workforce.

Profile of new recruits and exits are graphically presented below

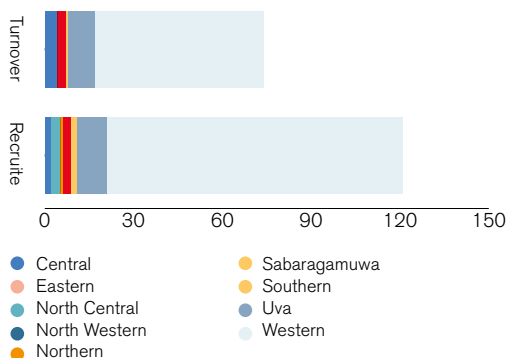
### By Gender



### By Age



### By Region



## RECRUITMENT

Lanka Tiles PLC prioritised strategic recruitment to support operational growth and future-readiness. A total of 121 new employees were hired across various levels, including executive, staff, and operative categories, with a significant focus on young talent. Recruitment efforts were guided by the company's established policy framework, ensuring transparency and consistency across all hiring processes.

All new recruits at Lanka Tiles PLC undergo a structured induction program designed to familiarise them with the company's operations, values, policies, and safety protocols. The program includes interactive sessions with department heads, factory visits, and guidance on HR systems and compliance standards. This comprehensive approach ensures that new employees integrate smoothly into their roles while aligning with the company's performance and cultural expectations from the outset.

## EMPLOYEE REMUNERATION AND BENEFITS

All employees are offered a competitive remuneration package that reflects industry standards and is linked to individual performance. In addition to fixed compensation, LANKATILES provides a comprehensive mix of benefits and performance-based incentives aimed at attracting, motivating, and retaining top-tier talent. All remuneration structures fully adhere to prevailing labor laws, with entry-level pay meeting or exceeding minimum wage requirements. As an equal opportunity employer, a 1:1 ratio of basic salary of men to women is maintained.

Notably, there were no instances of non-compliance during the year. Despite facing operational challenges, the necessary salary revisions were carried out as planned. Total staff-related expenditure for the year stood at Rs. 1,403 Mn (2023/24: 1,077 Mn).

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

- Health insurance
- Reimbursement of medical costs
- Maternity leave
- Financial assistance for education qualifications
- Subsidised meals

### OTHER BENEFITS INCLUDE,

- Monthly production and attendance incentives
- Regular doctor consultations (Doctor visits 5 working days per week)
- Eye care camps
- Provision of uniforms (shoes, trousers, and T-shirts)
- Tailoring allowance for uniform
- Stationery book parcels distributed annually
- Tile Quota under discount system & free Tile Quota for 20 years' service

# HUMAN CAPITAL

## PERFORMANCE MANAGEMENT AND RECOGNITION

At Lanka Tiles PLC, performance management is a strategic process that aligns individual goals with organisational objectives to drive productivity and growth. Our system emphasises continuous feedback, structured appraisals, and developmental planning. Employees across all levels receive regular performance and career development reviews, fostering a culture of accountability and improvement. The process is complemented by clear KPIs, manager assessments, and employee self-evaluations. High performers are recognised through promotions, salary increments, and performance-based rewards such as Kaizen awards. The Company also integrates insights from performance reviews into training needs assessments to ensure capability building and future readiness.

## TRAINING AND DEVELOPMENT

We remain committed to the continuous development of its workforce through a comprehensive and structured training framework. Training needs were identified through skill matrices, performance appraisals, and departmental assessments, ensuring relevance and impact. The company also introduced "Train the Trainer" initiatives and internal faculty development to bridge skill gaps and build internal capacity. These efforts support both individual growth and the organisation's long-term strategic goals.

|                                        | 2024/25 | 2023/24 |
|----------------------------------------|---------|---------|
| Total investment in training – Rs. Mn  | 12      | 19      |
| Total No. of training hours            | 6,957   | 11,084  |
| No. of employees received training     | 1,271   | 1,479   |
| Average hours of training per employee | 5.5     | 7.5     |

### Training Programs conducted during the year,

| Technical and System Training                                                        |
|--------------------------------------------------------------------------------------|
| Microsoft Power BI                                                                   |
| SAP Modules (Production, Plant Maintenance, Material Management, Quality Management) |
| Export Market Orientation                                                            |
| Foreign Tile Design Training                                                         |
| Quality and Process Improvement                                                      |
| Operational Excellence Baseline Assessment                                           |
| Productivity Improvement through 5S & 3R Concepts                                    |
| Visual Management                                                                    |
| Lost Cost Methodology                                                                |
| Calibration of Monitoring & Measuring Devices                                        |
| Workshop on Internal Auditing for ISO 9001:2015                                      |
| Health, Safety, and Environmental Training                                           |
| Firefighting Training                                                                |
| First Aid Training Program                                                           |
| Industrial Safety Training                                                           |
| Awareness of ISO 14001                                                               |
| Dengue Prevention Awareness                                                          |

## Soft Skills and Leadership Development

|                                                      |
|------------------------------------------------------|
| "Personal Branding" Training                         |
| Leadership Skills Workshop                           |
| Employee Motivation Program                          |
| Decision Making in the Age of Big Data & Negotiation |
| Transforming People Intent into Brand Synergy        |

## HR & Administrative Training

|                                                                     |
|---------------------------------------------------------------------|
| HR Conference Participation                                         |
| Awareness Sessions for HRIS Attendance System and New hSenid System |
| Certificate Course in Labour Law & Industrial Relations             |

## Onboarding and General Knowledge

|                                          |
|------------------------------------------|
| Orientation Program for New Recruits     |
| Basic Computer Knowledge                 |
| Train the Trainer Program                |
| Certificate Course in Quality Management |
| Principles of Project Management         |
| Factory Visits                           |

## HEALTH AND SAFETY

Given the nature of our operations, ensuring the safety of our employees, minimising workplace risks, and fostering a secure and supportive work environment remain fundamental priorities for the Company. During the year, we enhanced our occupational health and safety framework through comprehensive training initiatives such as industrial safety, firefighting, and first-aid programs. Regular safety audits, hazard analysis, and employee-led safety walks were conducted as part of our proactive risk management strategy. We also maintained our commitment to employee well-being through medical insurance coverage, scheduled doctor consultations, and awareness initiatives aligned with ISO 14001 standards. Our approach to health and safety is collaborative and inclusive, encouraging workforce participation in safety reviews, continuous improvement suggestions, and the use of digital tools for hazard reporting. These collective efforts reflect our dedication to creating a culture of safety and care across all operational sites.

We also maintain a robust Occupational Safety, Health, and Environment (OSHE) management system that facilitates hazard analysis and risk assessments in collaboration with shop-floor employees. Safety walks, monthly safety meetings, and a mobile app for recording unsafe conditions and near misses further reinforce our commitment to safety. Additionally, all confirmed employees are covered by a comprehensive medical insurance scheme, ensuring access to both occupational and non-occupational health care services.

By embedding a safety-first culture and encouraging employee participation through initiatives like safety kaizen rewards, we strive to minimise workplace risks and create a secure and supportive environment for our entire workforce.

## Health and Safety Initiatives

|                                                                                                            |
|------------------------------------------------------------------------------------------------------------|
| Medical Insurance Scheme                                                                                   |
| Industrial Safety Training                                                                                 |
| Fire-Fighting Training Program                                                                             |
| First Aid Training Program                                                                                 |
| Doctor Visits – Doctor visits 5 working days per week.                                                     |
| Dengue Prevention (Fogging Treatments) – Regular fumigation to control mosquito breeding                   |
| Eye Camp – Vision checks and corrective measures for employees.                                            |
| Awareness on ISO 14001 – Environmental and occupational health & safety compliance education.              |
| Safety Walks by Executives – Routine workplace inspections to identify and mitigate risks.                 |
| Monthly Safety Meetings – Discussion of safety issues and preventive strategies.                           |
| Mobile App for Hazard Reporting – Recording unsafe acts, near misses, and unsafe conditions.               |
| Employee Safety Suggestions (Kaizen) – Acknowledgment and rewards for staff-submitted safety improvements. |
| Hazard Analysis and Risk Assessments – Conducted with workforce participation.                             |
| Use of Personal Protective Equipment (PPE)                                                                 |

## INDUSTRIAL RELATIONS

Maintaining constructive and transparent industrial relations is fundamental to sustaining operational harmony at Lanka Tiles PLC. Approximately 80% unionised only from operative work force, reflecting a strong tradition of collective engagement. We foster a culture of open dialogue through regular monthly meetings with trade unions and staff representatives, allowing for proactive issue resolution and mutual understanding. No industrial disputes were reported during the year, underscoring the effectiveness of our engagement model. The current collective agreement, effective from 1st June 2022 to 31st May 2025, supports fair labor practices and reinforces our commitment to a respectful and collaborative workplace.

## EMPLOYEE ENGAGEMENT

Lanka Tiles PLC places strong emphasis on employee engagement as a key driver of organisational success and talent retention. A wide range of activities, ranging from family days and sports events to recognition programs and religious observances, are conducted throughout the year to build camaraderie and a sense of belonging. These initiatives not only enhance morale and workplace satisfaction but also contribute to reducing employee turnover by fostering stronger emotional connections with the company. By nurturing a culture of inclusion, appreciation, and open communication, the Group continues to strengthen employee loyalty and long-term commitment.

- Annual Company Trip
- Employees' Family Day
- Religious and Cultural Events
- Birthday Celebrations
- Inter-department Volleyball Matches
- Team-building Programs
- Departmental Get-togethers

## GRIEVANCE HANDLING

Lanka Tiles PLC has established a structured and transparent grievance handling mechanism to ensure that employee concerns are addressed promptly and fairly. The processes begins with the immediate supervisor and, if unresolved, escalates sequentially to the Section Head, the Senior Human Resources Manager, the Assistant General Manager (Plant), the Chief Human Resources Officer, the General Manager (Finance), and, if necessary, the Managing Director. This multi-tiered system promotes accountability, encourages open communication, and upholds employee trust while maintaining a harmonious and compliant workplace.

## DIVERSITY AND INCLUSION

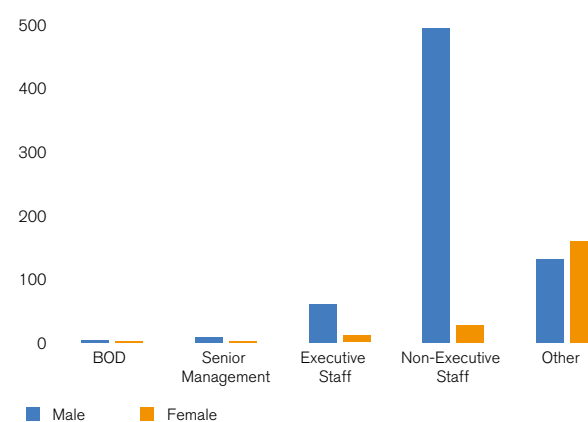
At Lanka Tiles PLC, diversity and inclusion are integral to our organisational culture and values. We are committed to creating a workplace that embraces equality, respects differences, and offers equal opportunities regardless of gender, ethnicity, age, or background. Policies are in place to support gender parity, prevent workplace harassment, and promote inclusive practices across all levels of the organisation. By fostering a diverse and inclusive environment, we aim to drive innovation, improve employee satisfaction, and build a resilient workforce that reflects the communities we serve.

During the year under review, there were no reported incidents of discrimination reported.

Return to work after maternity leave

|                                                                            | 2024/25 | 2023/24 |
|----------------------------------------------------------------------------|---------|---------|
| Employees entitled to maternity leave                                      | 9       | 29      |
| Employees on maternity leave                                               | 9       | 22      |
| Employees who returned after maternity leave                               | 9       | 22      |
| Employees still in employment 12 months after returning on maternity leave | 4       | -       |

## Gender Representation



# HUMAN CAPITAL

## Initiatives to ensure an inclusive workplace

- Inclusive Hiring Practices: Actively recruit from diverse talent pools to ensure equal opportunities.
- Unconscious Bias Training: Provide training for all employees to recognise and mitigate unconscious bias in decision-making.
- Equal Pay for Equal Work: Implement policies to ensure gender, race, or any other form of discrimination does not affect pay.
- Accessibility: Ensure that the workplace is accessible to all employees, including those with disabilities.
- Respectful Work Environment: Establish clear anti-discrimination policies and procedures to foster a respectful, inclusive culture.
- Employee Resource Groups (ERGs): Encourage employees to form groups based on shared identities to promote inclusivity and give them a voice.
- Diversity Celebrations: Celebrate cultural events and diverse backgrounds through company-wide initiatives, bringing employees together.
- Support for Marginalised Groups: Provide mentorship and career development opportunities to underrepresented employees.
- Zero Tolerance for Discrimination: Enforce strict consequences for discriminatory actions, ensuring all employees feel safe and valued.
- Regular Diversity Audits: Continuously evaluate hiring, promotion, and compensation practices to ensure fairness and equal treatment for all employees.



**Investing in People** – Interactive Training Programmes for Workforce Excellence



**Promoting Health and Balance** – Yoga Programme on World Health Day 2025



Promoting Employee Wellbeing through On-site Medical Camp



**Workplace Safety:** First Aid Training Conducted for Factory Employees



## FOREST

### Whispers of the Wild

Beneath emerald canopies and the hush of morning mist, Sri Lanka's forests breathe life into the land—and into our craft. From the rain-soaked majesty of Sinharaja, to the sunlit stillness of dry zone jungles, these forests are sanctuaries of timeless beauty.

At Lanka Tiles, we draw inspiration from this living abundance. Our designs echo the grain of ancient bark, the layering of leaves, and the strength of stone. With every collection, we honour the forest as a keeper of balance, and a canvas where creativity takes root.

# SOCIAL AND RELATIONSHIP CAPITAL

Establishing and nurturing strong relationships with key stakeholders is central to our long-term strategy and essential for maintaining our competitive advantage. We prioritise building mutually beneficial partnerships, especially with our customers, suppliers, and the wider community. Our approach is grounded in core values like transparency, integrity, and open communication, which help us foster trust, boost stakeholder satisfaction, and encourage lasting loyalty. By investing in these important connections, we strengthen our current position and create a robust base for sustainable growth.

**Rs. 13,029Mn**

paid to local suppliers

**102Nos**

New Designs Introduced

**Rs. 3Mn**

spent on CSR projects





#### Strategic Priorities for 2024/25

- >> Deepen Personalisation Through Data-Driven CRM
- >> Enhance Digital Touchpoints for Seamless Customer Journeys.
- >> Develop Loyalty Programs for End Consumers
- >> Supply Chain Resilience & Risk Mitigation

#### Our Approach

- >> Leverage CRM tools to track customer preferences, behaviors, and purchase history and use this data to deliver personalised communication, product suggestions, and follow-ups, thereby increasing customer satisfaction and retention.
- >> Tiered customer loyalty program with incentives such as discounts, early product access, and design consultation hours.

#### VALUE OFFERED TO OUR STAKEHOLDER

##### Customers



**4,354,165**

SQM of tiles

**102** Nos

New Designs

- >> Showroom Expansion & Upgrades.

##### Suppliers



**Rs. 10,296** Mn

paid to local suppliers

**Rs. 2,733** Mn

paid to foreign suppliers

- >> Timely payments.
- >> Collaborations for industry growth.

##### Regulator



**Rs. 3,329** Mn

paid as Direct and Indirect taxes

**Rs. 482** Mn

Foreign earnings

##### Community



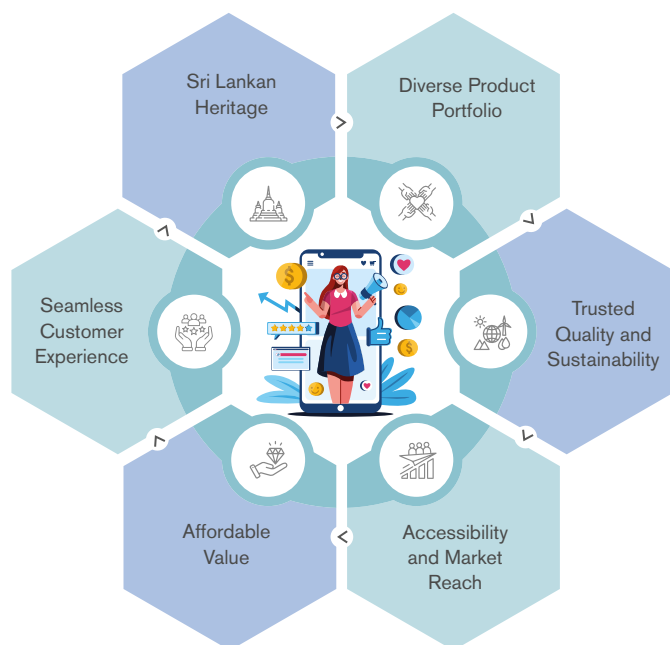
**Rs. 3** Mn

CSR spent

- >> Direct and indirect employment opportunities

# SOCIAL AND RELATIONSHIP CAPITAL

## CUSTOMER VALUE PROPOSITION



### A diverse product portfolio

**LANKATILES** continues to strengthen our position as a market leader by offering a wide-ranging and design-forward tile portfolio that addresses the evolving needs of both local and international customers. Our commitment to product innovation and design excellence has enabled us to deliver high-quality, aesthetically pleasing, and performance-driven solutions across diverse application segments

#### Product Development Highlights:

- Introduction of over **102 new SKUs**, including the 38 Series
- Launch of new formats such as mosaic and field tiles.
- Expansion into specialised categories including pool series, sugar cover glazes, and geometric tile formats.

#### Design and Functional Innovation:

- Product collections were developed with an emphasis on modern design trends and functional attributes.
- Continued investment in antibacterial, self-cleaning, and energy-efficient tile technologies to cater to emerging global demand for high-performance surfaces.
- Customisation capabilities strengthened to meet the unique requirements of premium projects and export markets.

## Trusted Quality and Sustainability

Delivering consistent value to our customers is grounded in a strong commitment to product excellence, environmental stewardship, and ethical manufacturing practices. We continue to uphold the highest standards in quality and sustainability, ensuring our customers benefit from products that are not only innovative and aesthetically appealing, but also responsibly made.

### Green Label-Certified Products

Our product portfolio includes a wide range of Green Label-certified tiles, reflecting our adherence to stringent environmental and sustainability benchmarks. We prioritise the use of eco-friendly raw materials such as low-impact glazes, zirconium alternatives, and recycled digital inks that reduce our environmental footprint without compromising product quality or aesthetic appeal.



### Sustainable Manufacturing Practices

Lanka Tiles PLC has implemented a host of environmentally conscious manufacturing initiatives, including closed-loop water systems that allow for 100% wastewater reuse, thermal energy recovery systems, and compressed air savings, which collectively contributed to significant reductions in energy usage and emissions. These initiatives not only ensure operational efficiency but also support our goal of minimising environmental impact across the value chain.



### Technology-Driven Quality Assurance

We have integrated cutting-edge technologies such as IoT sensors, AI-driven quality control systems, and real-time ERP dashboards to enhance production consistency, detect anomalies proactively, and maintain high standards of product quality. Predictive maintenance powered by data analytics has further reduced downtime and waste, reinforcing our commitment to smart, sustainable operations.

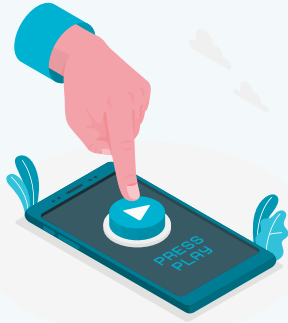


## Seamless Customer Experience

We strive to provide a smooth and exceptional customer experience at every interaction. By integrating state-of-the-art digital platforms and advanced ERP systems, we have greatly improved our responsiveness to customer needs, streamlined our service processes, and reduced lead times. These innovations allow us to offer real-time updates, ensure precise order tracking, and consistently meet customer expectations with efficiency and reliability

## Accessibility and Market Reach

- Extensive retail presence through our own showrooms, franchises, and dealer networks, ensuring customers find products conveniently.
- New showrooms and upgraded facilities enhance shopping experience.
- Export to be reach to Maldives, Africa, Middle East, and beyond ensures globally competitive standards.



## Our Customer Touchpoints

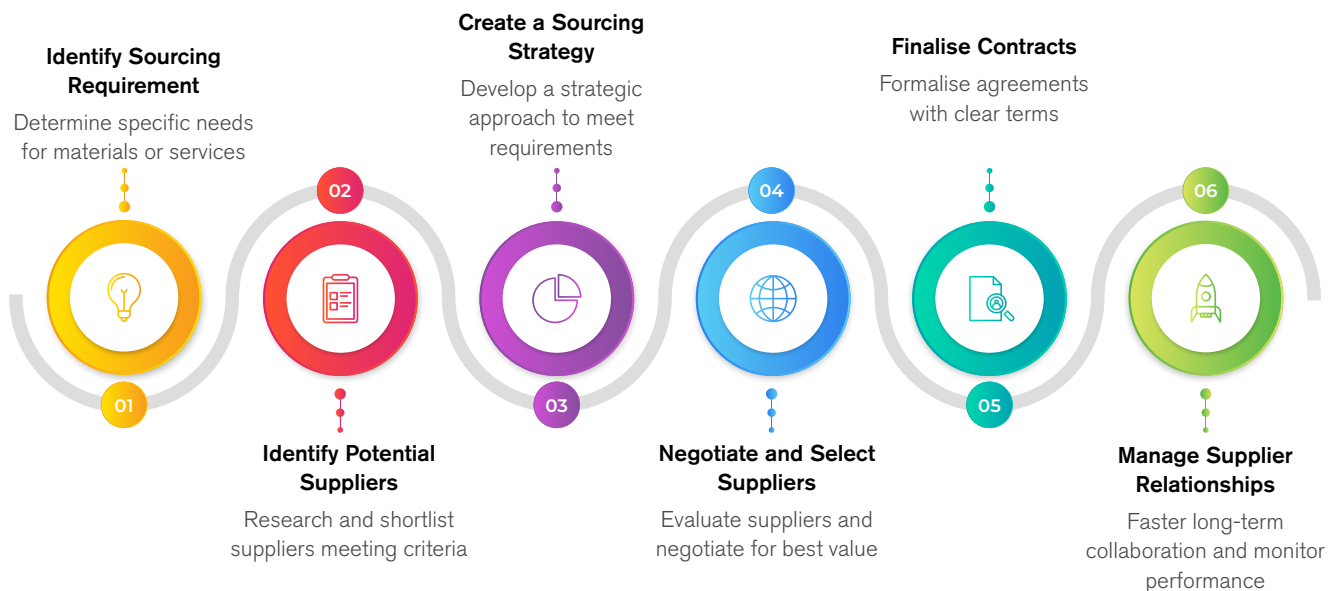
- 02 Own showrooms
- 54 Franchise showrooms
- 27 Distributors
- 19 Factory outlets
- Premier club for architects
- Call centre
- 41 Direct dealers
- Social media
- LANKA TILES PLC Mobile App
- Tiler Club
- Trade exhibitions

## SUPPLIER RELATIONSHIP MANAGEMENT

In the evolving landscape of the tile and associated products industry, effective supplier relationship management has become a cornerstone for operational resilience, cost optimisation, and sustainable growth. Amid shifting market dynamics, maintaining strong, transparent, and strategically aligned partnerships with suppliers is critical. We responded to these challenges by diversifying our supplier base, embracing responsible sourcing practices, and fostering innovation through collaborative supplier engagement.

|                                       | 2024/25 | 2023/24 |
|---------------------------------------|---------|---------|
| No. of local suppliers                | 604     | 593     |
| No. of foreign suppliers              | 45      | 36      |
| Payments to local suppliers –Rs. Mn   | 10,296  | 12,417  |
| Payments to foreign suppliers – Rs.Mn | 2,733   | 3,899   |

## Our Supplier Selection Process



# SOCIAL AND RELATIONSHIP CAPITAL

## Steps taken to strengthen supplier relations and to ensure uninterrupted supply

|                            |                                                                                                                                                                         |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Diversified Supplier Base  | Engaged a wide network of local and international suppliers (from Italy, Spain, China) to reduce dependency and ensure uninterrupted raw material and machinery supply. |
| Dual-Sourcing Strategy     | Implemented dual-sourcing and alternative supplier registration to mitigate risks from regional disruptions or supplier-specific issues.                                |
| Strategic Collaboration    | Worked closely with suppliers on cost-saving innovations such as low-cost glazes, zirconium substitutes, recycled inks, and material efficiency enhancements.           |
| Performance Monitoring     | Continuously evaluated suppliers based on delivery reliability, quality, and responsiveness to guide order allocation and relationship prioritisation.                  |
| Sustainability Integration | Enforced environmentally responsible practices, including trial loads for raw materials, eco-friendly mining site rehabilitation, and compliance with ISO 14001.        |
| Process Digitisation       | Leveraged ERP systems and real-time dashboards to enhance procurement efficiency, track supplier performance, and streamline interactions.                              |
| Cost Optimisation          | Achieved cost savings through consolidated procurement, competitive pricing agreements, and onboarding of new local suppliers without compromising quality.             |
| Proactive Communication    | Maintained regular contact with suppliers to stay ahead of potential disruptions and align on production needs and market changes.                                      |

## Strategic Partnerships and industry collaborations

We actively engage with leading professional organisations to contribute to the development and progress of our industry. These collaborations allow us to influence industry standards, champion sustainability, and support innovation. Through these partnerships, our employees also gain meaningful platforms to exchange knowledge and expertise with industry peers. This ongoing involvement underscores our dedication to driving long-term industry growth and nurturing a culture centered on continuous improvement and excellence.

### LANKATILES Tilers' Club

The LANKATILES Tilers' Club is a nationwide network of professional tilers established by LANKATILES to strengthen engagement with industry practitioners. With a growing membership of over 5,084 tilers, the club provides comprehensive training and development opportunities, empowering members to enhance their skills and earn additional income by promoting LANKATILES products to their clients. This initiative creates a mutually beneficial relationship, delivering value to the company, supporting the livelihoods of tilers, and ensuring better service quality for customers.

### Premier Club for Architects

The Premier Club for Architects is an exclusive platform comprising over 126 practicing professionals affiliated with the Sri Lanka Institute of Architects. This initiative offers members early access to LANKATILES' latest designs and technologies, creating a collaborative space for sharing insights, product feedback, and market trends. Through this engagement, LANKATILES strengthens the connection with the architectural community while ensuring our offerings align with industry needs and customer expectations.

## Community Engagement

Supporting the communities where we operate is a fundamental aspect of our corporate responsibility. We adopt a comprehensive approach that integrates both social and environmental sustainability. Socially, we invest in initiatives that enhance education, healthcare, and economic development, directly contributing to improved living standards. We also prioritise local hiring to stimulate economic stability and job creation. Environmentally, we are committed to minimising our ecological impact through responsible resource use and conservation efforts. These combined actions reflect our long-standing commitment to generating lasting, positive value for the communities we engage with.



## HERITAGE



### Carved from Legacy

Sri Lanka's legacy is etched in granite and glazed in gold palaces, stupas, and sacred cities that have endured through the centuries. Our heritage is more than history; it is a living culture, carved and embodied deep within every tile we create.

Lanka Tiles honours this epic past with designs inspired by the symmetry of temple art, the finesse of Kandyan woodwork, and the timeless elegance of Anurādhapura's stone. These are not just tiles; they are modern tributes to ancient masters bearing the weight of legacy and the light of innovation.

# INTELLECTUAL CAPITAL

Lanka Tiles PLC, a market leader in ceramic tiles and associated products, has built strong intellectual capital encompassing innovation, skilled human resources, and a commitment to sustainability. Operating in a rapidly evolving environment marked by shifting regulations and increased competition from imports, the company continues to adapt through product innovation, export expansion, and operational efficiency. Renowned for our design excellence and quality, LANKATILE has established strong brand recognition both locally and internationally, supported by strategic marketing, showroom expansion, and collaborations. This brand equity, combined with technological integration and a resilient workforce, remains central to driving long-term value and competitiveness.





#### Strategic Priorities for 2024/25

- >> Brand Building and Recognition
- >> Customer-Centric Innovation
- >> Digital Transformation
- >> Adoption of a design-centric selling model, personalised consultations, CRM-based feedback loops, and revamped website for improved user experience.

#### Our Approach

- >> Launch of the national campaign "Sri Lanka at the heart of everything we do" to boost brand visibility.
- >> Introduction of themed tile collections inspired by Sri Lankan aesthetics.
- >> Expansion of eco-friendly product lines certified by the Green Building Council, reinforcing the brand's environmental responsibility.

### HIGHLIGHTS FOR THE YEAR



**RS.2,084 MN**

LANKATILES valued Brand Finance Sri Lanka in 2023/24



**102 Nos**

new designs introduced during the year

# INTELLECTUAL CAPITAL

## Our Brand Visibility

The LANKATILES brand remains the Company's most valuable asset and a cornerstone of our success.

Valued at Rs. 2,084 Mn. by Brand Finance Sri Lanka, it is recognised as one of the country's Most Valued Consumer Brands. Further, Lanka Tiles PLC has earned accolades from LMD as the Most Respected Manufacturing Brand and among the Most Trusted Brands in Sri Lanka, reaffirming our status as the nation's premier tile manufacturer.

During the year, LANKATILES prioritised enhancing brand visibility as a key strategic focus, recognising that strong brand recognition is essential for market leadership in both local and international arenas. Through a well-integrated mix of marketing channels, influencer collaborations, and a strong digital presence, the brand successfully increased its visibility across multiple customer touchpoints, reinforcing our identity as a trusted and design-forward tile manufacturer.



## Innovation

We remain focused on both product and process innovation to maintain a competitive edge and deliver value across the customer journey. The company blended creative design, sustainability, and digital transformation to meet evolving market demands locally and internationally

### Product Innovation

- Launched thematic tile collections inspired by Island Living, Forests, Mountains, Heritage, Urban, and Spiritual lifestyles, offering unique aesthetic appeal.
- Environmentally friendly tiles using sustainable manufacturing practices, earning green certification from the Green Building Council of Sri Lanka.
- Created luxury-inspired and tranquil tile designs aimed at premium and wellness-conscious segments.



### Process Innovation

- Employed advanced kiln technologies, resulting in energy savings and improved firing efficiency, reducing the carbon footprint.
- Adopted lean manufacturing principles, streamlining production workflows and reducing lead times.
- Implemented energy-efficient production techniques, reducing overall energy consumption during tile manufacturing.
- Implemented a design-centric selling approach, using mood boards to personalise the buying experience and assist customers in visualising spaces.



## Operational Excellence

Operational excellence is central to driving efficiency, ensuring product quality, and maintaining customer satisfaction. Through continuous improvement and strategic investments, we continue to enhance our operations, resulting in streamlined processes, cost reductions, and a strengthened competitive position. Here are key components of operational excellence during the year:

### Operational Excellence Strategies



# INTELLECTUAL CAPITAL

## Systems and Processes

We made significant strides in strengthening our systems and processes to support operational efficiency, enhance customer experience, and drive business growth. The focus has been on integrating digital tools, streamlining workflows, and improving cross-functional collaboration.

### Below are the key developments

#### ERP System Enhancements

- Upgraded the Enterprise Resource Planning (ERP) system to improve integration across departments, including production, inventory, sales, and finance.
- Enabled real-time data access for better decision-making and operational transparency.
- Improved inventory management and order processing through system automation

#### CRM System for Customer Engagement

- Expanded the Customer Relationship Management (CRM) platform to manage leads, sales, and customer service more effectively.
- Collected and analysed customer feedback to improve service quality and product offerings.
- Used CRM data to personalise marketing campaigns and strengthen client relationships.

#### Production Monitoring Systems

- Implemented automated production monitoring tools to track machine performance, production output, and downtime.
- Improved predictive maintenance capabilities, reducing unexpected breakdowns and production delays.

#### Digital Marketing and Analytics Platforms

- Leveraged social media management tools to streamline content scheduling, performance tracking, and customer engagement

#### Human Resource Information Systems (HRIS)

- Strengthened internal systems for employee data management, performance tracking, and training programs.
- Launched a learning management system (LMS) for continuous training and skills development.

## Skills and Expertise

Our people are the driving force behind our innovation, quality, and customer excellence. At Lanka Tiles PLC, we remain committed to investing in the continuous development of our workforce. Through structured training programs and skill enhancement initiatives, we ensure that our employees remain equipped to meet evolving industry demands.

We promote a culture of continuous learning, where all team members are encouraged to broaden their competencies and grow

professionally. Our comprehensive employee value proposition is designed to attract, develop, and retain top talent, ensuring long-term organisational strength and stability.

We maintain and enhance our skill and experience through initiatives such as,

- Intergenerational knowledge transfer of traditional tile manufacturing techniques, refined over decades.
- Continuous investment in staff training to ensure employees' skills and knowledge remain current and aligned with industry standards.
- Ongoing research and innovation efforts that enable the Company to offer dynamic, contemporary, environmentally friendly, and cost-effective products.
- Incentive programs designed to retain top talent and recognise longstanding employees with valuable technical expertise.
- Investments in advanced technologies that facilitate knowledge sharing and operational excellence.
- Robust leadership development and succession planning to ensure sustainable growth and continuity.
- Adherence to global standards through recognised certifications and best practices embedded across operations.

## Certifications

LANKATILES maintained and enhanced our commitment to quality, sustainability, and international standards through various certifications. These certifications reinforce the brand's credibility, operational excellence, and environmental responsibility in both local and global markets.

- 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



## MOUNTAIN

### Crowned by the Clouds

From the cool, tea-covered slopes of Ella to the sacred heights of Sri Pada, Sri Lanka's mountains are shaped by mist and timeless beauty. They rise not just in elevation but in inspiration—majestic, mysterious, and magnetic.

Our mountain-inspired collections reflect the layered serenity of terraced hills, the striations of mineral-rich earth, and the strength of highland stone. At Lanka Tiles, we harness this sense of elevation—designs that uplift both spaces and spirits alike.

# NATURAL CAPITAL

Natural capital plays a critical role in LANKATILE'S operations, providing the essential raw materials, water, and energy required for production. As part of our commitment to sustainability, we focus on responsible resource management to minimise environmental impact, ensure regulatory compliance, and support our Net Zero transition. By integrating natural capital considerations into our processes, from sourcing to waste management, we enhance operational efficiency, reduce costs, and strengthen resilience against climate and resource-related risks. This approach not only aligns with our ESG objectives but also reinforces our long-term competitiveness and reputation in global markets.





#### Strategic Priorities for 2024/25

- >> Sustainable sourcing of raw materials.
- >> Energy efficiency and shift toward renewables.
- >> Water conservation and full reuse of treated water.
- >> Waste management through reuse, recycling, and circular approaches.
- >> Low-emission manufacturing and biodiversity restoration post-mining.

#### Our Approach

- >> Reformulated tiles to absorb excess raw materials.
- >> Promoted alternative raw materials.
- >> Installed heat recovery systems in kilns and dryers.
- >> Reduced LPG consumption through body slip optimisation.
- >> Mapped water usage and implemented daily/monthly monitoring.

### HIGHLIGHTS FOR THE YEAR



Achieved **100%** treated water reuse.



Developed a Net Zero roadmap (Scope 1 & 2 GHGs: **30%** reduction by 2030).



Reduced total waste generation by **7%**

# NATURAL CAPITAL

## OUR APPROACH TO MANAGING NATURAL CAPITAL

LANKATILES is highly conscious of the environmental impact of our operations and is strongly dedicated to using resources sustainably for the greater good of society. We consistently strive to implement eco-friendly business practices that reduce the negative environmental effects of our manufacturing processes. Our approach to environmental management is closely aligned with the ISO 14001:2015 standard.

Our manufacturing facility operates within a robust Environmental Management System (EMS) that outlines defined policies, procedures, and controls to manage and reduce our environmental footprint. This structured system supports the early detection and mitigation of environmental risks, ensures adherence to applicable laws and standards, and promotes a culture of ongoing improvement. Through the EMS, we actively seek ways to improve resource efficiency, minimise waste, and enhance the environmental performance of our operations, demonstrating our enduring commitment to sustainable manufacturing.

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 minimise waste and increase efficiency in the manufacturing process

### Our Monetised Natural Capital

The Company owns a significant land base, including mining land and other freehold properties utilised for various commercial purposes, such as manufacturing plants, showrooms, and warehouses. Among these, the Group holds over mining land, which is crucial to the long-term sustainability of our core business operations. This land plays a key role in fulfilling our in-house clay requirements, ensuring a stable and reliable supply chain, and bolstering our operational resilience. By securing these essential resources, we are better positioned to manage operational continuity and reduce potential supply disruptions, reinforcing the strength and stability of our business for years to come.



## MATERIAL CONSUMPTION

LANKATILES continuously monitors and manages our material consumption to reduce environmental impact and improve resource efficiency. During the year, we reduced the material consumption by 17%, reflecting a strategic focus on optimising processes and increasing material efficiency. Initiatives such as reformulating tile compositions, reusing production waste, and integrating alternative raw materials have contributed to lowering overall consumption. These efforts align with our commitment to sustainable production and circular economy principles.



### Material Consumption by Type (MT)

| Type        | 2024/25 | 2023/24 |
|-------------|---------|---------|
| Ball clay   | 28,030  | 33,151  |
| Feldspar    | 52,441  | 63,267  |
| Kaolin      | 7,870   | 9,438   |
| Silica sand | 2,317   | 2,811   |

### Initiatives carried out during the year to manage material consumption

- Reformulated tile body composition to incorporate a higher percentage of recycled materials.
- Reused production waste such as squaring and polishing waste in the tile body mix.
- Increased slip density to reduce raw material and water use in the body preparation process.
- Introduced alternative raw materials to replace high-impact inputs.
- Optimised glaze formulations using non-moving glaze materials to reduce waste.
- Enhanced process monitoring and control to minimise material loss during manufacturing.
- Implemented process improvements to reduce breakage and off-cuts during production.

## ENERGY MANAGEMENT

Lanka Tiles PLC adopts a strategic and data-driven approach to energy management, aiming to enhance efficiency and reduce environmental impact. Real-time monitoring systems and IoT-based data collection enable precise tracking of energy consumption across operations. Our efforts optimise energy management has led to measurable reductions in energy intensity and contribute directly to the company's Net Zero targets. Energy audits and internal performance reviews ensure continuous improvement and alignment with global best practices.



### Energy Consumption by Type

| Type                           | Unit   | 2024/25    | 2023/24    |
|--------------------------------|--------|------------|------------|
| Diesel                         | Litres | 324,650    | 294,644    |
| LPG                            | Kg     | 9,478,910  | 10,901,847 |
| Purchased electricity from CEB | KWh    | 21,422,584 | 23,295,070 |

### Our efforts to manage energy consumption

- Installed heat recovery systems in kilns to reuse heat in spray dryers.
- Optimised body slip density to reduce LPG consumption during tile production.
- Used IoT-based real-time monitoring for accurate tracking of energy usage.
- Reduced idle machine time to lower unnecessary energy draw.
- Adopted low-energy body slip processing methods to reduce thermal energy demand.
- Conducted regular energy audits to identify and rectify inefficiencies.
- Trained operational staff on energy-saving practices and machine handling.

## MANAGING WATER CONSUMPTION AND EFFLUENTS

Lanka Tiles PLC places a strong emphasis on responsible water management to ensure sustainability in our operations. The company tracks water consumption on a daily and monthly basis, with a focus on maximising the reuse of treated water across production processes. We adhere to strict water management policies, ensuring full compliance with the Central Environmental Authority (CEA) standards and regulations. Our commitment includes rainwater harvesting initiatives and the implementation of zero effluent discharge practices, with wastewater treated and recycled to ensure minimal impact on the environment. Additionally, we regularly engage in effluent quality monitoring and collaborate with local stakeholders to maintain water conservation practices. Through these actions, LANKATILES aims to minimise water waste, mitigate environmental impact, and contribute to the responsible use of shared water resources.

### Initiatives carried out during the year to manage water consumption

- Enhanced rainwater harvesting systems to increase water capture and reduce reliance on external sources.
- Achieved 100% treated water reuse across production processes, reducing fresh water consumption.
- Optimised water usage in tile cooling and glaze preparation, minimising wastage.

- Upgraded effluent treatment systems to improve water quality before reuse, ensuring compliance with environmental standards.
- Implemented daily and monthly tracking systems to monitor water usage and identify areas for further optimisation.
- Improved water efficiency in production processes through technological upgrades and better process control.

Wastewater discharged from our operations undergoes rigorous treatment before being either released into water bodies or recycled for reuse in the production process. Our factory is equipped with advanced effluent treatment plants (ETPs), which are meticulously maintained to ensure optimal performance.

### Water withdrawal by source (Liters)

| Type            | 2024/25     | 2023/24     |
|-----------------|-------------|-------------|
| Ground water    | 18,951,400  | 39,678,471  |
| Municipal water | 9,255,339   | 9,624,665   |
| Surface water   | 81,075,000  | 125,228,185 |
| Produced Water  | 22,713,784  | 22,425,463  |
| Total           | 131,995,523 | 196,956,784 |

### Volume of water Recycled by destination (Liters)

| Type                                | 2024/25    | 2023/24    |
|-------------------------------------|------------|------------|
| Recycled through Effluent treatment | 14,735,000 | 16,701,284 |

# NATURAL CAPITAL

## WASTE DISPOSAL

Lanka Tiles PLC is committed to responsible waste management as an integral part of our sustainability practices. The company focuses on reducing waste generation, maximising recycling, and minimising environmental impact. Key initiatives include the implementation of a waste segregation system, where waste materials such as packaging, production off-cuts, and defective products are recycled or repurposed. Lanka Tiles PLC has also established partnerships with certified recycling companies to ensure that materials like polythene, cardboard, and fabric scraps are diverted from landfills. Additionally, the company continuously

monitors waste generation levels, conducts regular audits, and explores solutions to reduce waste to landfill. These efforts are in line with LANKATILES commitment to minimising environmental footprints and supporting sustainable production processes.

### Waste generated by method of disposal (MT)

| Segment  | 2024/25 | 2023/24 |
|----------|---------|---------|
| Landfill | 5,429   | 6,721   |
| Recycled | 2,960   | 2,896   |
| Reused   | 3,316   | 3,665   |

## EMISSION MANAGEMENT

Lanka Tiles PLC is dedicated to minimising our greenhouse gas (GHG) emissions and adhering to best practices in emission management. The company measures our emissions annually through monitoring systems installed in kilns and spray dryers, with third-party verification by the National Engineering Research and Development Center of Sri Lanka. Lanka Tiles PLC actively implements strategies to reduce emissions, including the use of energy-efficient kilns, the adoption of cleaner fuels, and the installation of dust collectors. The company's emissions reduction efforts align with our Net Zero roadmap, which focuses on reducing Scope 1 and Scope 2 emissions. Additionally, Lanka Tiles Plc has introduced heat recovery systems and optimised energy consumption to lower carbon emissions. Regular emissions audits and reporting ensure compliance with national standards and continuous improvement in environmental performance.

| Emission                                      | 2024/25 | 2023/24 | %    |
|-----------------------------------------------|---------|---------|------|
| Gross direct (Scope 1) GHG emissions tCO2e    | 29,213  | 33,387  | (8)  |
| Energy indirect (Scope 2) GHG emissions tCO2e | 11,615  | 12,631  | (8)  |
| Total Emissions offset and/ or reduced tCO2e  | 1231    | 1399    | (12) |

## COMPLIANCE

We are dedicated to adhering to all applicable environmental regulations established by the Central Environmental Authority. To guarantee compliance, we have secured Environmental Protection Licenses for our factory. Our commitment to environmental stewardship is further evidenced by annual reviews, which include internal audits and compliance reporting processes.

During the year, we did not incur any fines or penalties for non-compliance with environmental laws or regulations.

Below is a list of environmental compliance certifications we obtained in 2024/25.

- ISO 14001 certification
- Green Building



CORPORATE  
GOVERNANCE

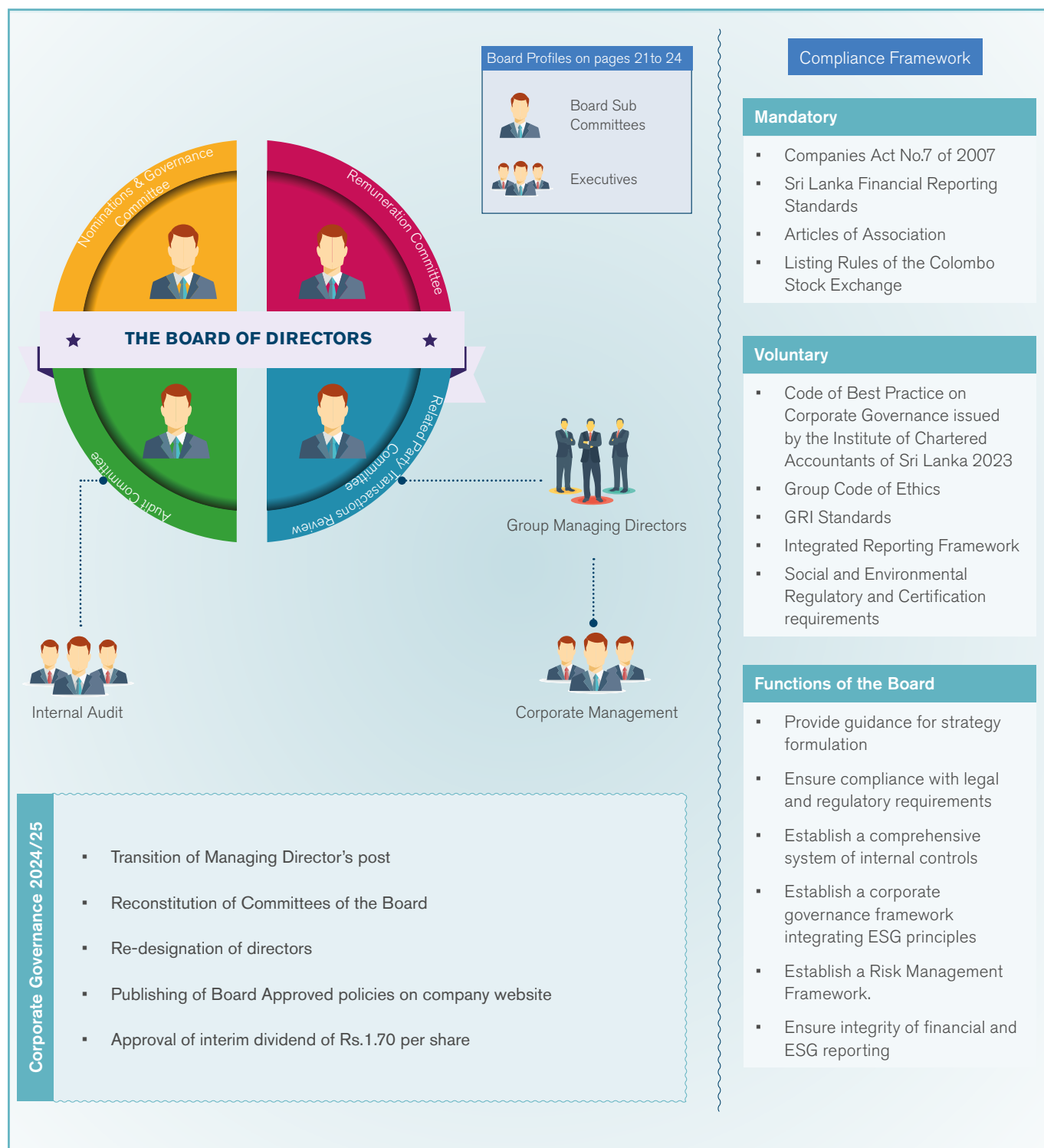
# Principles that tells a Story

Strong governance is the foundation of enduring trust. Guided by integrity, transparency, and accountability, at Lanka Tiles, our principles shape decisions that safeguard value and uphold stakeholder confidence across generations.

# CORPORATE GOVERNANCE

## Stewardship

The Board of Directors has established a corporate governance framework to promote business ethics throughout the Group and foster an environmentally and socially responsible culture within the Group. A comprehensive policy framework and internal controls facilitate the integration of environmental and social concerns tied to stakeholder engagement. The governance framework also aims to ensure accuracy in financial reporting and ESG reporting, supporting accountability to stakeholders.

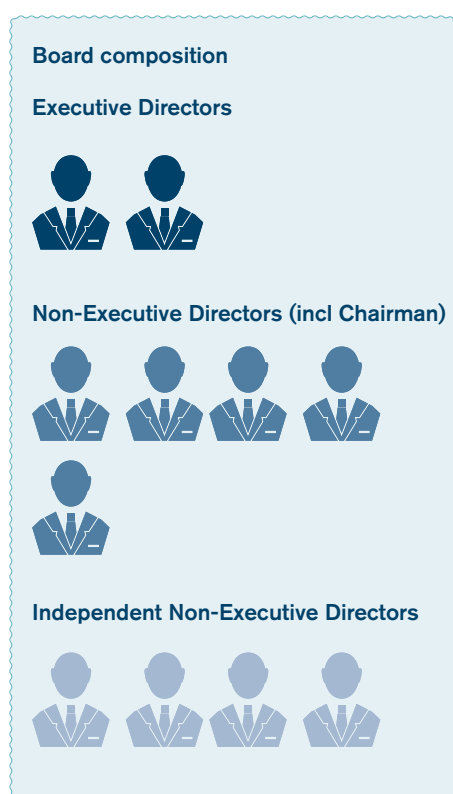


## Board Composition

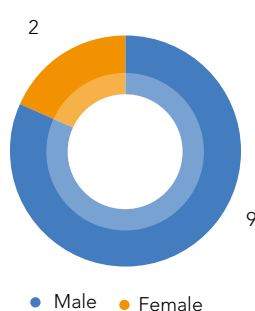
The Board of Directors comprises 2 executive directors and 9 non- executive directors of whom 4 are independent. Collectively the Board has financial acumen, industry knowledge, marketing and technical knowledge necessary to provide strategic direction, ensure compliance and manage foreseeable risks.

As at March 31st March 2025 the Board of Directors were as follows:

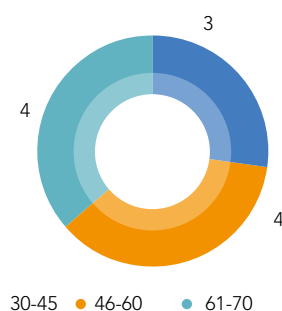
| Director               | Status                             | Changes during 2024/25                                   |
|------------------------|------------------------------------|----------------------------------------------------------|
| Mr. A M Weerasinghe    | Non- Executive Chairman            |                                                          |
| Mr. L P B Talwatte     | Managing Director                  | Appointed with effect from 01.04.2025                    |
| Mr. J A P M Jayasekera | Managing Director                  | Resigned with effect from 01.04.2025                     |
| Mr. H Somashantha      | Executive Director                 | Appointed with effect from 25.04.2025                    |
| Dr. S Selliah          | Non-Executive Director             | Redesignated as Non-Executive Director w.e.f. 01.01.2025 |
| Mr. T G Thoradeniya    | Non-Executive Director             |                                                          |
| Mr. K D G Gunaratne    | Independent Non-Executive Director | Resigned with effect from 31.12.2024                     |
| Ms. A M L Page         | Non-Executive Director             | Redesignated as Non-Executive Director w.e.f. 01.01.2025 |
| Mr. J A N R Adihetty   | Independent Non-Executive Director |                                                          |
| Mr. S M Liyanage       | Non-Executive Director             | Resigned with effect from 25.04.2025                     |
| Mr. S R Jayaweera      | Independent Non-Executive Director |                                                          |
| Mr. J R Gunaratne      | Independent Non-Executive Director |                                                          |
| Ms. K A D B Perera     | Non-Executive Director             |                                                          |
| Mr. R M M J Ratnayake  | Independent Non-Executive Director | Appointed with effect from 01.01.2025                    |



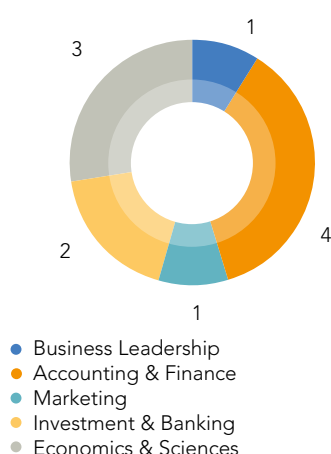
### Gender



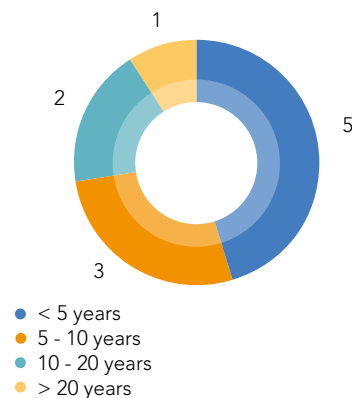
### Age



### Skills & Expertise



### Tenure of Service



# CORPORATE GOVERNANCE

## Role of Chairman & Managing Director

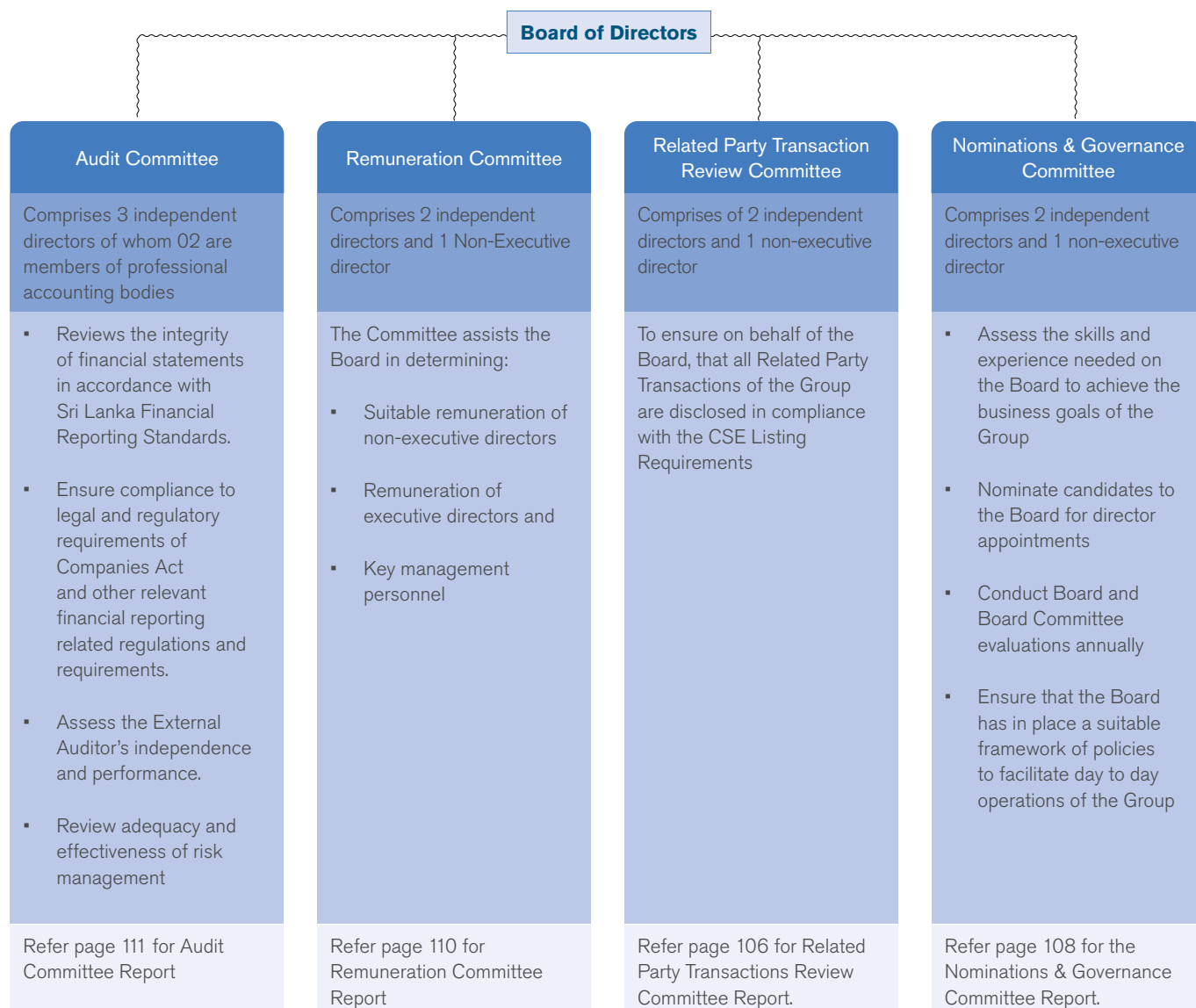
The Chairman and Managing Director have separate roles to ensure balanced power. The Chairman is a non-executive director and is responsible for the orderly conduct of meetings and ensuring that sufficient oversight is exercised over the operations of the Group. The Board appoints the Managing Director, who implements strategic plans and drives performance within a set framework. The Board receives quarterly reports from the Managing Director on regulatory compliance.

## Role of the Company Secretary

P W Corporate Secretarial (Pvt) Ltd provides company secretarial services, including organising meetings, distributing Board documents, taking minutes, and filing required submissions. They advise directors on board protocols and legal duties. They also coordinate Annual General Meetings, Extraordinary General Meetings, shareholder communications, and disclosures to the Colombo Stock Exchange. The Board collectively decides on their appointment and dismissal.

## Board Committees

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



## Appointment, Re-election and Retirement

Directors are appointed by shareholders at the Annual General Meeting and a separate resolution is framed for each separate nominee and circulated to shareholders along with Notice of Meeting. One third of directors retire annually at the AGM and may offer themselves for re-election if they meet the criteria set by the Nominations & Governance Committee. The Board may fill any casual vacancy during the year. Directors appointed in this manner are required to offer themselves for re-election at the next AGM. The Nominations and Governance Committee assist the Board in finding suitable candidates for such appointments. Directors may resign from their position at anytime by providing a written communication delivered to the Registered Office of the Company.

## Determining Independence

Independent directors are required to provide a declaration annually which is reviewed by the Nominations & Governance Committee to determine the independence of directors.

## Meetings and attendance

10 Board meetings are scheduled in accordance with an annual calendar prepared by the Company Secretaries and approved by the Chairman. There is 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 Director. 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.

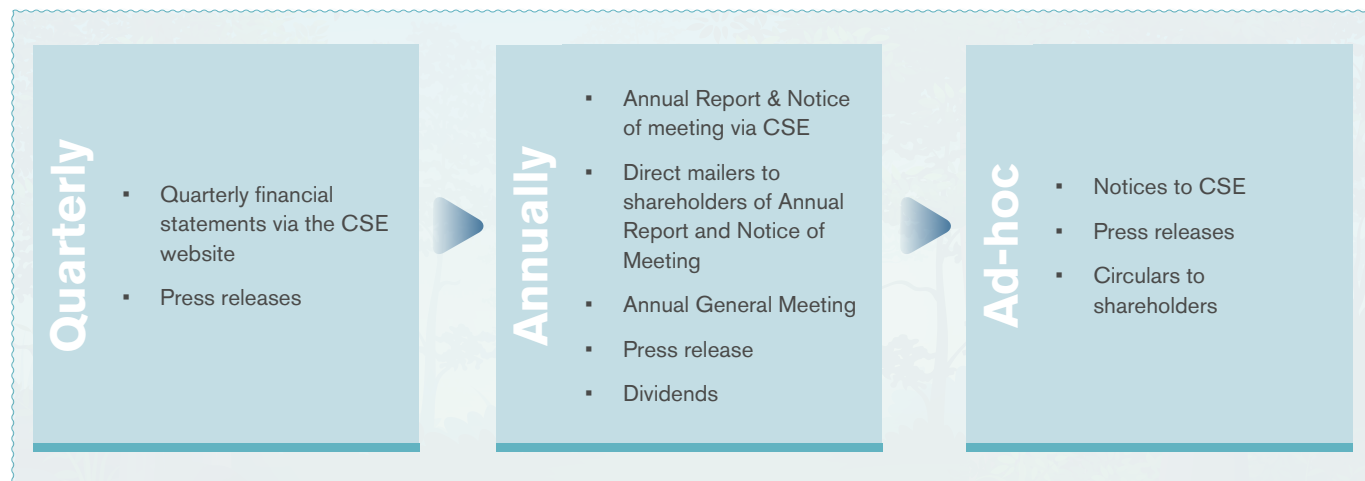
Committees of the Board meet quarterly and are convened in agreement with the respective Chairman and the Company Secretary. An annual agenda is prepared with non-routine topics assigned to specific quarters to ensure coverage annually such as Board evaluations

| Name                                                        | Attendance     |                                     |                 |                        |                                             |
|-------------------------------------------------------------|----------------|-------------------------------------|-----------------|------------------------|---------------------------------------------|
|                                                             | Board Meetings | Nominations & Governance Committee* | Audit Committee | Remuneration Committee | Related Party Transactions Review Committee |
| A M Weerasinghe                                             | 10/10          | -                                   | -               | -                      | -                                           |
| L P B Talwatte ( Appointed with effect from 1.4.2025)       | -              | -                                   | -               | -                      | -                                           |
| J A P M Jayasekera (Resigned with effect from 01.04.2025)   | 10/10          | -                                   | -               | -                      | -                                           |
| H Somashantha (Appointed with effect from 25.04.2025)       | -              | -                                   | -               | -                      | -                                           |
| Dr. S.Selliah                                               | 10/10          | -                                   | 3/3             | -                      | 4/4                                         |
| T G Thoradeniya                                             | 04/10          | -                                   | 0/3             | -                      | 0/2                                         |
| K D G Gunaratne (Resigned with effect from 31.12.2024)      | 06/07          | -                                   | -               | -                      | -                                           |
| A M L Page                                                  | 08/10          | -                                   | -               | -                      | -                                           |
| J A N R Adihetty                                            | 08/10          | -                                   | 2/2             | -                      | 1/1                                         |
| S M Liyanage (Resigned with effect from 25.04.2025)         | 10/10          | -                                   | -               | -                      | -                                           |
| S R Jayaweera                                               | 10/10          | -                                   | 2/2             | -                      | 2/2                                         |
| J R Gunaratne                                               | 10/10          | -                                   | -               | -                      | 2/2                                         |
| K A D B Perera                                              | 10/10          | -                                   | 1/1             | -                      | -                                           |
| R M M J Ratnayake (Appointed with effect from 01.01.2025)   | 03/03          | -                                   | 1/1             | -                      | 2/2                                         |
| J D N Kekulawela (Parent Company Board Member)              | -              | -                                   | 3/3             | -                      | 1/1                                         |
| 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                    | -                                           |

\* The Committee formed on the 01st October 2024. No meetings held and functioned via circular resolutions.

# CORPORATE GOVERNANCE

## Relations with Shareholders



The Group engages with Shareholders through multiple channels. These include the Annual General Meeting (AGM), annual report, interim financial statements, the Company website and via the CSE's website. Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries and at the Annual General Meeting. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

### Constructive use of Annual General Meeting (AGM)

Shareholders are encouraged to participate at the AGM and the Chairman, Board members and Chairpersons of Board Sub-committees are available for discussion at the AGM and respond to questions directed to them by the Chairman. Additionally, KMPs of the Group are also present assist the Directors in this regard.

Notice of the AGM, Annual Report, Accounts, and resolutions are circulated to shareholders at least 15 working days prior. Separate resolutions for each item allow individual voting. Voting procedures are shared in advance. Proxy votes are recorded and counted effectively. The vote results are promptly communicated to the CSE after the AGM

## Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

| 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                 | 10 scheduled Board meetings were held. The Board may call for special meetings to be held as deemed necessary                                                                                                                                                                                                                                                                                                                            | ✓                 |
| A.1.2                                       | Role of the Board              | <ul style="list-style-type: none"> <li>▪ Focus in on developing strategies for business development and to provide guidance to the management.</li> <li>▪ Sets the budget for the financial year and reviews progress at the monthly meetings.</li> <li>▪ Approving of major capital expenditure</li> <li>▪ Approving borrowings</li> <li>▪ Ensures that effective internal control and risk management framework is in place</li> </ul> | ✓                 |

| 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                                                | The Board has put in a policy framework and internal controls to facilitate compliance with laws. Additionally, Board members have the right to request for independent professional advice with the costs borne by the Company on matters set before the Board.                                               | ✓                 |
| A.1.4                                                 | Access to advice from the Company Secretary<br><br>Indemnifying the Board, Directors and key management personnel | All directors have access to the advice of the Company Secretary.                                                                                                                                                                                                                                              | ✓                 |
| A.1.5                                                 | Independent judgment of the Directors                                                                             | Board comprises mainly of independent professionals who in turn exercise independent judgment in discharging their duties                                                                                                                                                                                      | ✓                 |
| A.1.6                                                 | Dedicating adequate time and effort                                                                               | Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare.                                                                                                                                   | ✓                 |
| A.1.7                                                 | Calls for resolutions                                                                                             | Resolutions are passed for all Board approvals and minutes are kept                                                                                                                                                                                                                                            | ✓                 |
| A.1.8                                                 | 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.<br><br>All Directors have considerable experience in the industry. Relevant training opportunities are made available. | ✓                 |
| A. 2.0                                                | Segregation of Roles of Chairman & CEO                                                                            | Please refer Chairman and Managing Director I pages 104 to 105                                                                                                                                                                                                                                                 | ✓                 |
| A.3                                                   | Chairman's Role                                                                                                   | The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/concerns on matters.                                                                                                                         | ✓                 |
| A.4                                                   | Financial Acumen                                                                                                  | Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.                                                                                                                                                                            | ✓                 |
| <b>A.5 Board Balance</b>                              |                                                                                                                   |                                                                                                                                                                                                                                                                                                                |                   |
| A.5.1/A5.2/A5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a) | Presence of Non-Executive Directors<br><br>Independence of Non-Executive Directors                                | Please refer Board composition on page 100                                                                                                                                                                                                                                                                     | ✓                 |
| A.5.4 7.10.2(b)                                       | Annual Declaration of Independence by the Non-Executive Directors                                                 | Annual declarations citing their independence is obtained by the secretary annually.                                                                                                                                                                                                                           | ✓                 |
| A.5.6                                                 | Alternate Director to a Non-Executive Director                                                                    | No Alternate Directorships                                                                                                                                                                                                                                                                                     | ✓                 |
| A.5.7/5.8                                             | Senior Independent Director                                                                                       | No Senior Independent Director required as the Chairman is a Non-Executive Director                                                                                                                                                                                                                            | ✓                 |
| A.5.9                                                 | Chairman meeting with the Non-Executive Directors                                                                 | When required the Executive Directors and Members of staff are excused from meetings                                                                                                                                                                                                                           | ✓                 |
| A.5.10                                                | Recording concerns                                                                                                | Concerns of directors are recorded in minutes even in the case of disagreement.                                                                                                                                                                                                                                | ✓                 |

# CORPORATE GOVERNANCE

| Reference to ICASL Code & CSE Listing Rules            | Corporate Governance Principle                                             | How we Comply                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Compliance Status |
|--------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| A.6 Supply of Information                              |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| A.6.1                                                  | Obligation of the Management to provide appropriate and timely information | Board Papers and Committee papers are provided at least 1 week before the meeting. The Chairman ensures that sufficient information is provided to Directors on matters on the agenda and Directors also have the ability to seek more information from Senior Management of the Company via the Company Secretary or the CEO/MD.                                                                                                                                    | ✓                 |
| A.6.2                                                  | Board papers to be provided 7 days prior to Board Meeting                  | Board papers are provided one week prior to the Board meeting.                                                                                                                                                                                                                                                                                                                                                                                                       |                   |
| A.7 Appointments to the Board                          |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| A.7.1/ A 7.2                                           | Nomination Committee and the assessment of composition of the Board        | The Nominations & Governance Committee is charged with finding suitable candidates and nominating them to the Board for approval to be included in resolutions at the AGM or for appointment as a casual vacancy. All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of Directors. The Board's skills and knowledge are assessed by the parent company board annually and informed to the directors. | ✓                 |
| A.7.3                                                  | Disclosure of Appointment of a New Director                                | Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non-Executive/Executive Director.                                                                                                                                                                                                     | ✓                 |
| A.8 Re-election                                        |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| A.8.1/A.8.2                                            | Re-election                                                                | At each AGM 1/3rd of Non-Executive director presents himself/ herself for re-election.                                                                                                                                                                                                                                                                                                                                                                               | ✓                 |
| A.8.3                                                  | Resignation                                                                | In the event of a resignation, a letter of resignation is provided by the Director.                                                                                                                                                                                                                                                                                                                                                                                  | ✓                 |
| A.9 Appraisal of Board Performance                     |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| A.9.1/A.9.2/<br>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 21 to 24                                                                                                                                                                                                                                                                                                                                                                               | ✓                 |
| A.11 Appraisal of Chief Executive Officer              |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| A.11.1/A.11.2                                          | Setting of the annual targets and the appraisal of the CEO                 | The performance of the CEO is reviewed annually by the Board based on the strategic targets set for the year.                                                                                                                                                                                                                                                                                                                                                        | ✓                 |
| B. Directors' Remuneration                             |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| B.1 Remuneration Procedure                             |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |
| B.1.1                                                  | Set up a Remuneration Committee with agreed terms of reference             | Refer Directors' Remuneration on page 110<br><br>The Report of the Remuneration Committee on page 110 gives the composition of the Committee and a description of its activities during the year.                                                                                                                                                                                                                                                                    | ✓                 |
| B.1.2                                                  | Remuneration Committee to consist of Non-Executive Directors only          | Consists of three Independent Non-Executive Directors                                                                                                                                                                                                                                                                                                                                                                                                                | ✓                 |

| Reference to ICASL Code & CSE Listing Rules                | Corporate Governance Principle                                                                            | How we Comply                                                                                                                                                                               | Compliance Status |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| B.1.3                                                      | List names of Remuneration Committee in Annual Report                                                     | Please refer page 110                                                                                                                                                                       | ✓                 |
| B.1.4                                                      | Determination of the remuneration of the Non-Executive Directors                                          | Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman are paid Director's fees/ sitting allowances recommended by the remuneration          | ✓                 |
| B.1.5                                                      | Consultation with the Chairman and the Managing Director                                                  | The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.                                                        | ✓                 |
| <b>B.2 The Level &amp; Makeup of Remuneration</b>          |                                                                                                           |                                                                                                                                                                                             |                   |
| B.2.1/B.2.2/<br>B.2.3/B.2.4                                | The level and makeup of the remuneration of Directors and comparison of remuneration with other companies | Remuneration levels have been designed to attract, retain and motivate Directors while remaining within the industry standards and Annual performance approved                              | ✓                 |
| B.2.5                                                      | Performance based remuneration                                                                            | Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.                                                                | ✓                 |
| <b>B.2.6 Executive share options</b>                       |                                                                                                           |                                                                                                                                                                                             |                   |
| B.2.7                                                      | Designing schemes of performance-based remuneration                                                       | Refer the Report of the Remuneration Committee on page 110                                                                                                                                  | ✓                 |
| B.2.8/B.2.9                                                | Early Termination of Directors                                                                            | There is no compensation for early termination of non-executive directors.                                                                                                                  | ✓                 |
| <b>B.3 Disclosure of Remuneration</b>                      |                                                                                                           |                                                                                                                                                                                             |                   |
| B.3.1                                                      | Disclosure of Remuneration                                                                                | Report of the Remuneration Committee on page 110<br>Notes 27.3 in the financial statements on page 161                                                                                      | ✓                 |
| <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 to shareholders prior to 15 days as required by the Articles of Association and the Code. | ✓                 |
| C.1.2                                                      | Separate resolution for substantially separate issues.                                                    | Separate resolutions are passed for each matter taken up at the AGM                                                                                                                         | ✓                 |
| C.1.3                                                      | Accurate recording and counting valid proxy appointments received for general meeting                     | Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.                                                                                   | ✓                 |
| C.1.4                                                      | Availability of Chairman of Board Committees at the Annual General Meeting                                | The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.                                                 | ✓                 |
| C.1.5                                                      | Summary of Notice of General Meetings and procedures governing voting at General Meetings                 | A summary of the procedure on voting is given in the Notice of Meeting.                                                                                                                     | ✓                 |

# CORPORATE GOVERNANCE

| Reference to ICASL Code & CSE Listing Rules  | Corporate Governance Principle                                                              | How we Comply                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Compliance Status |
|----------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>C.2 Communication with shareholders</b>   |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                   |
| C.2.1. to C.2.7                              | Communications with Shareholders                                                            | <p>The AGM and EGM (if any) are used as the method for communicating with the shareholders.</p> <p>All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE.</p> <p>The Company Secretaries/Registrars are the main contact people for the shareholders.</p> <p>All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/Subcommittee meetings.</p> <p>All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/ concerns.</p> | ✓                 |
| <b>C.3 Major &amp; Material Transactions</b> |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                   |
| C.3.1 & C.3.2                                | Disclosure of Major Transactions                                                            | <p>There were no matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard.</p> <p>In the event there are Major Transactions, relevant disclosures and relevant shareholder approvals are obtained.</p>                                                                                                                                                                                                                                                                                                                                                                                             | ✓                 |
| <b>D Accountability &amp; Audit</b>          |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                   |
| D.1.1                                        | Annual Report                                                                               | Refer Accountability & Audit on pages 104 and 105                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | ✓                 |
| D.1.2                                        | Interim and price sensitive reports to public and regulators                                | <p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> <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 Deputy Chairman & Managing Director and the Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | ✓                 |
| D.1.4                                        | Directors' Report declarations                                                              | Refer Annual Report of the Board of Directors on pages 96 to 103.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | ✓                 |
| D.1.5                                        | Statements on responsibilities for preparation of financial statements and internal control | <p>Refer the following:</p> <ul style="list-style-type: none"> <li>Statement of Board responsibility for preparation of financial statements – page 104</li> <li>Statement from Auditors on their reporting responsibilities – pages 114 to 116</li> <li>Statement on Internal Control – page 34</li> </ul>                                                                                                                                                                                                                                                                                                                                                      | ✓                 |
| D.1.6                                        | Management discussion & analysis                                                            | Refer annual report pages 32 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 the following disclosures on Related Party Transactions: <ul style="list-style-type: none"><li>Relates party transactions Review Committee Report on page 106</li><li>Annual Report of the Board of Directors on pages 100 to 103</li><li>Notes 27 to the financial statements</li></ul>                     |    |
| D.2 Risk Management & Internal Control          |                                                                                                                   |                                                                                                                                                                                                                                                                                                                    |                                                                                       |
| D.2.1                                           | Monitor, review and report on financial, operational and compliance risk and internal control systems             | The following reports provide details on compliance with these requirements: <ul style="list-style-type: none"><li>Risk Report on page 34</li><li>Risk &amp; Internal Control on pages 34 to 38</li><li>Directors' Statement on Internal Controls on page 104</li><li>Audit Committee Report on page 111</li></ul> |    |
| D.2.2                                           | Confirm assessment of the principal risks of the Company                                                          |                                                                                                                                                                                                                                                                                                                    |    |
| D.2.3                                           | Internal Audit                                                                                                    |                                                                                                                                                                                                                                                                                                                    |                                                                                       |
| D.2.4                                           | Require Audit Committee to carry out reviews of & Board responsibility for disclosures                            |                                                                                                                                                                                                                                                                                                                    |    |
| D.2.5                                           | Compliance with Directors' responsibilities as set out by the Code                                                |                                                                                                                                                                                                                                                                                                                    |  |
| D.3 Audit Committee                             |                                                                                                                   |                                                                                                                                                                                                                                                                                                                    |                                                                                       |
| D.3.1                                           | Establish an Audit Committee comprising wholly of Non-Executive directors of which at least 2 must be independent | Audit Committee comprises 03 non-executive directors of whom 02 are independent. Refer Audit Committee on page 111.                                                                                                                                                                                                |  |
| D.3.2.                                          | Written Terms of Reference for Audit Committee                                                                    | The Audit Committee has a written Terms of Reference summarised in the Audit Committee Report on page 111.                                                                                                                                                                                                         |  |
| D.3.3.                                          | Disclosures                                                                                                       | The Audit Committee Report with required disclosures are given on page 111.                                                                                                                                                                                                                                        |  |
| D.4 Related Party Transactions Review Committee |                                                                                                                   |                                                                                                                                                                                                                                                                                                                    |                                                                                       |
| D.4.1/D.4.2/<br>D.4.3<br>9.3.2                  | Related Party Transactions Review Committee                                                                       | Refer : <ul style="list-style-type: none"><li>Related Party Transactions Review Committee on page 106 .</li><li>Report of the Related Party Transactions Review Committee on page 106.</li></ul>                                                                                                                   |  |
| D.5 Code of Business Conduct & Ethics           |                                                                                                                   |                                                                                                                                                                                                                                                                                                                    |                                                                                       |
| D.5.1.                                          | Board declaration for compliance with Code                                                                        | Refer Code of Ethics on pages 86 to 98.                                                                                                                                                                                                                                                                            |  |
| D.5.2                                           | Price sensitive information                                                                                       | Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.                                                                                                                                                                                                              |  |
| D.5.3                                           | Monitor Share purchase by Directors/ KMPs                                                                         | Refer the Related Party Transactions Committee Report on page 106.                                                                                                                                                                                                                                                 |  |
| D.5.4                                           | Chairman's statement                                                                                              | Refer the Chairman's Message on Corporate Governance on page 16 and The Board of Directors' Statement on Internal Controls on pages 34 to 38.                                                                                                                                                                      |  |

# CORPORATE GOVERNANCE

| Reference to ICASL Code & CSE Listing Rules | Corporate Governance Principle                                                                                                                                                              | How we Comply                                                                                                                                                                                                                            | Compliance Status |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| D.6                                         | Corporate Governance disclosures                                                                                                                                                            | The Corporate Governance Report on pages 84 and 96 together with its Annexes comply with this requirement.                                                                                                                               | ✓                 |
| E Institutional Investors                   |                                                                                                                                                                                             |                                                                                                                                                                                                                                          |                   |
| E.1.1                                       | Institutional investors                                                                                                                                                                     | The proxies of the major institutional investors, such as the major shareholder are obtained.                                                                                                                                            | ✓                 |
| E.2                                         | Evaluation of Governance Disclosures                                                                                                                                                        | Information required for evaluation of governance structures is provided in the Annual Report.                                                                                                                                           | ✓                 |
| F Other Investors                           |                                                                                                                                                                                             |                                                                                                                                                                                                                                          |                   |
| F.1                                         | Investing and divesting decision                                                                                                                                                            | We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.                         | ✓                 |
| F.2                                         | Encouraging shareholder participation                                                                                                                                                       | Refer Shareholder Relations on page 170.                                                                                                                                                                                                 | ✓                 |
| G Internet of Things and Cybersecurity      |                                                                                                                                                                                             |                                                                                                                                                                                                                                          |                   |
| G.1                                         | Identify connectivity and related cyber risks                                                                                                                                               | The Company has implemented a cybersecurity policy and has robust cybersecurity risk management process and has a designated Chief Information Security Officer in place.                                                                | ✓                 |
| G.2                                         | Appoint a CISO and allocate budget to implement a cybersecurity policy                                                                                                                      |                                                                                                                                                                                                                                          |                   |
| H Environment, Society & Governance         |                                                                                                                                                                                             |                                                                                                                                                                                                                                          |                   |
| H                                           | Environment, society and governance                                                                                                                                                         | Refer ESG Reporting pages 46 to 82.                                                                                                                                                                                                      |                   |
| H.1                                         | Consider the impact of sustainability risks and opportunities in the business model, operations and short, medium and long term plans to build resilience and report the same to the Board. | The Company identified and assessed the impact of its SRROs and CRROs which has been reviewed by the Board and is set out on pages 32 to 35. The relevant SASBs for each industry was within the Group was considered in determining the | ✓                 |
| H.2                                         | Continuously engage with and consider the views of its stakeholders to better understand and manage the company's sustainability/ESG risk and opportunities.                                | The Company continuously engages with its stakeholders to consider the views and manage concerns to manage its reputation and to preserve its social license to operate.                                                                 | ✓                 |
| H.3                                         | The company should establish a governance framework and structure which includes conformance, performance and sustainability/ESG factors                                                    | The corporate governance report from pages 84 to 98 provides information in this regard.                                                                                                                                                 | ✓                 |

| Reference to ICASL Code & CSE Listing Rules    | Corporate Governance Principle                                                                                                                                                                                                                                                                                 | How we Comply                                                                                                                   | Compliance Status                                                                   |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| H.4                                            | The board should establish a governance structure to support sustainability/ ESG factors including its ability to create value and manage risks in the short, medium and long term, recognising, managing and measuring on all pertinent aspects of sustainability using financial and non-financial measures. |                                                                                                                                 |  |
| I. Special Considerations for Listed Companies |                                                                                                                                                                                                                                                                                                                |                                                                                                                                 |                                                                                     |
| I.1                                            | Listed entities shall establish and maintain policies relating to its governance and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the entity on its website.                                                                   | Policies have been published and can be accessed via this link: Sri Lanka's Premier Wall & Floor Tile Manufacturer   LANKATILES |  |
| I.2                                            | Listed entities shall establish and maintain a formal policy governing matters relating to the board of directors.                                                                                                                                                                                             |                                                                                                                                 |                                                                                     |

# CORPORATE GOVERNANCE

## SECTION 9 – CORPORATE GOVERNANCE

| Rule Ref   | Disclosure Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Page Refer                 |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| 9.1.3      | Statement confirming the extent of compliance with the Corporate Governance Rules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 108                        |
| 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<br>(b) The contact person for such communication<br>(c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 88-89                      |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 108                        |
| 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<br>(b) Any non-compliance/s and remedial action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 17-26                      |
| 9.8.5      | Names of Directors determined to be 'independent'                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 21-24                      |
| 9.10.4     | Directors details <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> | 21-24<br>87<br>103<br>106  |
| 9.11.6     | Nominations and Governance Committee Report <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> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 108                        |

| Rule Ref      | Disclosure Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Page Refer |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
|               | <ul style="list-style-type: none"> <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> | 108 -109   |
| 9.12.8        | <b>Remuneration Committee Report</b> <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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 109        |
| 9.13.5        | <b>Audit Committee Report</b> <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>                                                                                                                                                                                                                                                                                          | 111        |
| 9.14.8<br>(1) | <b>Related Party Disclosures</b><br>non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format) <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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 106        |

# CORPORATE GOVERNANCE

| Rule Ref      | Disclosure Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Page Refer |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 9.14.8<br>(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<br>(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<br>(4) | <p>Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.</p> <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> |            |

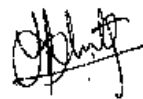
## Statement of Compliance

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



**P L B Talwatte**  
Managing Director

# ANNUAL REPORT OF THE BOARD OF DIRECTOR'S ON THE AFFAIR'S 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 2025 as set out on pages 114 to 165.

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 principal place of business of the Company is located at No.215, Nawala Road, Narahenpita, Colombo 05.

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

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

Pursuant to the requirements of the 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.

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 118 to 165.

## Summarised financial results

| Year ended 31st March                   | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
|-----------------------------------------|------------------|------------------|
| Revenue                                 | 13,168,060       | 16,131,536       |
| Total Comprehensive Income for the Year | 1,050,232        | 3,619,071        |

## Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 114.

## Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Financial Reporting

Standards (LKASs) relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). The significant accounting policies adopted in the preparation of financial statements are given on pages 121 to 132.

## Directors

The names of the Directors who held office as at the end of the accounting period and upto date are given below and their brief profiles appear on pages 21 to 24.

### Executive Directors

|                    |                                                         |
|--------------------|---------------------------------------------------------|
| Mr. L P B Talwatte | Managing Director/Director<br>(Appointed on 01.04.2025) |
| Mr. H Somashantha  | Director (appointed on<br>25.04.2025)                   |

### Non - Executive Directors

|                     |          |
|---------------------|----------|
| Mr. A M Weerasinghe | Chairman |
| Ms. A M L Page      | Director |
| Mr. T G Thoradeniya | Director |
| Dr. S Selliah       | Director |
| Ms. K A D B Perera  | Director |

### Independent Non - Executive Directors

|                       |                                       |
|-----------------------|---------------------------------------|
| Mr. J A N R Adhihetty | Director                              |
| Mr. S R Jayaweera     | Director                              |
| Mr. J R Gunaratne     | Director                              |
| Mr. R M M J Ratnayake | Director (Appointed on<br>01.01.2025) |

## Redesignation of Board Members

Ms. A M L Page and Dr. S Selliah who functioned as Independent Non - Executive Directors were re-designated as Non - Executive Directors with effect from 1st January 2025.

## Resignations of Board Members

Mr. J A P M Jayasekera - former Managing Director, resigned from the Board and Company on the 1st of April 2025. Mr. L. P. B. Talwatte was appointed as the Managing Director/Director from 1st April 2025.

Mr. S M Liyanage - Non Executive Director, resigned on the 25th of April 2025 and Mr. K D G Gunaratne Independent Non Executive Director, resigned on the 31st of December 2024.

## Appointments of Board Members

Mr. R M M J Ratnayake was appointed as an Independent Non Executive Director with effect from 1st January 2025.

Mr. H Somashantha was appointed as an Executive Director on the 25th of April 2025.

## Re-Elections of Board Members

Mr. T G Thoradeniya and Mr. S R Jayaweera retire by rotation at the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election by the Shareholders.

# ANNUAL REPORT OF THE BOARD OF DIRECTOR'S ON THE AFFAIR'S OF THE COMPANY

Mr. R M M J Rathnayake, Mr. L P B Talwatte and Mr. H Somashanth being Directors appointed to the Board since the last Annual General Meeting will retire in terms of Article 109 of the Articles of Association and being eligible are recommended by the Directors for re-election by the shareholders.

## Fit and Proper Assessment of Directors

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations have been obtained from the continuing Directors confirming 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.

Directors appointed during the year satisfied the Fit and Proper Assessment Criteria upon their appointment date. Further the Managing Director and Mr. H Somashantha have submitted the Declaration confirming satisfaction of the Fit and Proper Assessment Criteria as at their appointment dates.

The Fit and Proper Assessment Criteria of the newly appointed Directors/ Managing Director were reviewed and recommended by the Nomination & Governance Committee as at their appointment dates.

## 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 21 to 24

### (iii) Criteria for determining Independence of Directors

In terms of section 9.8.3 of the Listing Rules, all Non Executive Directors have submitted declarations of their Independence/Non Independence in conformity with Appendix 9A of the Rules.

In terms of the criteria specified there in, the Board has determined that Mr. J A N R Adhihetty, Mr. S R Jayaweera, Mr. J R Gunaratne and Mr. R M M J Ratnayake meets the criteria for an Independent Director and would continue to be so during the ensuing year until their independence is impaired against any of the criteria set out in Rule 9.8.3 for which an immediate market announcement would be made.

## Directors of the Subsidiary Companies

### Beyond Paradise Collection Ltd

Mr. M H Jamaldeen

Mr. K D H Perera

Mr. J A P M Jayasekera – Resigned on 01.04.2025

Mr. L P B Talwatte - Appointed on 01.04.2025

### Lanka Swisstek (Pvt) Ltd (formerly known as Lanka Tiles (Private) Limited)

Mr. A M Weerasinghe

Mr. J A P M Jayasekera - Resigned on 01.04.2025

Mr. Karan Singvi

Mr. Praveen Kumar Singhvi – Resigned on 01.04.2025

### L T L Development Ltd

Mr. K D A Perera

Mr. J A P M Jayasekera - Resigned on 01.04.2025

Mr. A M Weerasinghe

Mr. L P B Talwatte - Appointed on 01.04.2025

## Directors of the Associate Companies

### Swisstek (Ceylon) PLC

Mr. S H Amarasekera

Mr. J A P M Jayasekera – Resigned on 01.04.2025

Mr. L A D N Perera - Appointed on 21st May 2025

Mr. A M Weerasinghe

Mr. J K A Sirinatha

Dr. S Selliah

Mr. A S Mahendra

Mr. K Don G Gunaratne

Mr. C U Weerawardena

Mr. R M M J Ratnayake

Mr. B D S Mendis

### C P Holding (Pvt) Ltd

Mr. A M Weerasinghe

Mr. J A P M Jayasekera – Resigned on 01.04.2025

## Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, and relevant disclosures have been made in the report.

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

The relevant interests of Directors in the shares of the Company as at 31st March 2025 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 161.

## 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 the 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 3,434,932 (2024 – Rs 3,173,017/-) is payable by the Company to the Auditors for the year under review comprising Rs. 1,528,000 (2024 – Rs .1,340,000./-) as audit fees and Rs. 1,906,932 (2024 – Rs .1,833,017/-) for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 28th May 2025 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.

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 155.

### Stated Capital

The Stated Capital of the Company is Rs. 900,967,696/- represented by 265,252,050 shares (2024 - Rs. 900,967,696/- represented by 265,252,050 shares)

|                                         | No. of Shareholding as at |            |
|-----------------------------------------|---------------------------|------------|
|                                         | 31/03/2025                | 31/03/2024 |
| Mr. A M Weerasinghe                     |                           | -          |
| Mr. L P B Talwatte (Managing Director)* | -                         | -          |
| Dr. S Selliah                           | 200,000                   | 200,000    |
| Mr. T G Thoradeniya                     | -                         | -          |
| 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                      | -                         | -          |
| Mr. H Somashantha ***                   | -                         | -          |
| Mr. R M M J Ratnayake                   | -                         | -          |

\* Appointed 01.04.2025

\*\* Resigned 25.04.2025

\*\*\* Appointed 25.04.2025

## Shareholders

There were 5,793 shareholders registered as at 31st March 2025 (5,692 shareholders as at 31st March 2024). The details of distribution are given on pages 66 to 167 of this Report.

### Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 170 to 171 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 2025, 890 persons were in employment (843 persons as at 31st March 2024).

### Reserves

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 146.

### Capital Expenditure

The total capital expenditure during the year amounted to Rs. 720 Mn on property, plant and equipment compared to Rs.1,030 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 03 to the financial statements. Additions of intangible assets of the Company and Group during the year amounted to Rs 3.4 Mn and all other related movements are disclosed in Note 04. to the Financial Statements.

### Property Plant and equipment & Land holdings

The book value of property, plant and equipment as at the reporting date amounted to Rs 8,536 Mn (2024 – Rs 8,413 Mn.)

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

|                              |    |                | 2025<br>(Rs. '000) | 2024<br>(Rs. '000) |
|------------------------------|----|----------------|--------------------|--------------------|
| Factory at Jaltara, Ranala   | 42 | 28A-02R-32.69P | 2,272,675          | 2,272,675          |
| Land adjacent to the factory | 17 | 08A-02R-08.56P | 272,347            | 272,347            |
| Warehouse at Biyagama        | 5  | 02A-00R-45.93P | 779,990            | 779,990            |
| Ball Clay land at Kalutara   | -  | 5A-01R-0.83P   | 53                 | 53                 |
| Nugegoda showroom            | 1  | 00A-00R-32.03P | 519,045            | 519,045            |
| Total                        |    |                | 3,844,110          | 3,844,110          |

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

# ANNUAL REPORT OF THE BOARD OF DIRECTOR'S ON THE AFFAIR'S OF THE COMPANY

## Dividends

An interim dividend of Rs.1.70 per share for the year ending 31st March 2025 was declared on 4th March 2025 by the Directors. The Dividend was paid to the Shareholders by 3rd of April 2025 in accordance with the timelines set out in the Listing Rules.

A final dividend of Cents Forty (0.40) per share has been declared by the Board of Directors for the financial year ended 31st March 2025 on 27th May 2025. The resolution will be put forth to the shareholders at the Annual General Meeting for their approval.

## Substantial Shareholdings

The Company is controlled by Lanka Walltiles PLC which holds 68.22% 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 2025 are given in Notes 05 and 06 to the Financial Statements on pages 141 to 144.

## Public Holding

28.229% (2024- 28.229% ) of the issued shares of the Company are held by the public.

## Donations

The Company made donations amounting to Rs 699,929 in total, during the year under review. (For 2024 - Rs. 4,607,724/-)

## 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 page 134.

## 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 reporting 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 161, there were no material Contingent Liabilities as at the reporting date.

## Events after the Reporting Period

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

## Corporate Governance

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

The Corporate Governance Statement on pages 83 to 98 explains the measures adopted by the Company during the year.

The Board of Directors confirms that the Company has complied with Section 7 of the Listing Rules on Continuous Listing Requirements and Section 9 of the Listing Rules on Corporate Governance (as applicable) during the Financial year and as at the end of the reporting date.

The Directors further 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 2025.

The Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and the Nominations and Governance Committee function as Board Sub-Committees. The committees were last reconstituted on the 1st of January 2025. These Committees comprise Directors who possess the requisite qualifications and experience, and the composition of the said Committees is as follows.

### Audit Committee

|                       |          |
|-----------------------|----------|
| Mr. R M M J Ratnayake | Chairman |
| Mr. J A N R Adhihetty |          |
| Mr. S R Jayaweera     |          |

### Related Party Transactions Review Committee

|                       |          |
|-----------------------|----------|
| Mr. S R Jayaweera     | Chairman |
| Dr. S Selliah         |          |
| Mr. R M M J Ratnayake |          |

### Remuneration Committee

|                       |          |
|-----------------------|----------|
| Mr. J A N R Adhihetty | Chairman |
| Mr. J R Gunaratne     |          |
| Dr. S Selliah         |          |

### Nominations and Governance Committee

|                    |          |
|--------------------|----------|
| Mr. J R Gunaratne  | Chairman |
| Mr. S R Jayaweera  |          |
| Ms. K A D B Perera |          |

## Policies maintained by the Company

In line with Section 9.2 of the Listing Rules on corporate Governance, the Company has established the following policies which are disclosed in the company website [www.lankatiles.com](http://www.lankatiles.com)

- Policy on the matters relating to the Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance, Nominations and Re-election
- Policy on Remuneration
- Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities

- (f) Policy on Risk management and Internal controls
- (g) Policy on Relations with Shareholders and Investors
- (h) Policy on Environmental, Social and Governance Sustainability
- (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures
- (k) Policy on Whistleblowing
- (l) Policy on Anti-Bribery and Corruption

The Company would be reviewing and updating the policies to align with corporate requirements on a regular basis. There were no changes to the policies during the year.

The company believes in effective communication and relations with shareholders and investors and brings to the attention of the Board any major issues and concerns of the stakeholders. The Company maintains a Board approved Policy on relations with shareholders and investors for such. The policy defines the process to make all Directors aware of major issues and concerns of shareholders in the event such instances occur.

The Company has appointed the General Manager (Finance) for any communication with shareholders/investors

#### Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme,

#### Environmental Protection

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

#### Going Concern

The financial statements are prepared on going concern principles. After making adequate enquires from the management, 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.

#### Special Business To Be Transacted At The Annual General Meeting - Amendments To The Articles Of Association

The "Special Business" set out as Item 2 of the Notice of Annual General Meeting contains amendments to certain Articles of the Articles of Association of the Company, as recommended by the Directors, to be adopted by way of a Special Resolution. The salient amendments proposed are :

- (a) Article 43 is introduced to facilitate meetings of shareholders to be held in addition to physical meetings as per the present Article; by means of audio or audio and visual communication; thereby providing the Board to have the option to determine whether a General Meeting of shareholders would be held as a physical meeting, electronic meeting or as a hybrid meeting.
- (b) Currently, the minimum number of Directors shall not be less than three (03) or more than eleven (11). The recent amendments to Listing Rules require the minimum number to be increased to five (05). Whilst the Directors have proposed that the maximum number of Directors be increased to 14. The

proposed amendment to the number of Directors is to be in line with the new Rule, and the amendment as proposed by the Board.

(c) The Listing Rules have introduced provisions relating to the circumstances under which / the period for which an Alternate Director may be appointed. The proposed amendment to the provisions relating to Alternate Directors is to align the existing provisions with the Listing Rules.

(d) Additional methods were brought in, to serve notice on shareholders.

(e) Further provision in terms of the Listing Rules that publication by advertisement must be done in all three languages in national daily newspapers is proposed to be incorporated. Publication of notice was further enhanced if permitted by law, to be done via the official website of the Company and/or the official website of the Colombo Stock Exchange so long as the Company is listed on the Colombo Stock Exchange.

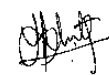
#### Annual General Meeting

The Notice of the Forty First (41st) Annual General Meeting appears on page 184.

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



**A M Weerasinghe**  
Chairman



**L P B Talwate**  
Managing Director



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

29th May 2025

# STATEMENT OF DIRECTOR'S 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 2024/25 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

29th May 2025

# 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.

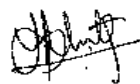
The Audit Committee of your Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the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



**H Somashantha**  
Director Finance



**L P B Talwatte**  
Managing Director

29th May 2025

# RELATED PARTY TRANSACTIONS REVIEW

The Related Party Transactions Review Committee of Lanka Walltiles PLC functioned as the Committee until 30th September 2024. The RPTRC of the Company was formed by the Board on 01st October 2024 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 Tiles PLC and to ensure that the Company complies with the rules set out in the Listing Rules. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction policy which contains the Company's policy governing the review, approval and oversight of related party transactions.

## Responsibilities of the Related Party Transactions Review Committee

The following are key responsibilities 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 Committee was reconstituted on 1st January 2025 in compliance with Section 9.14 of the CSE listing rules. The current committee members are as follows.

- Mr. S R Jayaweera Independent Non-Executive Director Chairman
- Dr. S Selliah Non-Executive Director
- Mr. R M M J Ratnayake Independent Non-Executive Director

Brief profile of each member is available on pages 21 to 24 of this report.

PW corporate secretarial (Private) Limited serves as secretary to the committee.

The following Directors also held membership in the committee during the year and ceased to be members on 31st December 2024.

- Mr. J D N Kekulawala Independent Non-Executive Director (Parent Company Board Member)
- Mr. T G Thoradeniya - Non-Executive Director
- Mr. J A N R Adhihetty Independent Non-Executive Director

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 meetings are as follows.

|                          |     |
|--------------------------|-----|
| 1. Dr. S Selliah         | 4/4 |
| 2. Mr. J D N Kekulawala  | 1/1 |
| 3. Mr. J A N R Adhihetty | 1/1 |
| 4. Mr. T G Thoradeniya   | 0/2 |
| 5. Mr. S R Jayaweera     | 2/2 |
| 6. Mr. R M M J Ratnayake | 2/2 |

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 Board in respect of related party transaction proposed to be entered into other than the exceptions given in the listing rules. 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.

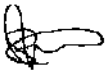
### Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2024/25. In terms of Rule 9.14 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no Non-recurrent related party transactions entered into during the course of the financial year 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 2025, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of all transactions were conducted on arms length commercial term and were not more favourable to the related parties than those generally available to conducted on arms length commercial term and were the public. The details of related party transactions entered into during the year, are given in Note 27 to the Financial Statements, on pages 158 to 161 of this Annual Report.

### Declaration

The Committee confirms that it has reviewed all Related Party Transactions during the financial year and has communicated its comments/ observations to the Board of Directors. 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 99 to 103 of this Annual Report.



**S R Jayaweera**

Chairman - Related Party Transactions Review Committee

29th May 2025

# NOMINATION AND GOVERNANCE COMMITTEE REPORT

## Composition

The Nomination and Governance Committee of Lanka Tiles PLC was established on October 1, 2024, by the Board of Directors. The primary purpose of the Committee is to ensure that the Board has the appropriate balance of skills, experience, knowledge, and independence to function effectively. Additionally, the Committee evaluates the required diversity to serve the best interests of the Company and ensures the Board's composition supports this diversity.

The Committee was last reconstituted on 1st January 2025. The Committee now comprises two Independent Non-Executive Directors and one Non-Executive Director, in compliance with Section 9.11 of the CSE Listing Rules.

| Name of Director             | Directorship Status       |
|------------------------------|---------------------------|
| Mr. J R Gunaratne (Chairman) | Independent Non-Executive |
| Ms. K A D B Perera           | Non-Executive             |
| Mr. S R Jayaweera            | Independent Non-Executive |

The following Directors functioned as Members of the Committee intermittently during the year and ceased upon reconstitution

- Mr. A M Weerasinghe
- Ms. A M L Page

The NGC operates under a Board approved Terms of Reference (TOR) defining its scope, authority, duties and matters. All members are Non-Executive Directors and maintain independence, free from business, operational, personal, or other relationships that may compromise their unbiased judgment. The Chairman is an Independent Non Executive Director. PW Corporate Secretarial (Private) Limited serves as the Secretary to the Committee.

There were no meetings held during the period, matters were carried out primarily via Circular Resolutions. The Committee has evaluated the appointments of 03 Directors including the Managing Director during the period under review. The Committee will hold regular meetings from the financial year 2025/26.

## Functions of the Committee

1. Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations and Governance Committee shall not participate in decisions relating to his/her own appointment.
2. Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.
3. Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity
4. Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into

account; the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and, the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.

5. Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO/Managing Director of the Entity to ensure that their responsibilities are satisfactorily discharged.
6. Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.
7. Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
8. Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.
9. Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
10. Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rational for same.

## Role of the Nomination and governance Committee

The main role of the Committee is to ensure that Directors/KRPs of the Company are fit and proper persons to hold office as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and other relevant Statutes. The Company strives to maintain Board diversity in the range of experience, skills, age, and gender which are essential factors for effective Board performance; the profiles of the Directors capturing details are available on pages 21 to 24. of this report.

The NGC's TOR's have been formulated in line with Section 9 of the Colombo Stock Exchange rules on Corporate Governance and on Fitness and Propriety. TOR's are reviewed annually by the Board and appropriate changes made as needed to reflect compliance requirements and best practices.

The Policy for Board of Directors Selection, Appointment, Nomination, Re-Election, and Continuation outline the procedures for nominating and appointing directors to the Board. As set out in its TOR, the NGC assists the Board of Directors in fulfilling its oversight responsibility;

The Company is in the process of formulating structured Induction programs/orientation programs to be conducted for newly appointed Directors as well as on a continuous basis on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations. However the Managing Director provides an overview of the operational and governance structure as well as organisational awareness on company matters to the Board Members at each meeting.

# NOMINATION AND GOVERNANCE COMMITTEE REPORT

The Committee updates the Board on Processes adopted by the Listed Entity to inform the Independent Directors of major issues relating to the Entity. During the year, there were no major issues reported. The Company ensures Independent Directors are informed through a structured communication framework, including regular Board and Committee meetings, with detailed agendas and relevant documents shared in advance. Directors receive periodic updates on key financial, operational, and strategic matters, with direct access to senior management. Special briefings address critical issues, and a secure online portal provides ongoing access to important updates.

## Activities 2024/25

Pursuant to Article 109 of the Company's Articles of Association, the

Disclosed in terms of Corporate Governance Rules 9.11.6 (g) - Information of Directors who are proposed to be re-elected at the Annual General Meeting 2025.

| Name of Director                                                                                                                                         | Date of first Appointment | Date of last re-appointment |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr. T G Thoradeniya<br>No sub committee membership                                                                                                       | 28.05.2013                | 2021                        | Directorships/ Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities appear under profiles of each Director appearing on pages 21 to 24. | None of the Directors have any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity |
| Mr. S R Jayaweera<br>Chairman - Related Party Transactions Review Committee<br>Member - Audit Committee<br>Member - Nominations and Governance Committee | 09.10.2020                | 2023                        |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                            |
| Mr. R M M J Ratnayake<br>Chairman - Audit Committee<br>Member - Related Party Transactions Review Committee                                              | 01.01.2025                | 1st re-appointment          |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                            |
| Mr. L P B Talwatte<br>No sub committee membership                                                                                                        | 01.04.2025                | 1st re-appointment          |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                            |
| Mr. H Somashantha<br>No sub committee membership                                                                                                         | 25.04.2025                | 1st re-appointment          |                                                                                                                                                                                                                         |                                                                                                                                                                                                                                            |

## Declaration

The Committee diligently adheres to the corporate governance standards outlined in the Listing Rules of the CSE, ensuring full compliance with each provision.

Declarations were submitted by Board Members under Appendix 9A of the Listing Rules and following this review, it was ascertained that the Independent Directors of the Board, namely Mr. J A N R Adihetty, Mr. S R Jayaweera, Mr. J R Gunaratne and Mr. R M M J Ratnayake, effectively met the criteria for assessing independence.

In terms of Section 9.7.4 of the Listing Rules, declarations have been obtained from the 09 Directors as at 31st March 2025 confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation. The Fit and Proper Assessments have been carried out for the Managing Director and H Somashantha upon their appointment. The committee confirms that the Directors and the Managing Director of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.

NGC carried out a fit and proper assessment of new Board Members - Mr. R M M Ratnayake, Mr. L P B Talwatte and Mr. H Somashantha. Accordingly, all 03 new Directors were deemed Fit and Proper and as such eligible for re-election at the 1st Annual General Meeting following their appointment. Accordingly, shareholders will be invited to re-elect them at the upcoming Annual General Meeting.

In Terms of Article 103 of the Articles of the Association of the company, 1/3rd of the Directors are subject to retirement by rotation annually. Accordingly Mr. T G Thoradeniya and Mr. S R Jayaweera will be subject to retirement by rotation at the oncoming Annual General Meeting

The Committee has evaluated the performance of Board of Directors of the Entity to ensure that their responsibilities are satisfactorily discharged and will continue to improve such evaluation processes in line with the Company requirements in future.



**J R Gunaratne**  
Chairman

Nomination and Governance Committee  
29th May 2025

# REMUNERATION COMMITTEE REPORT

## ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the Parent entity Royal Ceramics Lanka PLC functioned as the Remuneration Committee of the Company until 30th September 2024. A separate Remuneration Committee was formed for Lanka Tiles PLC effective 1st October 2024. The Remuneration Committee is a sub-committee of the Board, to which it is accountable. The Committee evaluates the performance of the 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 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 Committee was last reconstituted on 1st January 2025. The current committee members are as follows.

1. Mr. J A N R Adhihetty Independent Non-Executive Director  
Chairman
2. Dr. S Selliah Non-Executive Director
3. Mr. J R Gunaratne - Independent Non-Executive Director

The following Directors also held membership in the committee during the year and ceased to be members

1. Mr. S H Amarasekera - Independent Non-Executive Director  
Chairman
2. Mr. R N Asirwatham - Independent Non-Executive Director
3. Mr. L N De S Wijeyeratne - Independent Non-Executive Director
4. Mr. S R Jayaweera Independent Non-Executive Director
5. Ms. K A D B Perera - Non-Executive Director

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

Remuneration Committee of the Parent Company Royal Ceramics Lanka PLC functioned as the Remuneration Committee of the Company until 30th September 2024. The Remuneration Committee met once for the year. The attendance of the members at the meeting is as follows.

- |                             |     |
|-----------------------------|-----|
| 1. Mr. S H Amarasekera      | 1/1 |
| 2. Mr. R N Asirwatham       | 1/1 |
| 3. Mr. L N De S Wijeyeratne | 1/1 |
| 4. Dr. S Selliah            | -   |
| 5. Mr. S R Jayaweera        | -   |

6. Ms. K A D B Perera 1/1
7. Mr. J A N R Adhihetty 1/1
8. Mr. R M M J Ratnayake 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 161 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.

## REMUNERATION POLICY

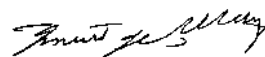
The Group's remuneration policy aims to attract, motivate and retain a highly qualified and experienced executive team while ensuring competitive rewards aligned with industry standards. Compensation packages are structured to reflect each employee's expertise and contributions, considering business performance and shareholder returns.

## DISCLOSURE ON DIRECTOR REMUNERATION

The aggregate amount of remuneration paid to the Directors of the Company during the year is disclosed in Note... of the Financial Statements in this Annual Report.

## 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.



**J A N R Adhihetty**  
Chairman of the Remuneration Committee

29th May 2025

# AUDIT COMMITTEE REPORT

## Role of the Audit Committee

The Audit Committee of Lanka Walltiles PLC functioned as the Committee until 30th September 2024. The Audit Committee of the Company was formed on 01st October 2024. 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 Committee was last reconstituted on 1st January 2025. The current committee members are as follows.

1. Mr. R M M J Ratnayake Independent Non-Executive Director Chairman
2. Mr. J A N R Adhihetty Independent Non-Executive Director
3. Mr. S R Jayaweera Independent Non-Executive Director

The following Directors also held membership in the committee during the year and ceased to be members

1. Mr. J D N Kekulawala- Independent Non-Executive Director Chairman
2. Dr. S Selliah Independent Non-Executive Director Chairman
3. Mr. T G Thoradeniya - Non-Executive Director
4. Ms. K A D B Perera - Non-Executive Director

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

P W Corporate Secretarial (Pvt) Ltd 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 five times during the year. The attendance of the members at the meetings is as follows.

|                       |     |
|-----------------------|-----|
| Mr. J D N Kekulawala  | 3/3 |
| Dr. S Selliah         | 3/3 |
| Mr. T G Thoradeniya   | 0/3 |
| Mr. J A N R Adhihetty | 2/2 |
| Ms K A D B Perera     | 1/1 |
| Mr. S R Jayaweera     | 2/2 |
| Mr. R M M J Ratnayake | 1/1 |

## Functions performed by the Audit Committee

- The Committee reviewed the provisional financial statements that were published for financial year 2024/25 and the audited financial statements of financial year 2024/25. 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. Deloitte 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.

The scope of function on responsibilities are adequately set out in the terms of reference of the committee which has been approved by the board and reviewed annually.

## Compliance

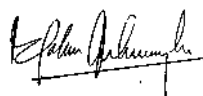
Representations and assurances were obtained from M/s. Ernst & Young, Chartered Accountants, and the management team on the entities finances and operations including assurances regarding provisions for possible liabilities. Compliance reports were reviewed to ensure adherence to statutory requirements, including CSE Rules, Sri Lanka Financial Reporting Standards, and the Companies Act No. 07 of 2007. Regular updates on HR and legal compliance matters were also obtained. Ethics and Good Governance

The Committee emphasized ethical standards among employees, reinforcing policies on Business Conduct, Whistleblowing, and Anti-Bribery & Corruption. Training programs were conducted to ensure awareness, and confidential procedures were in place for independent investigations of whistleblowing reports.

## Conclusion

The Committee is of the opinion that the Company is in compliance with the relevant legal and regulatory requirements including financial reporting requirements, CSE Rules, Companies Act and SEC Act and other relevant reporting related regulations and requirements.

The Audit Committee remains committed to upholding the highest standards of corporate governance, financial integrity, and risk management. Through diligent oversight and proactive engagement with stakeholders, the Committee continues to enhance transparency and accountability in all financial and operational aspects of the Company.



**R M M J Ratnayake**  
Chairman - Audit Committee

29th May 2025



## SPIRITUAL

### The Sacred Thread

Sri Lanka's spirit is profoundly devotional—manifest in shrines by the sea, temples nestled in forests, and rituals as old as time. Here, spirituality is not separate from daily life; it flows like a sacred river, shaping how we live, work, and create.

Lanka Tiles channels this transcendence into motifs of grace and calm. Inspired by the symmetry of lotus petals and the stillness of the Bodhi leaf, our collections create sanctuaries of serenity—tiles that peace and harmony to every space they grace.





## FINANCIAL STATEMENTS

# Numbers that tell a Story

At Lanka Tiles, our financials speak volumes about our discipline, integrity, and performance. They offer a transparent view of how we create and sustain value, providing confidence in our ability to drive long-term growth.

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
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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 31st March 2025, 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 31st March 2025, 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Existence and carrying value of Inventories | <p>As at 31st March 2025, the carrying value of inventories amounted to Rs. 8,116 Mn net of a provision of Rs. 277 Mn for slowing-moving inventory as disclosed in Note 7, 2.3.5 and 2.2.2 to the financial statements.</p> <p>Existence and carrying value of inventories was a key audit matter due to:</p> <ul style="list-style-type: none"><li>Materiality of the reported amount, which represents 39% 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> <p>Our audit procedures included the following key procedures:</p> <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>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> <p>We also assessed the adequacy of the disclosures made in Notes 7, 2.3.5 and 2.2.2 to the financial statements.</p> |

## Other information included in the Group's 2024/25 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.

## INDEPENDENT AUDITOR'S REPORT

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 2440.

$R_{\text{mot}} V_{\text{over}}$

29th May 2025  
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 FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

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 Shaktivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

| As at 31st March                                           | Note | GROUP             |                   | COMPANY           |                   |
|------------------------------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
|                                                            |      | 2025              | 2024              | 2025              | 2024              |
|                                                            |      | Rs.'000           | Rs.'000           | Rs.'000           | Rs.'000           |
| <b>ASSETS</b>                                              |      |                   |                   |                   |                   |
| <b>Non-current assets</b>                                  |      |                   |                   |                   |                   |
| Property, plant and equipment                              | 3    | 8,536,159         | 8,413,115         | 8,424,027         | 8,335,196         |
| Investment Properties                                      | 3.8  | 484,857           | 484,857           | -                 | -                 |
| Intangible assets                                          | 4    | 80,343            | 85,244            | 76,922            | 85,244            |
| Investments in subsidiaries                                | 5    | -                 | -                 | 387,701           | 387,701           |
| Investments in associates                                  | 6    | 1,536,197         | 1,209,239         | 1,458,345         | 1,135,917         |
| Right of use assets                                        | 3.9  | 16,178            | 48,805            | 16,178            | 48,805            |
|                                                            |      | 10,653,734        | 10,241,260        | 10,363,173        | 9,992,863         |
| <b>Current assets</b>                                      |      |                   |                   |                   |                   |
| Inventories                                                | 7    | 8,116,155         | 7,414,063         | 8,041,732         | 7,403,268         |
| Trade and other receivables                                | 8    | 1,087,636         | 1,478,014         | 1,040,340         | 1,448,229         |
| Amounts due from related parties                           | 9    | 670,274           | 895,532           | 688,438           | 901,118           |
| Cash and cash equivalents                                  | 25   | 398,379           | 306,811           | 392,803           | 298,794           |
|                                                            |      | 10,272,444        | 10,094,420        | 10,163,313        | 10,051,409        |
| <b>Total assets</b>                                        |      | <b>20,926,178</b> | <b>20,335,680</b> | <b>20,526,486</b> | <b>20,044,272</b> |
| <b>EQUITY AND LIABILITIES</b>                              |      |                   |                   |                   |                   |
| Stated capital                                             | 10   | 900,968           | 900,968           | 900,968           | 900,968           |
| Reserves                                                   | 11   | 2,085,914         | 2,089,310         | 2,092,276         | 2,092,276         |
| Retained earnings                                          |      | 12,410,124        | 11,944,984        | 12,290,480        | 11,781,461        |
| <b>Equity attributable to equity holders of the parent</b> |      | <b>15,397,006</b> | <b>14,935,262</b> | <b>15,283,724</b> | <b>14,774,705</b> |
| Non controlling interest                                   |      | 7,848             | 55,963            | -                 | -                 |
| <b>Total equity</b>                                        |      | <b>15,404,854</b> | <b>14,991,225</b> | <b>15,283,724</b> | <b>14,774,705</b> |
| <b>Non-current liabilities</b>                             |      |                   |                   |                   |                   |
| Interest bearing liabilities                               | 12   | -                 | 188,290           | -                 | 188,290           |
| Deferred tax liabilities                                   | 13   | 1,737,089         | 1,559,625         | 1,669,504         | 1,492,040         |
| Retirement benefit liability                               | 14   | 293,550           | 225,793           | 293,550           | 225,793           |
|                                                            |      | 2,030,639         | 1,973,708         | 1,963,054         | 1,906,123         |
| <b>Current liabilities</b>                                 |      |                   |                   |                   |                   |
| Trade and other payables                                   | 15   | 1,327,860         | 1,598,332         | 1,294,495         | 1,591,306         |
| Contract liability                                         | 15.2 | 129,902           | 94,211            | 129,902           | 94,211            |
| Income tax liabilities                                     |      | 67,440            | 581,051           | 67,440            | 581,051           |
| Amounts due to related parties                             | 16   | 156,082           | 132,188           | 114,948           | 131,911           |
| Current portion of interest bearing liabilities            | 12   | 1,809,401         | 964,965           | 1,672,923         | 964,965           |
|                                                            |      | 3,490,685         | 3,370,747         | 3,279,708         | 3,363,444         |
| <b>Total equity and liabilities</b>                        |      | <b>20,926,178</b> | <b>20,335,680</b> | <b>20,526,486</b> | <b>20,044,272</b> |

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



**H Somasantha**

Director Finance

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,



**L P B Talwatte**

Managing Director



**A M Weerasinghe**

Chairman

The accounting policies and notes on pages 121 to 165 form an integral part of the financial statements.

The figures in brackets indicate deductions.

29th May 2025

Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the Year ended 31st March                                                                                      | Note | GROUP            |                  | COMPANY          |                  |
|--------------------------------------------------------------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                                                                                    |      | 2025<br>Rs.'000  | 2024<br>Rs.'000  | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
| Revenue from contracts with customers                                                                              | 17   | 13,168,060       | 16,131,536       | 13,130,450       | 16,130,887       |
| Cost of Sales                                                                                                      |      | (8,873,977)      | (8,669,403)      | (8,832,732)      | (8,667,606)      |
| <b>Gross Profit</b>                                                                                                |      | <b>4,294,083</b> | <b>7,462,133</b> | <b>4,297,718</b> | <b>7,463,281</b> |
| Other Income                                                                                                       | 18   | 46,221           | 35,772           | 43,510           | 34,572           |
| Distribution Expenses                                                                                              |      | (1,911,621)      | (2,086,437)      | (1,903,153)      | (2,085,527)      |
| Administrative Expenses                                                                                            |      | (1,093,218)      | (1,289,093)      | (1,015,984)      | (1,276,815)      |
| Finance Cost                                                                                                       | 19   | (170,029)        | (170,276)        | (163,392)        | (170,276)        |
| Finance Income                                                                                                     | 20   | 101,285          | 187,150          | 101,285          | 186,678          |
| Share of Net Profit of Associate                                                                                   |      | 410,293          | (30,516)         | 406,759          | (34,326)         |
| <b>Profit Before Tax</b>                                                                                           | 21   | <b>1,677,014</b> | <b>4,108,733</b> | <b>1,766,743</b> | <b>4,117,587</b> |
| Income Tax Expense                                                                                                 | 22   | (593,929)        | (1,201,863)      | (593,929)        | (1,201,863)      |
| <b>Profit for the Year</b>                                                                                         |      | <b>1,083,085</b> | <b>2,906,870</b> | <b>1,172,814</b> | <b>2,915,724</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   | (33,566)         | (54,906)         | (33,566)         | (54,906)         |
| Deferred tax on components of other comprehensive income                                                           | 22   | 10,070           | (253,445)        | 10,070           | (253,445)        |
| "Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods"      |      | (23,496)         | 591,373          | (23,496)         | 591,373          |
| <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                                                     |      | (6,660)          | (13,389)         | -                | -                |
| Share of other comprehensive income of associates investment                                                       |      | (2,697)          | 134,217          | (3,695)          | 132,720          |
| Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods             |      | (9,357)          | 120,828          | (3,695)          | 132,720          |
| <b>Other Comprehensive Income/(loss) for the Year, net of tax</b>                                                  |      | <b>(32,853)</b>  | <b>712,201</b>   | <b>(27,191)</b>  | <b>724,093</b>   |
| <b>Total Comprehensive Income for the Year, net of tax</b>                                                         |      | <b>1,050,232</b> | <b>3,619,071</b> | <b>1,145,623</b> | <b>3,639,817</b> |
| <b>Profit attributable to :</b>                                                                                    |      |                  |                  |                  |                  |
| Equity holders of the parent                                                                                       |      | 1,127,937        | 2,912,277        | 1,172,814        | 2,915,724        |
| Non controlling interest                                                                                           |      | (44,852)         | (5,406)          | -                | -                |
| <b>Profit for the year</b>                                                                                         |      | <b>1,083,085</b> | <b>2,906,871</b> | <b>1,172,814</b> | <b>2,915,724</b> |
| <b>Total comprehensive income attributable to :</b>                                                                |      |                  |                  |                  |                  |
| Equity holders of the parent                                                                                       |      | 1,098,347        | 3,631,037        | 1,145,623        | 3,639,817        |
| Non controlling interest                                                                                           |      | (48,115)         | (11,966)         | -                | -                |
| <b>Total Comprehensive Income for the Year</b>                                                                     |      | <b>1,050,232</b> | <b>3,619,071</b> | <b>1,145,623</b> | <b>3,639,817</b> |
| Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders                                          | 23   | 4.25             | 10.98            | 4.42             | 10.99            |

The accounting policies and notes on pages 121 to 165 form an integral part of the financial statements.  
The figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

| As at 31st March                        | Stated<br>capital | Revaluation<br>reserve | Amalgamation<br>reserve | Retained<br>Earnings | Exchange<br>translation<br>reserve | Non<br>controlling<br>interest | Total       |
|-----------------------------------------|-------------------|------------------------|-------------------------|----------------------|------------------------------------|--------------------------------|-------------|
|                                         | Rs.'000           | Rs.'000                | Rs.'000                 | Rs.'000              | Rs.'000                            | Rs.'000                        | Rs.'000     |
| <b>GROUP</b>                            |                   |                        |                         |                      |                                    |                                |             |
| Balance as at 1st 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  |
| Balance as at 1st April 2024            | 900,968           | 1,632,125              | 460,151                 | 11,944,984           | (2,966)                            | 55,963                         | 14,991,225  |
| Profit for the Year                     | -                 | -                      | -                       | 1,127,937            | -                                  | (44,852)                       | 1,083,085   |
| Other Comprehensive Income              | -                 | -                      | -                       | (26,193)             | (3,396)                            | (3,263)                        | (32,853)    |
| Total Comprehensive Income              | -                 | -                      | -                       | 1,101,744            | (3,396)                            | (48,115)                       | 1,050,232   |
| Shares issued to minority shareholder   |                   |                        |                         |                      |                                    |                                |             |
| Dividends                               |                   |                        |                         |                      |                                    |                                |             |
| Final 2023/24 (Rs.0.70 Per share)       | -                 | -                      | -                       | (185,676)            | -                                  | -                              | (185,676)   |
| 1st Interim 2024/25 (Rs.1.70 per share) | -                 | -                      | -                       | (450,928)            | -                                  | -                              | (450,928)   |
|                                         | -                 | -                      | -                       | (636,604)            | -                                  | -                              | (636,604)   |
| Balance as at 31st March 2025           | 900,968           | 1,632,125              | 460,151                 | 12,410,124           | (6,362)                            | 7,848                          | 15,404,854  |

|                                                       | Stated<br>capital | Revaluation<br>reserve | Amalgamation<br>reserve | Retained<br>Earnings | Total       |
|-------------------------------------------------------|-------------------|------------------------|-------------------------|----------------------|-------------|
|                                                       | Rs.'000           | Rs.'000                | Rs.'000                 | Rs.'000              | Rs.'000     |
| <b>COMPANY</b>                                        |                   |                        |                         |                      |             |
| Balance as at 1st April 2023                          | 900,968           | 1,002,318              | 460,151                 | 10,389,489           | 12,752,926  |
| Profit for the Year                                   | -                 | -                      | -                       | 2,915,724            | 2,915,724   |
| Other Comprehensive Income                            | -                 | 629,807                | -                       | 94,285               | 724,093     |
| Transfer from revaluation reserve on disposal of land | -                 | -                      | -                       | -                    | -           |
| Total Comprehensive Income                            | -                 | 629,807                | -                       | 3,010,009            | 3,639,816   |
| 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)          | (1,618,037) |
| Balance as at 31st March 2024                         | 900,968           | 1,632,125              | 460,151                 | 11,781,461           | 14,774,705  |
| Balance as at 1st April 2024                          | 900,968           | 1,632,125              | 460,151                 | 11,781,461           | 14,774,705  |
| Profit for the Year                                   | -                 | -                      | -                       | 1,172,814            | 1,172,814   |
| Other Comprehensive Income                            | -                 | -                      | -                       | (27,191)             | (27,191)    |
| Total Comprehensive Income                            | -                 | -                      | -                       | 1,145,623            | 1,145,623   |
| Dividends                                             |                   |                        |                         |                      |             |
| Final 2023/24 (Rs.0.70 Per share)                     | -                 | -                      | -                       | (185,676)            | (185,676)   |
| 1st Interim 2024/25 (Rs.1.70 per share)               | -                 | -                      | -                       | (450,928)            | (450,928)   |
|                                                       | -                 | -                      | -                       | (636,604)            | (636,604)   |
| Balance as at 31st March 2025                         | 900,968           | 1,632,125              | 460,151                 | 12,290,480           | 15,283,724  |

The accounting policies and notes on pages 121 to 165 form an integral part of the financial statements.

The figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

|                                                                         |             | GROUP       |             | COMPANY     |             |
|-------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| For the Year ended 31st March                                           | Note        | 2025        | 2024        | 2025        | 2024        |
|                                                                         |             | Rs.'000     | Rs.'000     | Rs.'000     | Rs.'000     |
| CASH FLOW FROM OPERATING ACTIVITIES                                     |             |             |             |             |             |
| Profit before income tax                                                |             | 1,677,014   | 4,108,734   | 1,766,743   | 4,117,587   |
| Adjustments for                                                         |             |             |             |             |             |
| Depreciation & amortization                                             | 21          | 601,930     | 525,718     | 584,408     | 525,718     |
| Amortization of Right of use Lease Assets                               | 3.9         | 32,627      | 35,899      | 32,627      | 35,899      |
| Profit/ (loss) on sale of property, plant & equipment                   | 18          | (75)        | (4,087)     | (75)        | (4,087)     |
| Interest income                                                         | 20          | (101,285)   | (187,150)   | (101,285)   | (186,678)   |
| Finance costs                                                           |             | 164,153     | 160,748     | 157,516     | 160,748     |
| Provision for retirement benefit obligations                            | 14          | 47,582      | 44,519      | 47,582      | 44,519      |
| Profit share of results of associate                                    |             | (410,293)   | 30,516      | (406,759)   | 34,326      |
| Allowance/ (reversal) for obsolete and slow moving inventories          | 7.1         | (26,156)    | 107,585     | (26,156)    | 107,585     |
| Allowance for impairment of trade receivable                            | 8.1         | 17,000      | 11,300      | 17,000      | 11,300      |
| Foreign exchange (gain)/ loss                                           |             | (6,884)     | 117,499     | (6,884)     | 117,499     |
| Interest expense on lease liability                                     |             | 5,875       | 9,528       | 5,875       | 9,528       |
| Operating profit/(loss) before working capital changes                  |             | 2,001,490   | 4,960,809   | 2,070,593   | 4,973,944   |
| Working capital adjustments:                                            |             |             |             |             |             |
| (Increase)/ decrease in inventories                                     |             | (675,937)   | (2,484,761) | (612,308)   | (2,473,966) |
| (Increase)/ decrease in trade and other receivables                     |             | 373,378     | 920,737     | 390,889     | 950,522     |
| (Increase) /decrease in due from related parties                        |             | 225,258     | 730,734     | 212,680     | 717,771     |
| Increase/ (decrease) in due to related parties                          |             | 23,894      | (2,263)     | (16,963)    | 3,181       |
| Increase /(decrease) in trade and other payables                        |             | (227,897)   | (394,797)   | (254,238)   | (401,141)   |
| Cash generated from/(used in) operations                                |             | 1,720,187   | 3,730,459   | 1,790,652   | 3,770,311   |
| Interest received                                                       |             | 101,285     | 187,150     | 101,285     | 186,678     |
| Finance costs paid                                                      |             | (164,154)   | (160,748)   | (157,516)   | (160,748)   |
| Retirement benefit plan costs paid                                      | 14          | (13,391)    | (73,383)    | (13,391)    | (73,383)    |
| Income tax paid                                                         |             | (920,005)   | (954,729)   | (920,005)   | (954,728)   |
| Net cash flows from/(used in) operating activities                      |             | 723,922     | 2,728,749   | 801,025     | 2,768,130   |
| CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES                        |             |             |             |             |             |
| Acquisition of property, plant & equipment and intangible assets        |             | (720,074)   | (1,030,470) | (664,918)   | (952,553)   |
| Proceeds from sale of property, plant & equipment                       |             | 75          | 4,087       | 75          | 4,087       |
| Acquisition of investments                                              |             | -           | -           | -           | (60,375)    |
| Dividend Received                                                       |             | 80,638      | 38,928      | 80,638      | 38,928      |
| Net cash flows from/(used in) investing activities                      |             | (639,361)   | (987,455)   | (584,205)   | (969,913)   |
| CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES                        |             |             |             |             |             |
| Shares issued to minority shareholder                                   |             | -           | 58,007      | -           | -           |
| Interest bearing loans & borrowings obtained                            | 12.2        | 7,286,838   | 925,000     | 7,215,225   | 925,000     |
| Repayment of interest bearing borrowings                                | 12.1 / 12.2 | (6,861,848) | (1,273,377) | (6,861,848) | (1,273,377) |
| Repayment of Lease liability                                            |             | (56,139)    | (55,914)    | (56,139)    | (55,914)    |
| Dividends paid - on Ordinary Shares                                     | 24          | (636,604)   | (1,618,037) | (636,604)   | (1,618,037) |
| Net cash flows from/(used in) financing activities                      |             | (267,753)   | (1,964,321) | (339,366)   | (2,022,328) |
| Net increase/(decrease) in cash and cash equivalents                    |             | (183,191)   | (223,027)   | (122,546)   | (224,111)   |
| Foreign exchange difference arising on translation of foreign operation |             | (6,660)     | (13,389)    | -           | -           |
| Cash and cash equivalents at the beginning of the year                  | 25          | 29,180      | 265,596     | 21,165      | 245,276     |
| Cash and cash equivalents at the end of the year                        | 25          | (160,671)   | 29,180      | (101,381)   | 21,165      |

The accounting policies and the notes on pages 121 to 165 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 2025 was authorized for issue in accordance with a resolution of the Board of Directors on 29th May 2025.

## 2. MATERIAL 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 31st March 2025, based on available information, the management has assessed the prevailing and anticipated effects of the current 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 despite the ongoing effects of the prevailing 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 1st April 2024.

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

# NOTES TO THE FINANCIAL STATEMENTS

- 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.

## **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.

## **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.

## **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.

## **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 recognize 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

### **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 Company and its subsidiaries as at 31 March 2025.

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

#### **2.1.6.1 Subsidiaries**

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

If the Group loses control over a subsidiary, it 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 associate is accounted for using the equity method in the separate financial statements.

## 2.2 MATERIAL 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 3.7).

### 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 MATERIAL ACCOUNTING POLICIES**

### **2.3.1 Foreign currency translation**

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

### **2.3.2 Fair Value Measurement**

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

# NOTES TO THE FINANCIAL STATEMENTS

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 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

# NOTES TO THE FINANCIAL STATEMENTS

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 formulae:-

### Manufacturing goods

At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity, but excluding borrowing cost. work-in-progress At actual cost Trading goods At purchase cost on 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

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 derecognized, 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 derecognized 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 derecognized 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 derecognized.

# NOTES TO THE FINANCIAL STATEMENTS

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 05-15 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 control the use of an identified asset, the Group consider whether;

\*The contracts involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. if the supplier has a substantive substitution right, then the asset is not identified

- \* The group has the right to obtain substantially all of the economic benefits of assets throughout the period of use.
- \* The group has right to direct the use of the asset. the group has the right when it has decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either;
- \* The group has right to operate the asset; or
- \* The group designated the asset in a way that predetermines how and for what purpose it will be used.

### a) Group as the Lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2025.

### Funding Arrangements

**The Gratuity liability is not externally funded.**

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

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

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

## 2.3.13 Impairment of non-financial assets

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

## 2.3.14 Revenue recognition

### Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items in Sri Lanka and overseas as detailed in Note. 17. Revenue from contracts with customers is 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's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

## **(iv) Contract liabilities**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2.5 STANDARDS ISSUED BUT NOT EFFECTIVE AS AT 31 MARCH 2025

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.

### **SLFRS 17 Insurance Contracts**

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026

### **Lack of exchangeability – Amendments to LKAS 21**

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments are effective for annual periods beginning on or after 1 January 2025

### 3 PROPERTY, PLANT & EQUIPMENT

#### 3.1 PROPERTY, PLANT & EQUIPMENT

##### GROUP

| Gross Carrying Amounts | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Transfers<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|------------------------|-------------------------------------------|---------------------|----------------------|-------------------------------------------|
|------------------------|-------------------------------------------|---------------------|----------------------|-------------------------------------------|

##### At Cost

|                                                                      |           |           |         |           |
|----------------------------------------------------------------------|-----------|-----------|---------|-----------|
| Plant and Machinery                                                  | 6,559,533 | 935,516   | -       | 7,495,049 |
| Water Supply, Electricity Distribution Scheme                        | 485,181   | 30,452    | -       | 515,633   |
| Tools, Implements, Furniture & Fittings<br>and Electrical Appliances | 806,045   | 65,080    | (304)   | 870,821   |
| Transport & Communication Equipment                                  | 240,565   | 16,090    | (856)   | 255,799   |
|                                                                      | 8,091,324 | 1,047,138 | (1,160) | 9,137,302 |

|  | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Transfers<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|--|-------------------------------------------|---------------------|----------------------|-------------------------------------------|
|--|-------------------------------------------|---------------------|----------------------|-------------------------------------------|

##### At Valuation

|               |           |         |   |           |
|---------------|-----------|---------|---|-----------|
| Freehold Land | 1,689,652 | -       |   | 1,689,652 |
| Buildings     | 2,154,458 | 138,648 | - | 2,293,106 |
|               | 3,844,110 | 138,648 | - | 3,982,758 |

|  | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Transfers<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|--|-------------------------------------------|---------------------|----------------------|-------------------------------------------|
|--|-------------------------------------------|---------------------|----------------------|-------------------------------------------|

##### In the Course of Construction

|                                            |            |           |             |            |
|--------------------------------------------|------------|-----------|-------------|------------|
| Capital Work In Progress Building & Others | 778,753    | 707,591   | (1,176,744) | 309,600    |
|                                            | 778,753    | 707,591   | (1,176,744) | 309,600    |
| Total                                      | 12,714,187 | 1,893,377 | (1,177,904) | 13,429,660 |

# NOTES TO THE FINANCIAL STATEMENTS

| Depreciation                                                         | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Disposals/<br>Transfers/<br>Write-off<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|----------------------------------------------------------------------|-------------------------------------------|---------------------|--------------------------------------------------|-------------------------------------------|
| <b>At Cost</b>                                                       |                                           |                     |                                                  |                                           |
| Buildings                                                            | -                                         | 81,349              | -                                                | 81,349                                    |
| Plant and Machinery                                                  | 3,282,456                                 | 384,364             | -                                                | 3,666,820                                 |
| Water Supply, Electricity Distribution Scheme                        | 327,686                                   | 17,636              | -                                                | 345,322                                   |
| Tools, Implements, Furniture & Fittings<br>and Electrical Appliances | 561,193                                   | 95,533              | (304)                                            | 656,422                                   |
| Transport & Communication Equipment                                  | 129,737                                   | 14,707              | (856)                                            | 143,588                                   |
| <b>Total</b>                                                         | <b>4,301,072</b>                          | <b>593,589</b>      | <b>(1,160)</b>                                   | <b>4,893,501</b>                          |

## 3.2 Net Book Value of Assets

|                                                                   | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
|-------------------------------------------------------------------|------------------|------------------|
| <b>At Valuation</b>                                               |                  |                  |
| Freehold Land                                                     | 1,689,652        | 1,689,652        |
| Buildings                                                         | 2,211,757        | 2,154,458        |
| <b>At Cost</b>                                                    |                  |                  |
| Plant and Machinery                                               | 3,828,229        | 3,277,077        |
| Water Supply, Electricity Distribution Scheme                     | 170,311          | 157,495          |
| Tools, Implements, Furniture & Fittings and Electrical Appliances | 214,399          | 244,852          |
| Transport & Communication Equipment                               | 112,211          | 110,828          |
|                                                                   | 8,226,559        | 7,634,362        |
| Capital Work in Progress                                          | 309,600          | 778,753          |
| <b>Total</b>                                                      | <b>8,536,159</b> | <b>8,413,115</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 | 2025            |                           | 2024            |                           |
|------------------|-----------------|---------------------------|-----------------|---------------------------|
|                  | Cost<br>Rs.'000 | Net Book Value<br>Rs.'000 | Cost<br>Rs.'000 | Net Book Value<br>Rs.'000 |
| Land             | 560,619         | 527,912                   | 560,619         | 527,912                   |
| Building         | 1,740,543       | 1,342,640                 | 1,601,895       | 1,274,289                 |

### 3.3 PROPERTY, PLANT & EQUIPMENT

#### COMPANY

##### Gross Carrying Amounts

|                                                                      | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Transfers<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|----------------------------------------------------------------------|-------------------------------------------|---------------------|----------------------|-------------------------------------------|
| <b>At Cost</b>                                                       |                                           |                     |                      |                                           |
| Plant and Machinery                                                  | 6,559,533                                 | 867,938             | -                    | 7,427,471                                 |
| Water Supply, Electricity Distribution Scheme                        | 485,181                                   | 22,047              | -                    | 507,228                                   |
| Tools, Implements, Furniture & Fittings<br>and Electrical Appliances | 806,045                                   | 56,807              | (304)                | 862,548                                   |
| Transport & Communication Equipment                                  | 240,565                                   | 16,090              | (856)                | 255,799                                   |
|                                                                      | 8,091,324                                 | 962,882             | (1,160)              | 9,053,046                                 |

##### At Valuation

|               |           |        |   |           |
|---------------|-----------|--------|---|-----------|
| Freehold Land | 1,689,652 | -      | - | 1,689,652 |
| Buildings     | 2,154,458 | 93,270 | - | 2,247,728 |
|               | 3,844,110 | 93,270 | - | 3,937,380 |

|  | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Transfers<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|--|-------------------------------------------|---------------------|----------------------|-------------------------------------------|
|--|-------------------------------------------|---------------------|----------------------|-------------------------------------------|

##### In the Course of Construction

##### At Cost

|                                            |            |           |             |            |
|--------------------------------------------|------------|-----------|-------------|------------|
| Capital Work In Progress Building & Others | 700,834    | 684,273   | (1,075,507) | 309,600    |
|                                            | 700,834    | 684,273   | (1,075,507) | 309,600    |
| Total                                      | 12,636,268 | 1,740,425 | (1,076,667) | 13,300,026 |

##### Depreciation

|  | Balance<br>as at<br>01.04.2024<br>Rs.'000 | Addition<br>Rs.'000 | Disposals/<br>Transfers/<br>Write-off<br>Rs.'000 | Balance<br>as at<br>31.03.2025<br>Rs.'000 |
|--|-------------------------------------------|---------------------|--------------------------------------------------|-------------------------------------------|
|--|-------------------------------------------|---------------------|--------------------------------------------------|-------------------------------------------|

##### At Cost

|                                                                      |           |         |         |           |
|----------------------------------------------------------------------|-----------|---------|---------|-----------|
| Buildings                                                            | -         | 76,079  | -       | 76,079    |
| Plant and Machinery                                                  | 3,282,456 | 375,227 | -       | 3,657,683 |
| Water Supply, Electricity Distribution Scheme                        | 327,686   | 16,561  | -       | 344,247   |
| Tools, Implements, Furniture & Fittings<br>and Electrical Appliances | 561,193   | 93,513  | (304)   | 654,402   |
| Transport & Communication Equipment                                  | 129,737   | 14,707  | (856)   | 143,588   |
| Total                                                                | 4,301,072 | 576,087 | (1,160) | 4,875,999 |

# NOTES TO THE FINANCIAL STATEMENTS

## 3.4 Net Book Value of Assets

|                                                                   | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
|-------------------------------------------------------------------|------------------|------------------|
| <b>At Valuation</b>                                               |                  |                  |
| Freehold Land                                                     | 1,689,652        | 1,689,652        |
| Buildings                                                         | 2,171,649        | 2,154,458        |
| <b>At Cost</b>                                                    |                  |                  |
| Plant and Machinery                                               | 3,769,788        | 3,277,077        |
| Water Supply, Electricity Distribution Scheme                     | 162,981          | 157,495          |
| Tools, Implements, Furniture & Fittings and Electrical Appliances | 208,146          | 244,852          |
| Transport & Communication Equipment                               | 112,211          | 110,828          |
|                                                                   | 8,114,427        | 7,634,362        |
| Capital Work in Progress                                          | 309,600          | 700,834          |
| <b>Total</b>                                                      | <b>8,424,027</b> | <b>8,335,196</b> |

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

|          | 2025            |                           | 2024            |                           |
|----------|-----------------|---------------------------|-----------------|---------------------------|
|          | Cost<br>Rs.'000 | Net Book Value<br>Rs.'000 | Cost<br>Rs.'000 | Net Book Value<br>Rs.'000 |
| Land     | 560,619         | 560,619                   | 560,619         | 560,619                   |
| Building | 1,695,165       | 1,302,531                 | 1,601,895       | 1,274,289                 |

## 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).

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 | Fair Value (Level 3) Rs.'000's |
|---------------------------------------------------------------------|----------------|---------------------------------------------------------|-----------------|---------------------|---------------------------------------------------------------|--------------------------------|
| Factory Premises , Jaltara , Ranala - Land                          | 28A-02R-32.69P | KPMG Real Estate & Valuation Services (Private) Limited | 31st 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) Limited | 31st March 2024 | Contractor's method | Rs 1,130/- to Rs. 6,190/- per sqft                            | 1,630,640                      |
| Land Adjacent to the Factory Premises , Jaltara , Ranala - Land     | 08A-02R-08.56P | KPMG Real Estate & Valuation Services (Private) Limited | 31st 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) Limited | 31st March 2024 | Contractor's method | Rs 1,400/- to Rs. 5,000/- per sqft                            | 49,655                         |
| Lanka Tiles Warehouse , Samurधि Mawatha Biyagama - Land             | 02A-00R-45.93P | KPMG Real Estate & Valuation Services (Private) Limited | 31st March 2024 | Market approach     | Rs. 1,500,000/- per perch                                     | 536,602                        |
| Lanka Tiles Warehouse , Samurधि Mawatha Biyagama - Building         | 48,531 sqft    | KPMG Real Estate & Valuation Services (Private) Limited | 31st March 2024 | Contractor's method | Rs 1,900/- to Rs. 5,100/- per sqft                            | 243,388                        |
| Ball Clay Land Kalutara' - Land                                     | 5A-01R-0.83P   | FRT Valuation Services (pvt) Ltd                        | 31st March 2024 | Market approach     | Rs. 10,000/- per acre                                         | 53                             |
| Show room , Nugegoda - Land                                         | 00A-00R-32.03P | KPMG Real Estate & Valuation Services (Private) Limited | 31st March 2024 | Market approach     | Rs. 9,000,000/- per perch                                     | 288,270                        |
| Showroom , Nugegoda Building                                        | 15,385 sqft    | KPMG Real Estate & Valuation Services (Private) Limited | 31st March 2024 | Contractor's method | Rs 1,5000/- per sqft                                          | 230,775                        |

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

A reassessment of the fair valuation was obtained from the same independent professional valuer who determined that there would have been no substantial material change in the fair value between the last revaluation date and reporting date.

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.

## NOTES TO THE FINANCIAL STATEMENTS

- 3.6** During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs.720 Mn (2023/24 - Rs.1,030 Mn). Cash payments amounting to Rs. 720 Mn (2023/24 - Rs. 1,030 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. 665 Mn (2023/24 - Rs.952.5 Mn). Cash payments amounting to Rs. 665 Mn (2023/24- Rs.952.5Mn) 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 2025, the cost of which amounted to the Group / Company Rs. 2,151.8 Mn(2023/2024 - Rs.1,863.5Mn).

| The Useful lives of the assets are estimated as follows           | 2025          | 2024          |
|-------------------------------------------------------------------|---------------|---------------|
| 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

|                  | Group   |         | Company |         |
|------------------|---------|---------|---------|---------|
| As at 01st April | 2025    | 2024    | 2025    | 2024    |
| As at 31st March | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 01st April | 484,857 | 484,857 | -       | -       |
| As at 31st March | 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 2024/25 in reference to market based evidence and the details of the valuations are indicated below:

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

| Group                              | Location                                  | Extent        | Valuation Date | Independent Valuer                                      | Valuation Details     | Significant unobservable input : price per perch/ acre/ range | Fair Value (Level 3) Rs.000 |
|------------------------------------|-------------------------------------------|---------------|----------------|---------------------------------------------------------|-----------------------|---------------------------------------------------------------|-----------------------------|
| Beyond Paradise Collection Limited | Agalagedara Village, Divulapitiya, Gampha | 48A-03R-17.9P | 31 March 2025  | KPMG Real Estate & Valuation Services (Private) Limited | Market based evidence | Rs. 8,000,000/- per Acre                                      | 390,895                     |
|                                    | Building                                  | 981.sq.ft     | 31 March 2025  | 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 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                       |

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         |                 |
|---------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                           | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>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                             | (2,773)         | (2,602)         | -               | -               |
|                                                                           | (1,573)         | (1,402)         | -               | -               |

# NOTES TO THE FINANCIAL STATEMENTS

## 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<br>Rs.'000 | Total<br>Rs.'000 |
| <b>Right of Use Asset</b>  |                     |                  |
| at 1st April 2024          | 48,805              | 48,805           |
| Less: Amortization Expense | (32,627)            | (32,627)         |
| As at 31 March 2025        | 16,178              | 16,178           |
| <b>Lease Liability</b>     |                     |                  |
| As at 1 April 2024         | 57,335              | 57,335           |
| Interest Expense           | 5,875               | 5,875            |
| Less: Payments             | (56,139)            | (56,139)         |
| As at 31 March 2025        | 7,071               | 7,071            |

The following are the amounts recognized in profit or loss:

|                                                                                     | GROUP/COMPANY   |                 |
|-------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                     | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Amortization expense of right-of-use assets                                         | 32,627          | 35,899          |
| Interest expense on lease liabilities                                               | 5,875           | 9,528           |
| Expense relating to short-term leases (included in selling & distribution expenses) | 31,201          | 30,728          |
| Total amount recognized in profit or loss                                           | 69,703          | 76,155          |

|                                           | GROUP/COMPANY   |                 |
|-------------------------------------------|-----------------|-----------------|
|                                           | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Payable as follows :</b>               |                 |                 |
| Payable within One Year                   | 7,071           | 35,712          |
| Payable within One to Five Years          | -               | 21,623          |
| <b>Lease Liabilities as at 31st March</b> | <b>7,071</b>    | <b>57,335</b>   |

#### 4 INTANGIBLE ASSETS

|                               | GROUP           |                 | COMPANY         |                 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
|                               | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Year ended 31st March</b>  |                 |                 |                 |                 |
| Balance as at 1st April 2024  | 85,244          | 92,155          | 85,244          | 92,155          |
| Additions                     | 3,441           | 2,357           | -               | 2,357           |
| Amortization charge           | (8,342)         | (9,268)         | (8,322)         | (9,268)         |
| Balance as at 31st March 2025 | 80,343          | 85,244          | 76,922          | 85,244          |
| <b>As at 31st March</b>       |                 |                 |                 |                 |
| Cost                          | 110,162         | 106,721         | 106,721         | 106,721         |
| Accumulated amortization      | (29,819)        | (21,477)        | (29,799)        | (21,477)        |
| Net book amount               | 80,343          | 85,244          | 76,922          | 85,244          |

#### 5 INVESTMENTS IN SUBSIDIARIES

##### COMPANY

|                                                     | 2025<br>Market Value/<br>Directors'<br>Valuation<br>Rs.'000 | 2025<br>Cost<br>Rs.'000 | 2024<br>Market Value/<br>Directors'<br>Valuation<br>Rs.'000 | 2024<br>Cost<br>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) Ltd (Foreign Subsidiary)       | 66,617                                                      | 66,617                  | 66,617                                                      | 66,617                  |
| <b>Total Non-quoted Investments in Subsidiaries</b> | <b>387,701</b>                                              | <b>387,701</b>          | <b>387,701</b>                                              | <b>387,701</b>          |

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

##### 5.1 Details of those companies in which Lanka Tiles PLC, held a controlling interest, as at 31 March 2025 directly or indirectly (Group) are set out below:

| Name of Company                       | Percentage of share holding in subsidiaries group |      | Auditors                   | Principal activities of the company                      | Principal Place of Business                       | Country of Incorporation |
|---------------------------------------|---------------------------------------------------|------|----------------------------|----------------------------------------------------------|---------------------------------------------------|--------------------------|
|                                       | 2025                                              | 2024 |                            |                                                          |                                                   |                          |
| 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. Vasan And Sampath LLP | Aluminium Fabrication and 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                |

# NOTES TO THE FINANCIAL STATEMENTS

## 6 INVESTMENT IN ASSOCIATES (EQUITY ACCOUNTED INVESTEEES)

### COMPANY

|                          | Holding Percentage |       | Carrying Value  |                 |
|--------------------------|--------------------|-------|-----------------|-----------------|
|                          | 2025               | 2024  | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Quoted Investment</b> |                    |       |                 |                 |
| Swisstek Ceylon PLC      | 47.80              | 47.80 | 1,458,345       | 1,135,919       |
| As at 31st March         | 47.80              | 47.80 | 1,458,345       | 1,135,919       |

### GROUP

|                              | Holding Percentage |       | Carrying Value  |                 |
|------------------------------|--------------------|-------|-----------------|-----------------|
|                              | 2025               | 2024  | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Quoted Investment</b>     |                    |       |                 |                 |
| Swisstek Ceylon PLC          | 47.80              | 47.80 | 1,458,345       | 1,135,919       |
| <b>Non-quoted Investment</b> |                    |       |                 |                 |
| CP Holdings (Pvt) Ltd        | 24.63              | 24.63 | 77,852          | 73,320          |
| As at 31st March             |                    |       | 1,536,197       | 1,209,239       |

| As at 31st March                                     | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|------------------------------------------------------|-----------------|-----------------|
| <b>Movement in Associate - Swisstek (Ceylon) PLC</b> |                 |                 |
| As at 01st April                                     | 1,135,919       | 1,076,445       |
| Share of results of associates                       | 406,759         | (34,326)        |
| Dividends                                            | (80,638)        | (38,928)        |
| Share of Other Comprehensive Income                  | (3,695)         | 132,728         |
| As at 31st March                                     | 1,458,345       | 1,135,919       |
| <b>Movement in Associate - CP Holdings (Pvt)Ltd</b>  |                 |                 |
| As at 01st April                                     | 73,319          | 68,013          |
| Share of results of associates                       | 3,534           | 3,809           |
| Share of Other Comprehensive Income                  | 999             | 1,497           |
| As at 31st March                                     | 77,852          | 73,319          |

The Company holds 47.8% (2023/24 - 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. 3,048,846,940/- (2024 - Rs. 1,249,634,690).

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<br>As at 31st March | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
|----------------------------------------------------------------|------------------|------------------|
| Current Assets                                                 |                  |                  |
| Cash and Cash equivalents                                      | 452,446          | 455,367          |
| Other current assets                                           | 8,171,394        | 6,357,049        |
| <b>Total current assets</b>                                    | <b>8,623,840</b> | <b>6,812,416</b> |
| Non current assets                                             | 4,426,549        | 4,268,796        |
| Current liabilities                                            | 3,233,941        | 5,103,932        |
| Non current liabilities                                        | 3,572,234        | 3,579,107        |
| <b>Net Assets</b>                                              | <b>6,244,214</b> | <b>2,398,173</b> |

| Summarized Statement of financial position                       | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|------------------------------------------------------------------|-----------------|-----------------|
| Revenue                                                          | 15,268,675      | 10,078,006      |
| Gross profit                                                     | 3,434,591       | 1,884,119       |
| <b>Profit for the year</b>                                       |                 |                 |
| Profit attributable to owners of the company for the year        | 850,961         | (69,837)        |
| Other comprehensive income attributable to owners of the company | (7,731)         | 270,992         |
| % interest held                                                  | 47.8            | 47.8            |
| Share of profit                                                  | 406,759         | (32,386)        |
| Share of other comprehensive income                              | (3,695)         | 132,720         |

#### CP Holdings (pvt) Ltd

| Summarized Statement of financial position<br>As at 31st March | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|----------------------------------------------------------------|-----------------|-----------------|
| Current Assets                                                 |                 |                 |
| Cash and Cash equivalents                                      | 28,990          | 21,585          |
| Other current assets                                           | 1,841           | 969             |
| <b>Total current assets</b>                                    | <b>30,831</b>   | <b>22,554</b>   |
| Non current assets                                             | 422,929         | 408,338         |
| Current liabilities                                            | 2,214           | 2,087           |
| Non current liabilities                                        | 25,825          | 21,364          |
| <b>Net Assets</b>                                              | <b>425,721</b>  | <b>407,441</b>  |

# NOTES TO THE FINANCIAL STATEMENTS

| Summarized Statement of financial position                       | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
|------------------------------------------------------------------|-----------------|-----------------|
| Revenue                                                          | 14,038          | -               |
| Gross profit                                                     | 5,324           | -               |
| <b>Profit for the year</b>                                       |                 |                 |
| Profit attributable to owners of the company for the year        | 14,348          | 15,467          |
| Other comprehensive income attributable to owners of the company | 4,055           | 6,078           |
| % Interest held                                                  | 24.6            | 24.6            |
| Share of profit                                                  | 3,534           | 3,809           |
| Share of other comprehensive income                              | 999             | 1,497           |

**6.1** Details of those companies in which Lanka Tiles PLC, held as Associates as at 31st March 2025 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          |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | 2025<br>Rs.'000  | 2024<br>Rs.'000  | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
| Raw materials                    | 2,889,151        | 2,923,202        | 2,889,151        | 2,923,202        |
| Work in progress                 | 130,221          | 290,777          | 130,221          | 290,777          |
| Finished goods                   | 4,970,509        | 4,071,388        | 4,970,509        | 4,060,593        |
| Trading Stocks                   | 403,427          | 432,005          | 329,004          | 432,005          |
| Provision for slow moving stocks | (277,153)        | (303,309)        | (277,153)        | (303,309)        |
| <b>Total</b>                     | <b>8,116,155</b> | <b>7,414,063</b> | <b>8,041,732</b> | <b>7,403,268</b> |

**7.1** Provision for slow moving stocks

| As at 31st March           | GROUP/COMPANY   |                 |
|----------------------------|-----------------|-----------------|
|                            | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Provision as at 01st April | 303,309         | 195,724         |
| Charge during the year     | (26,156)        | 107,585         |
| Provision as at 31st March | 277,153         | 303,309         |

## 8 TRADE AND OTHER RECEIVABLES

|                                                 | GROUP           |                 | COMPANY         |                 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                 | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Trade debtors - Other                           | 742,581         | 991,388         | 695,285         | 967,254         |
| Less: Allowances for doubtful debts ( Note 8.1) | (54,285)        | (37,285)        | (54,285)        | (37,285)        |
|                                                 | 688,296         | 954,103         | 641,000         | 929,969         |
| Advance and prepayments                         | 399,340         | 523,911         | 399,340         | 518,260         |
| Total                                           | 1,087,636       | 1,478,014       | 1,040,340       | 1,448,229       |

| 8.1                                  | GROUP/COMPANY   |                 |
|--------------------------------------|-----------------|-----------------|
|                                      | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Allowances for doubtful debts</b> |                 |                 |
| Opening Balance as at 1 April        | 37,285          | 26,308          |
| Provided during the year             | 17,000          | 11,300          |
| Utilized/reversed during the year    | -               | (323)           |
| Closing balance as at 31 March       | 54,285          | 37,285          |

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

| Group | Neither past due<br>nor impaired<br>Rs.'000' | Past due but not impaired |              |          |          | Total<br>Rs.'000 |
|-------|----------------------------------------------|---------------------------|--------------|----------|----------|------------------|
|       |                                              | < 3 Months                | 3- 12 Months | > 1 Year | Impaired |                  |
|       |                                              | Rs. '000                  | Rs. '000     | Rs. '000 | Rs. '000 |                  |
| 2025  | 366,131                                      | 127,363                   | 123,732      | 71,070   | 54,285   | 742,581          |
| 2024  | 551,527                                      | 205,661                   | 191,937      | 4,978    | 37,285   | 991,388          |

| Company | Neither past due<br>nor impaired<br>Rs.'000' | Past due but not impaired |              |          |          | Total<br>Rs.'000 |
|---------|----------------------------------------------|---------------------------|--------------|----------|----------|------------------|
|         |                                              | < 3 Months                | 3- 12 Months | > 1 Year | Impaired |                  |
|         |                                              | Rs. '000                  | Rs. '000     | Rs. '000 | Rs. '000 |                  |
| 2025    | 318,835                                      | 127,363                   | 123,732      | 71,070   | 54,285   | 695,285          |
| 2024    | 554,527                                      | 178,527                   | 191,937      | 4,978    | 37,285   | 967,254          |

# NOTES TO THE FINANCIAL STATEMENTS

## 9 AMOUNTS DUE FROM RELATED PARTIES

| Company                        | Relationship       | GROUP           |                 | COMPANY         |                 |
|--------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
|                                |                    | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Lanka Walltiles PLC            | Parent Company     | 404,209         | 819,955         | 404,209         | 819,955         |
| Beyond Paradise Collection Ltd | Affiliated Company | -               | -               | 1,003           | 669             |
| Rocell Bathware Ltd            | Affiliated Company | -               | 2,652           | -               | 2,652           |
| Swisstek Aluminium Ltd         | Affiliated Company | 24,853          | 60,106          | 24,853          | 60,106          |
| Swisstek Ceylon PLC            | Associate Company  | -               | 8,343           | -               | 8,343           |
| LWL Development (Pvt) Ltd      | Affiliated Company | 5,108           | 4,476           | 5,108           | 3,492           |
| LTL Development Ltd            | Subsidiary company | -               | -               | 433             | 287             |
| Lanka Swisstek Private Ltd     | Subsidiary company | -               | -               | 16,728          | 5,614           |
| Lanka Tiles USA Inc            | Affiliated Company | 101,841         | -               | 101,841         | -               |
| Valley View Ceramics LLC       | Affiliated Company | 134,263         | -               | 134,263         | -               |
| Total                          |                    | 670,274         | 895,532         | 688,438         | 901,118         |

## 10 STATED CAPITAL - GROUP / COMPANY

### 10.1 Issued & fully paid

| As at 31st March         | 2025        |         | 2024        |         |
|--------------------------|-------------|---------|-------------|---------|
|                          | 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         |                 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
|                              | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Revaluation reserve (11.1)   | 1,632,125       | 1,632,125       | 1,632,125       | 1,632,125       |
| Amalgamation reserve         | 460,151         | 460,151         | 460,151         | 460,151         |
| Exchange translation reserve | (6,362)         | (2,966)         | -               | -               |
| Total                        | 2,085,914       | 2,089,310       | 2,092,276       | 2,092,276       |

### 11.1 Revaluation reserve

On: Property Plant & Equipment

|                                                               | GROUP/COMPANY   |                 |
|---------------------------------------------------------------|-----------------|-----------------|
|                                                               | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| As at 01st April                                              | 1,632,125       | 1,002,318       |
| Revaluation of freehold land and building net of deferred tax | -               | 629,807         |
| As at 31st March                                              | 1,632,125       | 1,632,125       |

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

## 12 INTEREST BEARING LIABILITIES

|                                    | GROUP           |                 | COMPANY         |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Non Current                        |                 |                 |                 |                 |
| Long term loans (Note 12.1)        | -               | 166,667         | -               | 166,667         |
| Lease liability (Note-3.9)         | -               | 21,623          | -               | 21,623          |
| Total                              | -               | 188,290         | -               | 188,290         |
| Current                            |                 |                 |                 |                 |
| Long term loans (Note 12.1)        | 166,667         | 251,623         | 166,667         | 251,623         |
| Lease liability (Note-3.9)         | 7,071           | 35,712          | 7,071           | 35,712          |
| Short term loans (Note 12.2)       | 1,076,613       | 400,000         | 1,005,000       | 400,000         |
| Bank overdrafts (Note 25)          | 559,050         | 277,630         | 494,185         | 277,630         |
| Total                              | 1,809,401       | 964,965         | 1,672,923       | 964,965         |
| Total interest bearing liabilities | 1,809,401       | 1,153,255       | 1,672,923       | 1,153,255       |

### 12.1 Long term loans

|                                 | GROUP           |                 | COMPANY         |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| As at 01st April                | 418,290         | 666,667         | 418,290         | 666,667         |
| Repayments                      | (251,623)       | (248,377)       | (251,623)       | (248,377)       |
| As at 31st March                | 166,667         | 418,290         | 166,667         | 418,290         |
| Amount payable within 12 months | 166,667         | 251,623         | 166,667         | 251,623         |
| Amount payable after 12 months  | -               | 166,667         | -               | 166,667         |
| Total                           | 166,667         | 418,290         | 166,667         | 418,290         |

# NOTES TO THE FINANCIAL STATEMENTS

## 12.2 Short term loans

|                  | GROUP           |                 | COMPANY         |                 |
|------------------|-----------------|-----------------|-----------------|-----------------|
|                  | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| As at 01st April | 400,000         | 500,000         | 400,000         | 500,000         |
| Loans obtained   | 7,286,838       | 925,000         | 7,215,225       | 925,000         |
| Repayments       | (6,610,225)     | (1,025,000)     | (6,610,225)     | (1,025,000)     |
| As at 31st March | 1,076,613       | 400,000         | 1,005,000       | 400,000         |

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

| Financial Institution                  | Repayment terms                                   | Principal<br>Rs.'000 | Interest Rate | Security                                                                                                   | Annual repayment<br>Rs.'000 | Balance as at 2025<br>Rs.'000 | Balance as at 2024<br>Rs.'000 |
|----------------------------------------|---------------------------------------------------|----------------------|---------------|------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------|-------------------------------|
| 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 | 251,623                     | 166,667                       | 418,290                       |
| <b>Company Total - Lanka Tiles PLC</b> |                                                   |                      |               |                                                                                                            |                             | <b>166,667</b>                | <b>418,290</b>                |

## 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       |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2025<br>Rs.'000  | 2024<br>Rs.'000  | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
| <b>Financial Assets</b>           |                  |                  |                  |                  |
| Trade and Other Receivables       | 688,296          | 954,103          | 688,296          | 954,103          |
| Amounts Due From Related Parties  | 670,274          | 895,532          | 670,274          | 895,532          |
| Cash and Cash Equivalents         | 398,379          | 306,811          | 398,379          | 306,811          |
| <b>Total</b>                      | <b>1,756,949</b> | <b>2,156,446</b> | <b>1,756,949</b> | <b>2,156,446</b> |
| <b>Financial Liabilities</b>      |                  |                  |                  |                  |
| Trade and Other Payables          | 846,319          | 643,052          | 846,319          | 643,052          |
| Contract Liability                | 129,902          | 94,211           | 129,902          | 94,211           |
| Amounts Due To Related Parties    | 156,084          | 132,188          | 156,084          | 132,188          |
| Loans and Borrowings- Current     | 1,809,401        | 964,965          | 1,809,401        | 964,965          |
| Loans and Borrowings- Non Current | -                | 188,290          | -                | 188,290          |
| <b>Total</b>                      | <b>2,941,706</b> | <b>2,022,706</b> | <b>2,941,706</b> | <b>2,022,706</b> |

### Company

| As at 31st March                  | Carrying Amount  |                  | Fair value       |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2025<br>Rs.'000  | 2024<br>Rs.'000  | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
| <b>Financial Assets</b>           |                  |                  |                  |                  |
| Trade and Other Receivables       | 641,000          | 929,969          | 641,000          | 929,969          |
| Amounts Due From Related Parties  | 688,438          | 901,118          | 688,438          | 901,118          |
| Cash And Cash Equivalents         | 392,803          | 298,794          | 392,803          | 298,794          |
| <b>Total</b>                      | <b>1,722,241</b> | <b>2,129,881</b> | <b>1,722,241</b> | <b>2,129,881</b> |
| <b>Financial Liabilities</b>      |                  |                  |                  |                  |
| Trade and Other Payables          | 812,955          | 636,023          | 812,955          | 636,023          |
| Contract Liability                | 129,902          | 94,211           | 129,902          | 94,211           |
| Amounts Due To Related Parties    | 131,911          | 131,911          | 131,911          | 131,911          |
| Loans and Borrowings- Current     | 1,672,923        | 964,965          | 1,672,923        | 964,965          |
| Loans and Borrowings- Non Current | -                | 188,290          | -                | 188,290          |
| <b>Total</b>                      | <b>2,747,691</b> | <b>2,015,400</b> | <b>2,747,691</b> | <b>2,015,400</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.

# NOTES TO THE FINANCIAL STATEMENTS

## 13 DEFERRED TAX LIABILITIES

|                                                                   | GROUP           |                 | COMPANY         |                 |
|-------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                   | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| As at 01st April                                                  | 1,559,625       | 1,329,517       | 1,492,040       | 1,261,932       |
| Income/ (expense) arising during the year                         |                 |                 |                 |                 |
| - Arising on During the Year Movement                             | 187,534         | (23,337)        | 187,534         | (23,337)        |
| Deferred tax release on components of other comprehensive income  |                 |                 |                 |                 |
| - Arising on During the Year Movement                             | (10,070)        | 253,445         | (10,070)        | 253,445         |
| As at 31st March                                                  | 1,737,089       | 1,559,625       | 1,669,504       | 1,492,040       |
| <b>13.1 Statement of Financial Position</b>                       |                 |                 |                 |                 |
| <b>Deferred Tax Liability</b>                                     |                 |                 |                 |                 |
| Capital Allowances                                                | 1,136,574       | 1,108,634       | 1,068,990       | 1,041,049       |
| Revaluation surplus                                               | 559,256         | 559,256         | 559,256         | 559,256         |
| Undistributed Associate Profits                                   | 232,844         | 70,528          | 232,844         | 70,528          |
| Retirement Benefit Liability                                      | (88,065)        | (67,739)        | (88,065)        | (67,739)        |
| Lease Liability                                                   | 2,732           | (2,558)         | 2,732           | (2,558)         |
| Provision                                                         | (89,967)        | (97,310)        | (89,967)        | (97,310)        |
| Allowances for Doubtful Debts                                     | (16,286)        | (11,186)        | (16,286)        | (11,186)        |
|                                                                   | 1,737,088       | 1,559,625       | 1,669,504       | 1,492,040       |
| <b>13.2 Statement of Comprehensive Income</b>                     |                 |                 |                 |                 |
| <b>Deferred income tax reported in income statement</b>           |                 |                 |                 |                 |
| Capital Allowances                                                | 27,941          | 21,565          | 27,941          | 21,565          |
| Retirement Benefit Liability                                      | (10,256)        | 7,330           | (10,256)        | 7,330           |
| Lease Liability                                                   | 5,290           | 2,023           | 5,290           | 2,023           |
| Provision                                                         | 7,343           | (38,591)        | 7,343           | (38,591)        |
| Provision for Undistributed Associate Retained Earnings           | 162,316         | (12,370)        | 162,316         | (12,370)        |
| Allowances for Doubtful Debts                                     | (5,100)         | (3,294)         | (5,100)         | (3,294)         |
| Deferred taxation charge/(reversal)                               | 187,534         | (23,337)        | 187,534         | (23,337)        |
| <b>Deferred income tax reported in other comprehensive income</b> |                 |                 |                 |                 |
| Net of deferred tax effect on freehold lan and building           | -               | 269,917         | -               | 269,917         |
| Retirement Benefit Liability / (Asset)                            | (10,070)        | (16,472)        | (10,070)        | (16,472)        |
| Income/ (expense) arising during the year                         | (10,070)        | 253,445         | (10,070)        | 253,445         |

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%

## 14 RETIREMENT BENEFIT LIABILITY

|                                                   | GROUP / COMPANY |                 |
|---------------------------------------------------|-----------------|-----------------|
|                                                   | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| As at 01 st April                                 | 225,793         | 199,753         |
| Current service cost                              | 19,140          | 12,556          |
| Net interest on the net defined benefit liability | 28,442          | 31,961          |
|                                                   | 47,582          | 44,517          |
| Net Actuarial Gain / loss for the year            | 33,566          | 54,906          |
| Payments made during the Year                     | (13,391)        | (73,383)        |
|                                                   | 20,175          | (18,477)        |
| As at 31 st March                                 | 293,550         | 225,793         |

### 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 |                 |
|-------------------------------------------------------------------|-----------------|-----------------|
|                                                                   | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Discount Rate Sensitivity</b>                                  |                 |                 |
| Impact on one percentage decrease (-1%) in the discount rate      | (23,294)        | (14,105)        |
| A one percentage increase (+1%) in the discount rate              | 20,377          | 15,987          |
| <b>Salary Escalation Rate Sensitivity</b>                         |                 |                 |
| A one percentage decrease (-1%) in the salary/wage increment rate | 21,027          | 16,707          |
| A one percentage increase (+1%) in the salary/wage increment rate | (23,583)        | (14,993)        |

### Group / Company

Distribution of Present value of define benefit obligation

| As at 31 March 2025        | Less than<br>a year | Between<br>1-2 years | Between<br>2-5 years | Over<br>year 5 | Total   |
|----------------------------|---------------------|----------------------|----------------------|----------------|---------|
| Defined Benefit Obligation | 46,119              | 31,821               | 57,341               | 158,269        | 293,550 |

Lanka Tiles PLC the Group and the Company the defined benefit liability as of 31 March 2025 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

# NOTES TO THE FINANCIAL STATEMENTS

The principal assumptions underlying the valuation are as follows;

| As at 31st March                                                | GROUP / COMPANY                        |                                        |
|-----------------------------------------------------------------|----------------------------------------|----------------------------------------|
|                                                                 | 2025<br>Rs.'000                        | 2024<br>Rs.'000                        |
| Discount rate (per annum)                                       | 11.00%                                 | 12.50%                                 |
| Salary scale (per annum) - Executives                           | 15.00%                                 | 15.00%                                 |
| - Non Executives                                                | 12.50%                                 | 12.00%                                 |
| Retirement Age                                                  | 60 Years                               | 60 Years                               |
| Staff Turnover ratio                                            | 8% up to<br>54 years,<br>thereafter 0% | 8% up to<br>54 years,<br>thereafter 0% |
| Weighted Average duration of defined benefit obligation (Years) | 8.00                                   | 9.70                                   |

## 15 TRADE AND OTHER PAYABLES

|                                             | GROUP            |                  | COMPANY          |                  |
|---------------------------------------------|------------------|------------------|------------------|------------------|
|                                             | 2025<br>Rs.'000  | 2024<br>Rs.'000  | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
| Trade creditors - other                     | 648,307          | 509,372          | 620,774          | 506,299          |
| - related parties (Note 15.1)               | 198,013          | 133,681          | 192,181          | 129,727          |
|                                             | 846,320          | 643,053          | 812,955          | 636,026          |
| Sundry creditors including accrued expenses | 481,540          | 955,279          | 481,540          | 955,280          |
| <b>Total</b>                                | <b>1,327,860</b> | <b>1,598,332</b> | <b>1,294,495</b> | <b>1,591,306</b> |

### 15.1 Trade creditors - related parties

|                     |                   | Group           |                 | Company         |                 |
|---------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
|                     |                   | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Company             | Relationship      |                 |                 |                 |                 |
| Swisstek Ceylon PLC | Associate Company | 192,181         | 129,727         | 192,181         | 129,727         |
| Lanka Walltiles PLC | Parent Company    | 5,832           | 3,954           | -               | -               |
|                     |                   | 198,013         | 133,681         | 192,181         | 129,727         |

### 15.2 Contract Liabilities

|                  |  | GROUP / COMPANY |                 |
|------------------|--|-----------------|-----------------|
|                  |  | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| As at 31st March |  | 129,902         | 94,211          |

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. The Balance in 31st March 2024 was fully recognised in the financial year 2024 /25.

## 16 AMOUNTS DUE TO RELATED PARTIES

|                            |                         | GROUP           |                 | COMPANY         |                 |
|----------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Current                    |                         | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Company                    | Relationship            |                 |                 |                 |                 |
| Lanka Ceramic PLC          | Affiliated Company      | 18,643          | 32,541          | 18,643          | 32,541          |
| Royal Ceramics Lanka PLC   | Affiliated Company      | 2,709           | 9,233           | 2,709           | 9,233           |
| Swisstek Ceylon PLC        | Associate Company       | 10,937          | -               | 10,937          | -               |
| Uni Dil Packaging Limited  | Affiliated Company      | 14,157          | 22,418          | 14,157          | 22,418          |
| Swisstek Aluminium Limited | Affiliated Company      | 35,302          | 277             | -               | -               |
| Vallibel One PLC           | Ultimate Parent Company | 68,502          | 67,719          | 68,502          | 67,719          |
| Lanka Walltiles PLC        | Parent Company          | 5,832           | -               | -               | -               |
|                            |                         | 156,082         | 132,188         | 114,948         | 131,911         |

## 17 REVENUE FROM CONTRACTS WITH CUSTOMERS

|                                  |  | GROUP           |                 | COMPANY         |                 |
|----------------------------------|--|-----------------|-----------------|-----------------|-----------------|
| Year ended 31st March            |  | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Sale of tiles & associated items |  |                 |                 |                 |                 |
| Export sales                     |  | 481,989         | 497,066         | 481,989         | 497,066         |
| Local sales                      |  | 12,686,071      | 15,634,470      | 12,648,461      | 15,633,821      |
|                                  |  | 13,168,060      | 16,131,536      | 13,130,450      | 16,130,887      |
| Turnover net of tax              |  | 13,168,060      | 16,131,536      | 13,130,450      | 16,130,887      |

# NOTES TO THE FINANCIAL STATEMENTS

## 17.1 Contract balances

|                                | GROUP           |                 | COMPANY         |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Trade receivables (Note 08)    | 1,087,636       | 1,478,014       | 1,040,340       | 1,448,229       |
| Contract liability (Note 15.2) | 129,902         | 94,211          | 129,902         | 94,211          |
|                                | 1,217,538       | 1,572,225       | 1,170,242       | 1,542,440       |

## 18 OTHER INCOME / (EXPENSES)

|                                                       | GROUP           |                 | COMPANY         |                 |
|-------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                       | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Disposal gain/(Loss) on property, plant and equipment | 75              | 4,087           | 75              | 4,087           |
| Sundry income                                         | 35,901          | 31,685          | 33,190          | 30,485          |
| Rental income - Related parties                       | 10,245          | -               | 10,245          | -               |
|                                                       | 46,221          | 35,772          | 43,510          | 34,572          |

## 19 FINANCE COST

|                                      | GROUP           |                 | COMPANY         |                 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                      | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Interest expense on overdrafts       | 37,279          | 28,403          | 35,052          | 28,403          |
| Interest expense on bank loans       | 126,875         | 132,345         | 122,465         | 132,345         |
| Finance charges on lease liabilities | 5,875           | 9,528           | 5,875           | 9,528           |
|                                      | 170,029         | 170,276         | 163,392         | 170,276         |

## 20 FINANCE INCOME

|                 | GROUP           |                 | COMPANY         |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                 | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Interest income | 101,285         | 187,150         | 101,285         | 186,678         |
|                 | 101,285         | 187,150         | 101,285         | 186,678         |

## 21 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

|                                             | GROUP           |                 | COMPANY         |                 |
|---------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                             | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Included in cost of sales</b>            |                 |                 |                 |                 |
| Depreciation And Amortization Cost          | 469,021         | 421,684         | 469,021         | 421,684         |
| Defined Benefit Plan Costs - Gratuity       | 32,580          | 30,950          | 32,580          | 30,950          |
| Defined Contribution Plan Costs - EPF & ETF | 46,591          | 48,519          | 46,208          | 48,519          |
| Other Staff Cost                            | 923,068         | 1,069,993       | 923,055         | 1,069,993       |
| <b>Included in administration expenses</b>  |                 |                 |                 |                 |
| Depreciation And Amortization Cost          | 66,429          | 53,909          | 48,629          | 53,909          |
| Defined Benefit Plan Costs - Gratuity       | 9,472           | 8,001           | 9,472           | 8,001           |
| Defined Contribution Plan Costs - EPF & ETF | 13,438          | 16,440          | 12,882          | 16,440          |
| Other Staff Cost                            | 210,304         | 155,767         | 189,663         | 155,535         |
| Audit Fee                                   | 1,660           | 2,068           | 1,528           | 1,340           |
| Non Audit Fee                               | 4,338           | 1,833           | 4,338           | 1,833           |
| Technical Fee                               | 216,576         | 259,251         | 216,576         | 259,251         |
| Inventory Written Off And Allowances        | (26,156)        | 107,584         | (26,156)        | 107,584         |
| Social Security Contribution Levy ( SSCL)   | 261,895         | 321,802         | 261,895         | 321,802         |
| Exchange (Gain) / Loss                      | (6,884)         | 117,499         | (6,884)         | 117,499         |
| <b>Included in distribution cost</b>        |                 |                 |                 |                 |
| Depreciation And Amortization Cost          | 66,758          | 50,126          | 66,758          | 50,126          |
| Defined Benefit Plan Costs - Gratuity       | 5,529           | 5,568           | 5,529           | 5,568           |
| Defined Contribution Plan Costs - EPF & ETF | 11,136          | 12,158          | 10,909          | 12,158          |
| Other Staff Cost                            | 153,972         | 167,971         | 145,879         | 167,971         |
| Allowance For Doubtful Debts                | 17,000          | 11,300          | 17,000          | 11,300          |

## 22 INCOME TAX EXPENSES

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

| Year ended 31st March                                             | GROUP           |                 | COMPANY         |                 |
|-------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                   | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| (a) Current income tax                                            |                 |                 |                 |                 |
| Current income tax charge                                         | 404,105         | 1,256,863       | 404,105         | 1,256,863       |
| Under/(over) provision of current taxes in respect of prior years | 2,290           | (31,660)        | 2,290           | (31,660)        |
|                                                                   | 406,395         | 1,225,203       | 406,395         | 1,225,203       |
| (b) Deferred income tax                                           |                 |                 |                 |                 |
| Deferred taxation charge/(reversal)                               | 187,534         | (23,340)        | 187,534         | (23,340)        |
| Income tax expense reported in the Income statement               | 593,929         | 1,201,863       | 593,929         | 1,201,863       |

# NOTES TO THE FINANCIAL STATEMENTS

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

| Year ended 31st March                                             | GROUP            |                  | COMPANY          |                  |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                   | 2025<br>Rs.'000  | 2024<br>Rs.'000  | 2025<br>Rs.'000  | 2024<br>Rs.'000  |
| Accounting profit before income tax                               | 1,677,013        | 4,108,734        | 1,766,743        | 4,117,587        |
| Share of Net Profit of Associate                                  | -                | -                | (406,759)        | 34,326           |
| Non deductible expenses                                           | 802,259          | 756,162          | 802,259          | 756,162          |
| Deductible expenses                                               | (815,227)        | (746,208)        | (815,227)        | (746,208)        |
| <b>Total Statutory Income</b>                                     | <b>1,664,045</b> | <b>4,118,688</b> | <b>1,347,015</b> | <b>4,161,867</b> |
| <b>Net Taxable profit</b>                                         | <b>1,664,045</b> | <b>4,118,688</b> | <b>1,347,015</b> | <b>4,161,867</b> |
| Taxable Profit                                                    | 1,664,045        | 4,118,688        | 1,347,016        | 4,161,867        |
| <b>Net Taxable profit</b>                                         | <b>1,664,045</b> | <b>4,118,688</b> | <b>1,347,016</b> | <b>4,161,867</b> |
| <b>Current income tax expense</b>                                 |                  |                  |                  |                  |
| Taxation -30%                                                     | 404,105          | 1,256,863        | 404,104          | 1,256,863        |
|                                                                   | 404,105          | 1,256,863        | 404,104          | 1,256,863        |
| <b>Deferred income tax reported in income statement</b>           |                  |                  |                  |                  |
| Capital Allowances                                                | 27,941           | 21,562           | 27,941           | 21,562           |
| Retirement Benefit Liability                                      | (10,256)         | 7,330            | (10,256)         | 7,330            |
| Lease Liability                                                   | 5,290            | 2,023            | 5,290            | 2,023            |
| Provision for Obsolete and Slow Moving, Consumables and Spares    | 7,343            | (38,591)         | 7,343            | (38,591)         |
| Provision for Undistributed Associate Retained Earnings           | 162,316          | (12,370)         | 162,316          | (12,370)         |
| Allowances for Doubtful Debts                                     | (5,100)          | (3,294)          | (5,100)          | (3,294)          |
| Deferred taxation charge/(reversal)                               | 187,534          | (23,340)         | 187,534          | (23,340)         |
| <b>Deferred income tax reported in other comprehensive income</b> |                  |                  |                  |                  |
| Revaluation Surplus                                               | -                | 269,917          | -                | 269,917          |
| Retirement Benefit Liability                                      | (10,070)         | (16,472)         | (10,070)         | (16,472)         |
|                                                                   | (10,070)         | 253,445          | (10,070)         | 253,445          |
| <b>Effective Income Tax Rate</b>                                  | <b>24.10%</b>    | <b>30.25%</b>    | <b>22.87%</b>    | <b>30.52%</b>    |

## 23 EARNINGS PER SHARE

### 23.1 Earnings per share - basic

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

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

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

|                                                                                            | GROUP           |                 | COMPANY         |                 |
|--------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                            | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Amounts used as the numerator:</b>                                                      |                 |                 |                 |                 |
| Profit attributable to equity holders for basic earnings per share                         | 1,127,936       | 2,912,277       | 1,172,814       | 2,915,724       |
| <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                                                                    | 4.25            | 10.98           | 4.42            | 10.99           |

## 24 DIVIDENDS PAID

|                                              | GROUP           |                 | COMPANY         |                 |
|----------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                              | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| <b>Declared and paid during the year</b>     |                 |                 |                 |                 |
| <b>Equity dividends on ordinary shares :</b> |                 |                 |                 |                 |
| Final 2023/24 (Rs.0.70 Per share)            | 185,676         | 291,777         | 185,676         | 291,777         |
| 1st Interim 2024/25 (Rs.1.70 per share)      | 450,928         | 1,326,260       | 450,928         | 1,326,260       |
|                                              | 636,604         | 1,618,037       | 636,604         | 1,618,037       |
| Dividend Payout Ratio(%)                     | 59%             | 56%             | 54%             | 55%             |

## 25. CASH AND CASH EQUIVALENTS

### Components of cash and cash equivalents

|                                                                               | GROUP            |                 | COMPANY          |                 |
|-------------------------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
|                                                                               | 2025<br>Rs.'000  | 2024<br>Rs.'000 | 2025<br>Rs.'000  | 2024<br>Rs.'000 |
| Favourable cash & cash equivalents balance                                    |                  |                 |                  |                 |
| Cash & bank balances                                                          | 398,379          | 306,811         | 392,803          | 298,796         |
|                                                                               | 398,379          | 306,811         | 392,803          | 298,796         |
| Unfavourable cash & cash equivalent balances                                  |                  |                 |                  |                 |
| Bank overdrafts (12)                                                          | (559,050)        | (277,631)       | (494,185)        | (277,631)       |
| <b>Total cash and cash equivalents for the purpose of cash flow statement</b> | <b>(160,671)</b> | <b>29,180</b>   | <b>(101,382)</b> | <b>21,165</b>   |

# NOTES TO THE FINANCIAL STATEMENTS

## 26. ASSETS PLEDGED

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

### Lanka Tiles PLC

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

## 27 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

### 27.1 COMPANY

|                                                   | Transactions with the Parent<br>and ultimate Parent Company<br>(Lanka Walltiles PLC and<br>Vallibel One PLC) |                  | Transactions with Subsidiaries<br>and Affiliate Companies |                  | Total            |                  |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------|------------------|------------------|------------------|
|                                                   | 2025<br>Rs. '000                                                                                             | 2024<br>Rs. '000 | 2025<br>Rs. '000                                          | 2024<br>Rs. '000 | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
| Balance as at 01st April                          | 752,236                                                                                                      | 1,229,203        | 36,161                                                    | 181,535          | 788,397          | 1,410,738        |
| Sale of Tiles/ (Sales returns)                    | -                                                                                                            | -                | 99,827                                                    | -                | 99,827           | -                |
| Purchases                                         | (19,651)                                                                                                     | -                | 753,864                                                   | (1,691,622)      | 734,213          | (1,691,622)      |
| Sale of raw materials & spares                    | 485,279                                                                                                      | 11,620           | (297,348)                                                 | 18,632           | 187,931          | 30,252           |
| Settlements/(Recoveries) by the<br>Company        | 1,815,141                                                                                                    | (1,685,220)      | (725,719)                                                 | 1,371,854        | 1,089,422        | (313,366)        |
| Rent received/(paid)                              | 656                                                                                                          | 3,953            | 18,138                                                    | (12,997)         | 18,794           | (9,044)          |
| Expenses apportioned                              | (1,453,919)                                                                                                  | 714,886          | 33,368                                                    | 68,185           | (1,420,551)      | 783,071          |
| Commission on sales                               | -                                                                                                            | -                | 59,588                                                    | (50,985)         | 59,586           | (50,985)         |
| Expenses incurred and transferred                 | (85,693)                                                                                                     | (441,948)        | 41,577                                                    | (21,499)         | (44,116)         | (463,447)        |
| Credit Cards Collected On Behalf Of<br>Subsidiary | (927,980)                                                                                                    | 1,126,810        | -                                                         | -                | (927,980)        | 1,126,810        |
| Loan                                              | -                                                                                                            | -                | -                                                         | 50,000           | -                | 50,000           |
| Technical Fees                                    | (230,362)                                                                                                    | (207,068)        | 26,146                                                    | (25,859)         | (204,216)        | (232,927)        |
| <b>Balance as at 31st March</b>                   | <b>335,707</b>                                                                                               | <b>752,236</b>   | <b>45,602</b>                                             | <b>(112,756)</b> | <b>381,309</b>   | <b>639,480</b>   |
| <b>Included Under</b>                             |                                                                                                              |                  |                                                           |                  |                  |                  |
| Trade and other payable Amount                    | -                                                                                                            | -                | (192,181)                                                 | (129,727)        | (192,181)        | (129,727)        |
| Amount due from related parties                   | 404,209                                                                                                      | 819,955          | 284,229                                                   | 81,163           | 688,438          | 901,118          |
| Amount due to related parties                     | (68,502)                                                                                                     | (67,719)         | (46,446)                                                  | (64,192)         | (114,948)        | (131,911)        |
| <b>Balance as at 31st March</b>                   | <b>335,707</b>                                                                                               | <b>752,236</b>   | <b>45,602</b>                                             | <b>(112,756)</b> | <b>381,309</b>   | <b>639,480</b>   |

The above subsidiaries and affiliates include following companies;

#### Company

- Royal Ceramics Lanka PLC
- Unidil Packaging (Pvt) Limited
- Swisstek Aluminum Limited
- Swisstek (Ceylon) PLC
- Rocell Bathware Limited
- LWL Development ( Private) Limited
- Beyond Paradise Collection Limited
- Lanka Swisstek (Pvt) Ltd
- LTL Development (Pvt) Limited
- Lanka Ceramics PLC
- Lanka Tiles USA INC
- Valley View Ceramics Llc
- 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 AWPLR + 0.5% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

## 27.2 Group - Related Party Transactions

|                                                   | Transactions with the Parent<br>and ultimate Parent Company<br>(Lanka Walltiles PLC and<br>Vallibel One PLC) |                  | Transactions with Subsidiaries<br>and Affiliate Companies |                  | Total            |                  |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------|------------------|------------------|------------------|
|                                                   | 2025<br>Rs. '000                                                                                             | 2024<br>Rs. '000 | 2025<br>Rs. '000                                          | 2024<br>Rs. '000 | 2025<br>Rs. '000 | 2024<br>Rs. '000 |
| Balance as at 01st April                          | 748,282                                                                                                      | 1,229,203        | (118,619)                                                 | 181,535          | 629,663          | 1,410,738        |
| Sale of Tiles/ (Sales returns)                    | 5,832                                                                                                        | -                | 235,824                                                   | -                | 241,656          | -                |
| Purchases                                         | (19,651)                                                                                                     | (3,954)          | 710,140                                                   | (1,692,324)      | 690,489          | (1,696,278)      |
| Sale of raw materials & spares                    | 485,279                                                                                                      | 11,620           | (297,348)                                                 | 13,018           | 187,931          | 24,638           |
| Settlements/(Recoveries) by the<br>Company        | 1,815,141                                                                                                    | (1,685,220)      | (725,719)                                                 | 1,371,321        | 1,089,422        | (313,899)        |
| Rent received/(paid)                              | 656                                                                                                          | 3,953            | 18,138                                                    | (12,997)         | 18,794           | (9,044)          |
| Expenses apportioned                              | (1,453,919)                                                                                                  | 714,886          | 26,925                                                    | 69,168           | (1,426,994)      | 784,054          |
| Commission on sales                               | -                                                                                                            | -                | 59,588                                                    | (50,984)         | 59,588           | (50,984)         |
| Expenses incurred and transferred                 | (85,693)                                                                                                     | (441,948)        | 41,577                                                    | (21,498)         | (44,116)         | (463,446)        |
| Credit Cards Collected On Behalf Of<br>Subsidiary | (927,980)                                                                                                    | 1,126,810        | -                                                         | -                | (927,980)        | 1,126,810        |
| Loan                                              | -                                                                                                            | -                | -                                                         | 50,000           | -                | 50,000           |
| Technical Fees                                    | (230,362)                                                                                                    | (207,068)        | 26,146                                                    | (25,858)         | (204,216)        | (232,926)        |
| <b>Balance as at 31st March</b>                   | <b>337,585</b>                                                                                               | <b>748,282</b>   | <b>(23,348)</b>                                           | <b>(118,619)</b> | <b>314,238</b>   | <b>629,663</b>   |
| <b>Included Under</b>                             |                                                                                                              |                  |                                                           |                  |                  |                  |
| Trade and other payable                           | 5,832                                                                                                        | (3,954)          | (205,784)                                                 | (129,727)        | (199,952)        | (133,681)        |
| Amount due from related parties                   | 400,255                                                                                                      | 819,955          | 270,018                                                   | 75,577           | 670,274          | 895,532          |
| Amount due to related parties                     | (68,502)                                                                                                     | (67,719)         | (87,582)                                                  | (64,469)         | (156,084)        | (132,188)        |
| <b>Balance as at 31st March</b>                   | <b>337,585</b>                                                                                               | <b>748,282</b>   | <b>(23,348)</b>                                           | <b>(118,619)</b> | <b>314,238</b>   | <b>629,663</b>   |

### 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 |                 |
|--------------------------------|-----------------|-----------------|
|                                | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Short Term Employment Benefits | 99,979          | 101,910         |
| Post Employment Benefits       | -               | -               |
|                                | 99,979          | 101,910         |

## 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 1% per annum for the said security.

### 28.2 Contingencies

There were no material contingent liabilities outstanding as at the reporting date. However, Lanka Tiles PLC and its subsidiaries have received tax assessments from the Department of Inland Revenue relating to Income Tax and Value Added Tax for prior years of assessment. Appeals have been lodged under the applicable laws. Based on the information currently available, the Directors are of the opinion that the ultimate resolution of these matters is not likely to have a material adverse effect on the Company. Accordingly, no provision has been made in these financial statements.

## 29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, on 30th June 2025 by circular resolution. The Board of Directors has recommended the final dividend of Rs. 0.40 Per share for the year ended 31st March 2025.

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

# NOTES TO 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 company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the company financial risk management policies. The board of directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

### Market risk

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

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

### Foreign currency exchange risk

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

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

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

### Foreign currency sensitivity

|             |              | Change in profit before tax |              | Change in profit before tax |              |
|-------------|--------------|-----------------------------|--------------|-----------------------------|--------------|
|             |              | Group                       |              | Company                     |              |
|             |              | Appreciation                | Depreciation | Appreciation                | Depreciation |
|             | Change in    | Rs.'000                     | Rs.'000      | Rs.'000                     | Rs.'000      |
| <b>2025</b> | <b>5.0%</b>  | 16,156                      | (16,156)     | 16,153                      | (16,153)     |
|             | <b>10.0%</b> | 32,311                      | (32,311)     | 32,306                      | (32,306)     |
|             | <b>15.0%</b> | 48,467                      | (48,467)     | 48,459                      | (48,459)     |
|             | <b>20.0%</b> | 64,623                      | (64,623)     | 64,612                      | (64,612)     |
|             | <b>25.0%</b> | 80,778                      | (80,778)     | 80,765                      | (80,765)     |
|             | <b>30.0%</b> | 96,934                      | (96,934)     | 96,918                      | (96,918)     |
| 2024        | 5.0%         | 16,489                      | (16,489)     | 16,489                      | (16,489)     |
|             | 10.0%        | 32,977                      | (32,977)     | 32,977                      | (32,977)     |
|             | 15.0%        | 49,466                      | (49,466)     | 49,466                      | (49,466)     |
|             | 20.0%        | 65,954                      | (65,954)     | 65,954                      | (65,954)     |
|             | 25.0%        | 82,443                      | (82,443)     | 82,443                      | (82,443)     |
|             | 30.0%        | 98,931                      | (98,931)     | 98,931                      | (98,931)     |

### Cash flow and fair value interest rate risk

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

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

### Interest rate sensitivity

|             |             | Change in profit before tax |          | Change in profit before tax |          |
|-------------|-------------|-----------------------------|----------|-----------------------------|----------|
|             |             | Group                       |          | Company                     |          |
|             |             | Increase                    | Decrease | Increase                    | Decrease |
|             | Change in   | Rs.'000                     | Rs.'000  | Rs.'000                     | Rs.'000  |
| <b>2025</b> | <b>0.5%</b> | 9,210                       | (9,210)  | 8,517                       | (8,517)  |
|             | <b>1.0%</b> | 18,420                      | (18,420) | 17,034                      | (17,034) |
|             | <b>1.5%</b> | 27,630                      | (27,630) | 25,551                      | (25,551) |
|             | <b>2.0%</b> | 36,840                      | (36,840) | 34,068                      | (34,068) |
|             | <b>2.5%</b> | 46,050                      | (46,050) | 42,585                      | (42,585) |
|             | <b>5.0%</b> | 92,101                      | (92,101) | 85,171                      | (85,171) |
| 2024        | 0.5%        | 5,918                       | (5,918)  | 5,918                       | (5,918)  |
|             | 1.0%        | 11,836                      | (11,836) | 11,836                      | (11,836) |
|             | 1.5%        | 17,753                      | (17,753) | 17,753                      | (17,753) |
|             | 2.0%        | 23,671                      | (23,671) | 23,671                      | (23,671) |
|             | 2.5%        | 29,589                      | (29,589) | 29,589                      | (29,589) |
|             | 5.0%        | 59,178                      | (59,178) | 59,178                      | (59,178) |

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

# NOTES TO THE FINANCIAL STATEMENTS

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 31st March 2025                     | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>year 1 and<br>2 year | Between<br>year 2<br>and year 5 | Over 5 years |
|----------------------------------------|-----------------------|-----------------------------------|---------------------------------|---------------------------------|--------------|
| <b>Rs ('000)</b>                       |                       |                                   |                                 |                                 |              |
| Interest Bearing Loans and Borrowings  | 1,698,163             | 104,167                           | -                               | -                               | -            |
| Lease Liability on Right of Use Assets | 7,071                 | -                                 | -                               | -                               | -            |
| Trade and other payables               | 1,457,760             | -                                 | -                               | -                               | -            |
| Amounts due to related parties         | 156,084               | -                                 | -                               | -                               | -            |

| At 31 March 2024                       | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>year 1 and<br>2 year | Between<br>year 2<br>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               | 1,692,543             | -                                 | -                               | -                               | -            |
| Amounts due to related parties         | 132,188               | -                                 | -                               | -                               | -            |

## Company

| At 31st March 2025                     | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>year 1 and<br>2 year | Between<br>year 2<br>and year 5 | Over 5 years |
|----------------------------------------|-----------------------|-----------------------------------|---------------------------------|---------------------------------|--------------|
| <b>Rs ('000)</b>                       |                       |                                   |                                 |                                 |              |
| Interest Bearing Loans and Borrowings  | 1,561,686             | 104,166                           | -                               | -                               | -            |
| Lease Liability on Right of Use Assets | 7,071                 | -                                 | -                               | -                               | -            |
| Trade and other payables               | 1,424,397             | -                                 | -                               | -                               | -            |
| Amounts due to related parties         | 114,948               | -                                 | -                               | -                               | -            |

| At 31 March 2024                       | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>year 1 and<br>2 year | Between<br>year 2<br>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               | 1,685,517             | -                                 | -                               | -                               | -            |
| Amounts due to related parties         | 131,911               | -                                 | -                               | -                               | -            |

### 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         |                 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
|                               | 2025<br>Rs.'000 | 2024<br>Rs.'000 | 2025<br>Rs.'000 | 2024<br>Rs.'000 |
| Borrowings                    | 1,809,401       | 1,153,255       | 1,672,923       | 1,153,255       |
| Total equity                  | 15,404,853      | 14,991,225      | 15,283,725      | 14,774,705      |
| Gearing ratio, Debt to Equity | 12%             | 8%              | 11%             | 8%              |

## SUPPLEMENTARY INFORMATION



# Insight that tell a Story

At Lanka Tiles, our supplementary information goes beyond numbers, providing clear context and insight that drive transparency, build trust, and highlight the strategic initiatives shaping our future.

# FIVE YEAR SUMMARY STATEMENT OF COMPREHENSIVE INCOME

| Year ended 31st March                                           | 2021             | 2022             | 2023             | 2024             | 2025             |
|-----------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                                                 | Rs:'000          | Rs:'000          | Rs:'000          | Rs:'000          | Rs:'000          |
| <b>GROUP</b>                                                    |                  |                  |                  |                  |                  |
| Revenue                                                         | 12,626,485       | 14,591,620       | 18,684,042       | 16,131,536       | 13,168,060       |
| Operating profit                                                | 2,775,596        | 4,545,765        | 5,297,540        | 4,122,376        | 1,335,465        |
| Finance income/(costs)                                          | (207,473)        | 85,890           | 253,811          | 16,874           | (68,744)         |
| Share of results of associate-Net of Tax                        | 286,545          | 405,353          | (266,466)        | (30,516)         | 410,293          |
| <b>Profit before income tax</b>                                 | <b>2,854,668</b> | <b>5,037,008</b> | <b>5,284,885</b> | <b>4,108,734</b> | <b>1,677,013</b> |
| Income tax expense                                              | (403,774)        | (926,692)        | (1,597,083)      | (1,201,863)      | (593,929)        |
| <b>Profit for the year</b>                                      | <b>2,450,894</b> | <b>4,110,316</b> | <b>3,687,802</b> | <b>2,906,870</b> | <b>1,083,084</b> |
| <b>Profit attributable to the equity holders of the Company</b> | <b>2,450,774</b> | <b>4,110,139</b> | <b>3,687,589</b> | <b>2,192,277</b> | <b>1,127,936</b> |
| Dividends                                                       | (856,764)        | (1,856,763)      | (2,228,116)      | (1,618,037)      | (636,604)        |
| <b>Retained profit for the year</b>                             | <b>1,594,010</b> | <b>2,253,376</b> | <b>1,459,473</b> | <b>1,294,240</b> | <b>491,332</b>   |
| Earnings per share - basic (Rs)                                 | 9.24             | 15.50            | 13.90            | 10.98            | 4.08             |

| Year ended 31st March                                           | 2021             | 2022             | 2023             | 2024             | 2025             |
|-----------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                                                 | Rs:'000          | Rs:'000          | Rs:'000          | Rs:'000          | Rs:'000          |
| <b>COMPANY</b>                                                  |                  |                  |                  |                  |                  |
| Revenue                                                         | 12,626,485       | 14,591,620       | 18,684,042       | 16,130,887       | 13,130,450       |
| Operating profit                                                | 2,775,990        | 4,546,130        | 5,296,875        | 4,135,511        | 1,422,092        |
| Finance income/(costs)                                          | (207,473)        | 85,890           | 253,811          | 16,402           | (62,107)         |
| Share of results of associate-Net of Tax                        | 286,545          | 402,764          | (271,424)        | (34,326)         | 406,759          |
| <b>Profit before income tax</b>                                 | <b>2,855,062</b> | <b>5,034,784</b> | <b>5,279,262</b> | <b>4,117,587</b> | <b>1,764,997</b> |
| Income tax expense                                              | (410,388)        | (913,924)        | (1,583,154)      | (1,201,863)      | (593,929)        |
| <b>Profit for the year</b>                                      | <b>2,444,675</b> | <b>4,120,860</b> | <b>3,696,108</b> | <b>2,915,724</b> | <b>1,169,935</b> |
| <b>Profit attributable to the equity holders of the Company</b> | <b>2,444,675</b> | <b>4,120,860</b> | <b>3,696,108</b> | <b>2,915,724</b> | <b>1,143,965</b> |
| Dividends                                                       | (856,764)        | (1,856,763)      | (2,228,116)      | (1,618,037)      | (636,604)        |
| <b>Retained profit for the year</b>                             | <b>1,587,911</b> | <b>2,264,097</b> | <b>1,467,992</b> | <b>1,297,687</b> | <b>536,211</b>   |
| Earnings per share - basic (Rs)                                 | 9.22             | 15.54            | 13.93            | 10.99            | 4.42             |

# FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

| As at 31st March                    | 2021              | 2022              | 2023              | 2024              | 2025              |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | Rs:'000           | Rs:'000           | Rs:'000           | Rs:'000           | Rs:'000           |
| <b>ASSETS</b>                       |                   |                   |                   |                   |                   |
| <b>Non-current assets</b>           |                   |                   |                   |                   |                   |
| Property, plant and equipment       | 6,373,888         | 6,471,179         | 7,001,724         | 8,335,196         | 8,424,027         |
| Right of Use Assets                 | 63,878            | 65,378            | 19,510            | 48,805            | 16,178            |
| Intangible Assets                   | 11,295            | 8,970             | 92,155            | 85,244            | 76,922            |
| Investment in subsidiary            | 6,242             | 270,242           | 327,326           | 387,701           | 387,701           |
| Investments in associates           | 1,283,017         | 1,501,249         | 1,076,445         | 1,135,917         | 1,458,345         |
|                                     | 7,738,320         | 8,317,018         | 8,517,160         | 9,992,863         | 10,363,173        |
| <b>Current assets</b>               |                   |                   |                   |                   |                   |
| Inventories                         | 2,322,116         | 2,473,794         | 5,036,886         | 7,403,268         | 8,041,732         |
| Trade and other receivables         | 1,638,223         | 975,691           | 4,028,941         | 2,349,347         | 1,728,778         |
| Cash and cash equivalents           | 2,316,965         | 4,919,853         | 790,371           | 298,794           | 392,803           |
|                                     | 6,277,304         | 8,369,338         | 9,856,198         | 10,051,409        | 10,163,313        |
| <b>Total assets</b>                 | <b>14,015,624</b> | <b>16,686,356</b> | <b>18,373,358</b> | <b>20,044,272</b> | <b>20,526,486</b> |
| <b>EQUITY</b>                       |                   |                   |                   |                   |                   |
| <b>Capital and reserves</b>         |                   |                   |                   |                   |                   |
| Stated capital                      | 900,968           | 900,968           | 900,968           | 900,968           | 900,968           |
| Retained earnings                   | 7,262,288         | 9,567,744         | 10,389,489        | 11,781,461        | 12,290,481        |
| Revaluation reserve                 | 1,122,372         | 1,115,159         | 1,002,318         | 1,632,125         | 1,632,125         |
| Amalgamation reserve                | 460,151           | 460,151           | 460,151           | 460,151           | 460,151           |
|                                     | 9,745,779         | 12,044,022        | 12,752,926        | 14,774,705        | 15,283,725        |
| <b>LIABILITIES</b>                  |                   |                   |                   |                   |                   |
| <b>Non-current liabilities</b>      |                   |                   |                   |                   |                   |
| Borrowings                          | 971,206           | 705,420           | 434,405           | 188,290           | -                 |
| Deferred income tax liabilities     | 740,486           | 853,797           | 1,261,933         | 1,492,040         | 1,669,504         |
| Defined benefit obligations         | 198,598           | 158,999           | 199,753           | 225,793           | 293,550           |
|                                     | 1,910,290         | 1,718,216         | 1,896,091         | 1,906,123         | 1,963,054         |
| <b>Current liabilities</b>          |                   |                   |                   |                   |                   |
| Current liabilities                 |                   |                   |                   |                   |                   |
| Trade and other payables            | 1,774,881         | 1,867,905         | 2,097,881         | 1,817,428         | 1,539,344         |
| Current income tax liabilities      | 262,947           | 293,821           | 310,577           | 581,051           | 67,440            |
| Borrowings                          | 321,727           | 762,392           | 1,315,883         | 964,965           | 1,672,923         |
|                                     | 2,359,555         | 2,924,118         | 3,724,341         | 3,363,444         | 3,279,707         |
| <b>Total liabilities</b>            | <b>4,269,845</b>  | <b>4,642,334</b>  | <b>5,620,432</b>  | <b>5,269,567</b>  | <b>5,242,761</b>  |
| <b>Total equity and liabilities</b> | <b>14,015,624</b> | <b>16,686,356</b> | <b>18,373,358</b> | <b>20,044,272</b> | <b>20,526,486</b> |

# SHAREHOLDER INFORMATION

| Year ended 31st March                  |                    | 2021   | 2022   | 2023   | 2024   | 2025   |
|----------------------------------------|--------------------|--------|--------|--------|--------|--------|
| Authorised share capital               | (Rs.Mn)            | 500    | 500    | 500    | 500    | 500    |
| Stated capital                         | (Rs.Mn)            | 900    | 900    | 900    | 900    | 900    |
| Shares in issue<br>(as at end of year) | (No. of Shares Mn) | 265.25 | 265.25 | 265.25 | 265.25 | 265.25 |
| Shareholders                           |                    |        |        |        |        |        |
| - Institutions                         | (Number)           | 244    | 355    | 329    | 317    | 261    |
| - Individuals                          | (Number)           | 3,083  | 4,277  | 5,476  | 5,375  | 5,532  |
| Total                                  |                    | 3,327  | 4,632  | 5,805  | 5,692  | 5,793  |
| Shares held by                         |                    |        |        |        |        |        |
| - Institutions                         | (%)                | 87.40  | 90.93  | 88.92  | 89.08  | 88.03  |
| - Individuals                          | (%)                | 12.60  | 9.07   | 11.08  | 10.92  | 11.97  |
| Total                                  |                    | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

## ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2025

| Size of shareholdings |             | Shareholders | Shares      | Holdings |
|-----------------------|-------------|--------------|-------------|----------|
| Number                |             | Number       | Number      | %        |
| 1                     | - 1,000     | 3,506        | 956,999     | 0.361    |
| 1,001                 | - 10,000    | 1,723        | 6,556,169   | 2.472    |
| 10,001                | - 100,000   | 500          | 14,725,980  | 5.552    |
| 100,001               | - 1,000,000 | 54           | 14,356,343  | 5.412    |
| Over                  | - 1,000,000 | 10           | 228,656,159 | 86.203   |
| Total                 |             | 5,793        | 265,251,650 | 100.000  |

## CATEGORIES OF SHAREHOLDERS

|                      | No of Holders | No of Shares | %       |
|----------------------|---------------|--------------|---------|
| Individuals          | 5,486         | 31,364,429   | 11.824  |
| Institutions         | 259           | 233,055,257  | 87.862  |
| Foreign Individuals  | 46            | 397,964      | 0.150   |
| Foreign Institutions | 2             | 434,000      | 0.164   |
| Total                | 5,793         | 265,251,650  | 100.000 |

## PUBLIC HOLDING

- The Percentage of shares held by the Pubic as at 31st March 2025 – 28.229%
- No of public shareholders representing the above percentage – 5,787
- The float adjusted market capitalization as at 31st March 2025 is Rs. 3,796,343,245.50

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 2025

| NAME                                                                         | 31.03.2025         |                | 31.03.2024         |                |
|------------------------------------------------------------------------------|--------------------|----------------|--------------------|----------------|
|                                                                              | Shareholding       |                | Shareholding       |                |
|                                                                              | Number             | %              | Number             | %              |
| 1 Lanka Walltiles PLC                                                        | 180,945,975        | 68.217         | 180,945,975        | 68.217         |
| 2 Employee's Provident Fund                                                  | 24,841,565         | 9.365          | 24,841,565         | 9.365          |
| 3 Royal Ceramics Lanka PLC.                                                  | 6,942,405          | 2.617          | 6,942,405          | 2.617          |
| 4 Sri Lanka Insurance Corporation Ltd-Life Fund                              | 3,256,922          | 1.228          | 4,500,294          | 1.700          |
| 5 Amana Bank PLC/Mr.Mohamed Nayaz Deen                                       | 3,121,941          | 1.177          | 3,084,935          | 1.160          |
| 6 Employees Trust Fund Board                                                 | 3,041,601          | 1.147          | 3,267,114          | 1.230          |
| 7 Mr. A A Page                                                               | 2,169,695          | 0.818          | 2,169,695          | 0.818          |
| 8 Mrs. S Vasudevan & Mr. S.Vasudevan                                         | 2,100,993          | 0.792          | 1,576,200          | 0.590          |
| 9 Mr. K A S R Nissanka                                                       | 1,122,452          | 0.423          | 1,122,452          | 0.423          |
| 10 SEYLAN BANK PLC/PHANTOM INVESTMENTS (Pvt) LTD                             | 1,109,700          | 0.418          | -                  | -              |
| 11 Seylan Bank Plc/Mohamed Nayaz Deen                                        | 930,859            | 0.351          | 560,802            | 0.210          |
| 12 Sampath Bank Plc/Aruna Enterprises Pvt Ltd.                               | 642,500            | 0.242          | 642,500            | 0.242          |
| 13 Mrs. A A Merchant                                                         | 625,000            | 0.236          | 625,000            | 0.236          |
| 14 Sri Lanka Insurance Corporation Ltd-General Fund                          | 554,347            | 0.209          | 700,000            | 0.260          |
| 15 Ranavav Holdings (Private) Limited Account No. 04                         | 500,000            | 0.188          | -                  | -              |
| 16 NDB Wealth Management Ltd / Hanif Yusoof                                  | 500,000            | 0.188          | -                  | -              |
| 17 Mr. S A C Keerthisinghe & Mrs. D M J S Dissanayaka                        | 412,000            | 0.155          | 412,000            | 0.160          |
| 18 Mr. N Samarasuriya                                                        | 409,998            | 0.155          | 420,000            | 0.160          |
| 19 Mr. D R Ponnampereuma                                                     | 398,822            | 0.150          | 398,822            | 0.150          |
| 20 Mrs. F S Shafei & Mr. S.A.Mohamed Basheer                                 | 396,473            | 0.149          | -                  | -              |
| 21 Sezeka Limited                                                            | 380,000            | 0.143          | 380,000            | 0.140          |
| 22 Mr. J D Bandaranayake & Dr. (Mrs.) VBandaranayake, Miss I Bandaranayake   | 378,575            | 0.143          | -                  | -              |
| 23 Mr. J D Bandaranayake & Miss. N.Bandaranayake, Dr. (Mrs.) V Bandaranayake | 377,720            | 0.142          | -                  | -              |
| 24 Mr. N S A Cooray                                                          | 360,000            | 0.136          | -                  | -              |
| 25 CBL Investments Limited                                                   | 358,028            | 0.135          | -                  | -              |
| <b>SUB TOATL</b>                                                             | <b>235,877,571</b> | <b>88.924</b>  | <b>232,589,759</b> | <b>87.678</b>  |
| <b>OTHER 5,768 SHAREHOLDERS</b>                                              | <b>29,374,479</b>  | <b>11.076</b>  | <b>32,662,291</b>  | <b>12.322</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 2025

|                                                     | No of Shares | %     |
|-----------------------------------------------------|--------------|-------|
| Mr. A M Weerasinghe                                 | -            | -     |
| Mr. J A P M Jayasekera (resigned w.e.f. 01.04.2025) | -            | -     |
| Dr. S Selliah                                       | 200,000      | 0.075 |
| Mr. T G Thoradeniya                                 | -            | -     |
| 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                         | -            | -     |
| Mr. R M M J Ratnayake (Appointed w.e.f.01.01.2025)  | -            | -     |

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

# SHAREHOLDER INFORMATION

## SHARE PRICE FOR THE YEAR

| Market price per share                       | As at 31/03/2025       | As at 31/03/2024       |
|----------------------------------------------|------------------------|------------------------|
| Highest during the year                      | Rs. 59.80 (30-12-2024) | Rs. 54.90 (13-03-2024) |
| Lowest during the year                       | Rs. 45.10 (06-09-2024) | Rs. 39.20 (29-05-2023) |
| As at end of the year                        | Rs. 50.70 (28-03-2025) | Rs. 51.70 (28-03-2024) |
| Number of Transactions during the year       | 19,789                 |                        |
| Number of Shares traded during the year      | 24,633,701             |                        |
| Value of shares traded during the year (Rs.) | 1,330,922,488.10       |                        |

## PUBLIC HOLDINGS

- The Percentage of shares held by the Pubic as at 31st March 2025 – 28.229%
- No of public shareholders representing the above percentage – 5,793
- The float adjusted market capitalization as at 31st March 2025 is Rs. 3,796,343,245.50

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          | 2021        |        | 2022        |        | 2023        |        | 2024        |        | 2025        |        |
|----------------------------------------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|
|                                        | Rs'000      | %      | Rs'000      | %      | Rs'000      | %      | Rs'000      | %      | Rs'000      | %      |
| Sales                                  | 12,626,485  |        | 14,591,620  |        | 18,684,042  |        | 16,130,887  |        | 13,130,450  |        |
| Other income                           | 42,624      |        | 94,420      |        | 52,382      |        | 34,572      |        | 43,510      |        |
| Less:                                  |             |        |             |        |             |        |             |        |             |        |
| Cost of materials & services bought in | (7,540,481) |        | (7,270,691) |        | (9,884,905) |        | (8,299,457) |        | (7,114,446) |        |
| Value added                            | 5,128,628   |        | 7,415,349   |        | 8,851,519   |        | 7,866,001   |        | 6,059,514   |        |
| Distribution of Value Added            |             |        |             |        |             |        |             |        |             |        |
| Employees as remuneration & welfare    | 1,017,259   | 19.83  | 1,315,973   | 17.75  | 1,783,242   | 20.15  | 1,076,689   | 13.69  | 1,403,324   | 23.16  |
| Government as taxes                    | 774,179     | 15.10  | 1,890,390   | 25.49  | 2,954,467   | 33.38  | 3,712,840   | 47.20  | 3,328,740   | 54.93  |
| Lenders of capital as interest         | 223,839     | 4.36   | 88,126      | 1.19   | 256,402     | 2.90   | 160,748     | 2.04   | 157,516     | 2.60   |
| Shareholders as dividends              | 856,764     | 16.71  | 1,856,764   | 25.04  | 1,989,401   | 22.48  | 1,618,037   | 20.57  | 636,604     | 10.51  |
| Retained in the business as            |             |        |             |        |             |        |             |        |             |        |
| - Depreciation/deferred tax            | 393,526     | 7.67   | 572,123     | 7.72   | 510,955     | 5.77   | 502,378     | 6.39   | 773,076     | 12.76  |
| - Profits                              | 1,863,060   | 36.33  | 1,691,973   | 22.82  | 1,357,052   | 15.33  | 795,309     | 10.11  | (239,746)   | (3.96) |
| Total                                  | 5,128,628   | 100.00 | 7,415,349   | 100.00 | 8,851,519   | 100.00 | 7,866,001   | 100.00 | 6,059,514   | 100.00 |

|                                   |                                                                                                                    |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Statement of use                  | Lanka Tiles PLC has reported in accordance with the GRI Standards for the period 1st April 2024 to 31st March 2025 |
| GRI 1 used                        | GRI 1: Foundation 2021                                                                                             |
| Applicable GRI Sector Standard(s) | There is no applicable sector standard.                                                                            |

| GRI STANDARD/<br>OTHER SOURCE      | DISCLOSURE                                                                       | PAGE | OMISSION                  |        |             | GRI SECTOR<br>STANDARD REF.<br>NO. |
|------------------------------------|----------------------------------------------------------------------------------|------|---------------------------|--------|-------------|------------------------------------|
|                                    |                                                                                  |      | REQUIREMENT(S)<br>OMITTED | REASON | EXPLANATION |                                    |
| General disclosures                |                                                                                  |      |                           |        |             |                                    |
| GRI 2: General<br>Disclosures 2021 | 2-1 Organizational details                                                       | 3    |                           |        |             |                                    |
|                                    | 2-2 Entities included in the organization's sustainability reporting             | 5-7  |                           |        |             |                                    |
|                                    | 2-3 Reporting period, frequency and contact point                                | 5-7  |                           |        |             |                                    |
|                                    | 2-4 Restatements of information                                                  | 7    |                           |        |             |                                    |
|                                    | 2-5 External assurance                                                           | 111  |                           |        |             |                                    |
|                                    | 2-6 Activities, value chain and other business relationships                     | 30   |                           |        |             |                                    |
|                                    | 2-7 Employees                                                                    | 60   |                           |        |             |                                    |
|                                    | 2-8 Workers who are not employees                                                | 60   |                           |        |             |                                    |
|                                    | 2-10 Nomination and selection of the highest governance body                     | 84   |                           |        |             |                                    |
|                                    | 2-11 Chair of the highest governance body                                        | 84   |                           |        |             |                                    |
|                                    | 2-12 Role of the highest governance body in overseeing the management of impacts | 84   |                           |        |             |                                    |
|                                    | 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                                                       | 84   |                           |        |             |                                    |
|                                    | 2-16 Communication of critical concerns                                          | 22   |                           |        |             |                                    |
|                                    | 2-17 Collective knowledge of the highest governance body                         | 22   |                           |        |             |                                    |
|                                    | 2-18 Evaluation of the performance of the highest governance body                | 16   |                           |        |             |                                    |

| GRI STANDARD/<br>OTHER SOURCE      | DISCLOSURE                                                                           | PAGE    | OMISSION                  |                |                                              | GRI SECTOR<br>STANDARD REF.<br>NO. |
|------------------------------------|--------------------------------------------------------------------------------------|---------|---------------------------|----------------|----------------------------------------------|------------------------------------|
|                                    |                                                                                      |         | REQUIREMENT(S)<br>OMITTED | REASON         | EXPLANATION                                  |                                    |
|                                    | 2-19 Remuneration policies                                                           | 111     |                           |                |                                              |                                    |
|                                    | 2-20 Process to determine remuneration                                               | 111     |                           |                |                                              |                                    |
|                                    | 2-21 Annual total compensation ratio                                                 | 173     |                           |                |                                              |                                    |
|                                    | 2-22 Statement on sustainable development strategy                                   | 26      |                           |                |                                              |                                    |
|                                    | 2-23 Policy commitments                                                              | 3 & 74  |                           |                |                                              |                                    |
|                                    | 2-24 Embedding policy commitments                                                    | 84-93   |                           |                |                                              |                                    |
|                                    | 2-25 Processes to remediate negative impacts                                         | 84-93   |                           |                |                                              |                                    |
|                                    | 2-26 Mechanisms for seeking advice and raising concerns                              | 58      |                           |                |                                              |                                    |
|                                    | 2-27 Compliance with laws and regulations                                            | 105     |                           |                |                                              |                                    |
|                                    | 2-28 Membership associations                                                         | 66      |                           |                |                                              |                                    |
|                                    | 2-29 Approach to stakeholder engagement                                              | 30      |                           |                |                                              |                                    |
|                                    | 2-30 Collective bargaining agreements                                                | 58      |                           |                |                                              |                                    |
| 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 | 39      |                           |                |                                              |                                    |
|                                    | 201-3 Defined benefit plan obligations and other retirement plans                    | 58-64   |                           |                |                                              |                                    |
|                                    | 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/<br>OTHER SOURCE                 | DISCLOSURE                                                                         | PAGE    | OMISSION                  |                |                                                                     | GRI SECTOR<br>STANDARD REF.<br>NO. |
|-----------------------------------------------|------------------------------------------------------------------------------------|---------|---------------------------|----------------|---------------------------------------------------------------------|------------------------------------|
|                                               |                                                                                    |         | REQUIREMENT(S)<br>OMITTED | REASON         | EXPLANATION                                                         |                                    |
| GRI 202: Market<br>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<br>Economic<br>Impacts 2016 | 203-1 Infrastructure investments and services supported                            | 54-57   |                           |                |                                                                     |                                    |
|                                               | 203-2 Significant indirect economic impacts                                        | 39      |                           |                |                                                                     |                                    |
| Procurement practices                         |                                                                                    |         |                           |                |                                                                     |                                    |
| GRI 204:<br>Procurement<br>Practices 2016     | 204-1 Proportion of spending on local suppliers                                    | 32      |                           |                |                                                                     |                                    |
| Anti-corruption                               |                                                                                    |         |                           |                |                                                                     |                                    |
| GRI 205:<br>Anti-corruption<br>2016           | 205-1 Operations assessed for risks related to corruption                          | 30      |                           |                |                                                                     |                                    |
|                                               | 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<br>2019                          | 207-1 Approach to tax                                                              | 155     |                           |                |                                                                     |                                    |
|                                               | 207-2 Tax governance, control, and risk management                                 | 155     |                           |                |                                                                     |                                    |
|                                               | 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:<br>Materials<br>2016                 | 301-1 Materials used by weight or volume                                           | 78-82   |                           |                |                                                                     |                                    |
|                                               | 301-2 Recycled input materials used                                                | 78-82   |                           |                |                                                                     |                                    |

| GRI STANDARD/<br>OTHER SOURCE           | DISCLOSURE                                                                            | PAGE  | OMISSION                  |               |                                                       | GRI SECTOR<br>STANDARD REF.<br>NO. |
|-----------------------------------------|---------------------------------------------------------------------------------------|-------|---------------------------|---------------|-------------------------------------------------------|------------------------------------|
|                                         |                                                                                       |       | REQUIREMENT(S)<br>OMITTED | REASON        | EXPLANATION                                           |                                    |
| Energy                                  |                                                                                       |       |                           |               |                                                       |                                    |
| GRI 302: Energy<br>2016                 | 302-1 Energy consumption within the organization                                      | 78-82 |                           |               |                                                       |                                    |
|                                         | 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                                                                | 78-82 |                           |               |                                                       |                                    |
|                                         | 302-4 Reduction of energy consumption                                                 | 78-82 |                           |               |                                                       |                                    |
|                                         | 302-5 Reductions in energy requirements of products and services                      | 78-82 |                           |               |                                                       |                                    |
| Water and effluents                     |                                                                                       |       |                           |               |                                                       |                                    |
| GRI 303: Water<br>and Effluents<br>2018 | 303-1 Interactions with water as a shared resource                                    | 78-82 |                           |               |                                                       |                                    |
|                                         | 303-2 Management of water discharge-related impacts                                   | 78-82 |                           |               |                                                       |                                    |
|                                         | 303-3 Water withdrawal                                                                | 78-82 |                           |               |                                                       |                                    |
|                                         | 303-4 Water discharge                                                                 | 78-82 |                           |               |                                                       |                                    |
|                                         | 303-5 Water consumption                                                               | 78-82 |                           |               |                                                       |                                    |
| Emissions                               |                                                                                       |       |                           |               |                                                       |                                    |
| GRI 305:<br>Emissions 2016              | 305-1 Direct (Scope 1) GHG emissions                                                  | 78-82 |                           |               |                                                       |                                    |
|                                         | 305-2 Energy indirect (Scope 2) GHG emissions                                         | 78-82 |                           |               |                                                       |                                    |
|                                         | 305-3 Other indirect (Scope 3) GHG emissions                                          | 78-82 |                           |               |                                                       |                                    |
|                                         | 305-4 GHG emissions intensity                                                         | 78-82 |                           |               |                                                       |                                    |
|                                         | 305-5 Reduction of GHG emissions                                                      | 78-82 |                           |               |                                                       |                                    |
|                                         | 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<br>2020                  | 306-1 Waste generation and significant waste -related impacts                         | 78-82 |                           |               |                                                       |                                    |
|                                         | 306-2 Management of significant waste-related impacts                                 | 78-82 |                           |               |                                                       |                                    |
|                                         | 306-3 Waste generated                                                                 | 78-82 |                           |               |                                                       |                                    |
|                                         | 306-4 Waste diverted from disposal                                                    | 78-82 |                           |               |                                                       |                                    |
|                                         | 306-5 Waste directed to disposal                                                      | 78-82 |                           |               |                                                       |                                    |
| Employment                              |                                                                                       |       |                           |               |                                                       |                                    |

| GRI STANDARD/<br>OTHER SOURCE                          | DISCLOSURE                                                                                                          | PAGE  | OMISSION                  |        |             | GRI SECTOR<br>STANDARD REF.<br>NO. |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|-------|---------------------------|--------|-------------|------------------------------------|
|                                                        |                                                                                                                     |       | REQUIREMENT(S)<br>OMITTED | REASON | EXPLANATION |                                    |
| GRI 401:<br>Employment<br>2016                         | 401-1 New employee hires and employee turnover                                                                      | 58-64 |                           |        |             |                                    |
|                                                        | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees            | 58-64 |                           |        |             |                                    |
|                                                        | 401-3 Parental leave                                                                                                | 58-64 |                           |        |             |                                    |
| Occupational health and safety                         |                                                                                                                     |       |                           |        |             |                                    |
| GRI 403:<br>Occupational<br>Health and<br>Safety 2018  | 403-1 Occupational health and safety management system                                                              | 58-64 |                           |        |             |                                    |
|                                                        | 403-2 Hazard identification, risk assessment, and incident investigation                                            | 58-64 |                           |        |             |                                    |
|                                                        | 403-3 Occupational health services                                                                                  | 58-64 |                           |        |             |                                    |
|                                                        | 403-4 Worker participation, consultation, and communication on occupational health and safety                       | 58-64 |                           |        |             |                                    |
|                                                        | 403-5 Worker training on occupational health and safety                                                             | 58-64 |                           |        |             |                                    |
|                                                        | 403-6 Promotion of worker health                                                                                    | 58-64 |                           |        |             |                                    |
|                                                        | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 58-64 |                           |        |             |                                    |
|                                                        | 403-8 Workers covered by an occupational health and safety management system                                        | 58-64 |                           |        |             |                                    |
|                                                        | 403-9 Work-related injuries                                                                                         | 58-64 |                           |        |             |                                    |
|                                                        | 403-10 Work-related ill health                                                                                      | 58-64 |                           |        |             |                                    |
| Training and education                                 |                                                                                                                     |       |                           |        |             |                                    |
| GRI 404:<br>Training and<br>Education 2016             | 404-1 Average hours of training per year per employee                                                               | 58-64 |                           |        |             |                                    |
|                                                        | 404-2 Programs for upgrading employee skills and transition assistance programs                                     | 58-64 |                           |        |             |                                    |
|                                                        | 404-3 Percentage of employees receiving regular performance and career development reviews                          | 58-64 |                           |        |             |                                    |
| Diversity and equal opportunity                        |                                                                                                                     |       |                           |        |             |                                    |
| GRI 405:<br>Diversity<br>and Equal<br>Opportunity 2016 | 405-1 Diversity of governance bodies and employees                                                                  | 58-64 |                           |        |             |                                    |
|                                                        | 405-2 Ratio of basic salary and remuneration of women to men                                                        | 58-64 |                           |        |             |                                    |

| GRI STANDARD/<br>OTHER SOURCE             | DISCLOSURE                                                                                          | PAGE  | OMISSION                  |                |                                         | GRI SECTOR<br>STANDARD REF.<br>NO. |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------|-------|---------------------------|----------------|-----------------------------------------|------------------------------------|
|                                           |                                                                                                     |       | REQUIREMENT(S)<br>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      | 66-70 |                           |                |                                         |                                    |
|                                           | 413-2 Operations with significant actual and potential negative impacts on local communities        | 66-70 |                           |                |                                         |                                    |
| Supplier social assessment                |                                                                                                     |       |                           |                |                                         |                                    |
| GRI 414: Supplier Social Assessment 2016  | 414-1 New suppliers that were screened using social criteria                                        | 58-64 |                           |                |                                         |                                    |
|                                           | 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                 | 58-64 |                           |                |                                         |                                    |
|                                           | 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                                | 66    |                           |                |                                         |                                    |
|                                           | 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



## NOTES



# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty First (41st) Annual General Meeting of Lanka Tiles PLC will be held on 30th June 2025 at 1.00 p.m. at “The Winchester”, The Kingsbury Hotel, 48, Janadhipathi Mawatha, Colombo 01 for the following purposes.

## 1. Ordinary Business

- 1.1 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 2025 and the Report of the Auditors thereon.
- 1.2 To declare a Final Dividend of Cents Forty (Rs.0.40) per Ordinary share for the year ended 31st March 2025 as recommended by the Board of Directors.
- 1.3 To re-elect Mr. Tharana Gangul Thoradeniya, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
- 1.4 To re-elect Mr. Sanjeewa Renuka Jayaweera, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
- 1.5 To re-elect as a Director, Mr. Ratnayake Mudiyanseelage Mohan Joseph Ratnayake, who was appointed to the Board since the last Annual General Meeting, in terms of Article 109 of the Articles of Association.
- 1.6 To re-elect as a Director, Mr. Lakshitha Priyantha Bandara Talwatte, who was appointed to the Board since the last Annual General Meeting, in terms of Article 109 of the Articles of Association.
- 1.7 To re-elect as a Director, Mr. Hareesh Somashantha, who was appointed to the Board since the last Annual General Meeting, in terms of Article 109 of the Articles of Association.
- 1.8 To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
- 1.9 To authorize the Directors to determine donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting.

## 2. Special Business

- 2.1 To consider and if thought fit, to pass the following resolution as a Special Resolution.  
  
‘IT IS HEREBY RESOLVED THAT the Articles of Association of the Company be amended.  
  
(1) by the deletion of Article 43 in its entirety and the substitution therefor of the following new Article 43 .

### “METHODS OF HOLDING GENERAL MEETINGS

- 43.(1) A General Meeting of shareholders may be held
  - (i) by a number of shareholders who constitute a quorum, being assembled together at the place, date, and time appointed for the meeting; (hereinafter sometimes referred to as the Physical General Meeting), or
  - (ii) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum can simultaneously hear each other throughout the meeting (hereinafter sometimes referred to as Electronic General Meeting), or
  - (iii) by a meeting held both physically and electronically (called Hybrid General Meeting), or
  - (iv) by means of a resolution in writing signed by not less than Eighty-Five per centum (85%) of the Shareholders who would be entitled to vote on a resolution at a meeting of Shareholders, who together hold not less than Eighty-Five per centum (85%) of the votes entitled to be cast on that resolution.
- (2) The Board shall determine whether a General Meeting is to be held as a Physical General Meeting as referred to in 43(1)(i) or held as an Electronic General Meeting as referred to in 43(1)(ii) or held as a Hybrid General Meeting, both physically and electronically, as referred to in 43(1)(iii) or by a Resolution in writing as referred to in 43(1)(iv).
- (3) The Board shall specify in the notice calling the General Meeting whether the meeting will be physical or electronic or hybrid or by a Resolution in writing. Such notice shall also specify (as applicable) the time, date, and place and/or electronic platform(s) of the General Meeting, as it is determined.
- (4) (i) When conducting an Electronic General Meeting, the Board shall enable persons to simultaneously attend by electronic means, with no shareholder necessarily in physical attendance at the Electronic General Meeting. The shareholders or their proxies present shall be counted in the quorum for, and entitled to vote at, the General Meeting in question.

- (ii) If it appears to the Chairman of the General Meeting that the electronic platform(s), facilities, or security at the Electronic General Meeting have become inadequate for the purposes referred to herein then the Chairman may, without the consent of the meeting, interrupt to resolve such inadequacy where possible or adjourn the General Meeting. All business conducted at that General Meeting up to the time of that adjournment shall be valid and the provisions of Article 60 shall apply to that adjournment.
  - (iii) In relation to an Electronic General Meeting, the right of a shareholder to participate in the business of any General Meeting shall include, without limitation, the right to speak, vote on a poll, be represented by a proxy, and have access (including electronic access) to all documents which are required by the Act or these Articles to be made available for/at the meeting."
- (2) by the deletion of Article 83 in its entirety and the substitution therefor of the following new Article 83,
- "The Directors shall not be less than five (5) or more than fourteen (14) in number. The Company may from time to time, by Special Resolution, increase or reduce the number of Directors."
- (3) by the deletion of Article 123 under the existing heading, 'Alternate Directors' in its entirety and the substitution therefor of the following new Article 123;

#### **"ALTERNATE DIRECTORS**

- 123.(i)
- (a) Subject to the Statutes and other laws applicable in respect of the composition of the Board, a Director may, due to exceptional circumstances, by notice in writing under his hand delivered to the Secretary, nominate an individual to be appointed as an Alternate Director of the Company for a maximum period of one (1) year from the date of appointment to attend to the duties of the Director in his absence, and the following provisions of these Articles shall apply to any person so appointed.
  - (b) Such Alternate Director shall be entitled to receive notices of all meetings of Directors and to attend and vote as Director at any such meeting at which the Director appointing him is not personally present and to exercise the rights of the appointer at meetings of the Board.
  - (c) The attendance of any Alternate Director at any meeting, including a Board committee meeting, at which the appointer is absent, shall be counted for the purpose of quorum at such meeting.
- (ii) The appointment of an Alternate Director shall be subject to the approval of the Board.
- (iii) An Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company, nor be required to hold any Share qualification. However, the Board may reimburse an Alternate Director such reasonable expenses as he may incur in attending and returning from meetings of the Board which he is entitled to attend, or as he may otherwise properly incur in or about the business of the Company. Alternatively, the Board may pay such allowances as it considers proper in respect of such expenses.
- (iv) An Alternate Director shall (on his giving an address for such notice to be served on him) be entitled to receive notices of all meetings of the Board and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointer as a Director in the absence of such appointer, due to the reasons stated in Article 123(i) hereof, including the signing of resolutions in writing to be passed by circulation under Article 119 hereof.
- (v) Subject to Article 123(i) hereof, an Alternate Director shall ipso facto cease to be an Alternate Director on the occurrence of any of the following events:
- (a) If his appointer ceases for any reason to be a Director. Provided that if any Director retires by rotation but is re-elected at the meeting at which such retirement took effect, any appointment made by him pursuant to this Article which was in force immediately prior to his retirement shall continue to operate after his re-election as if he had not so retired;
  - (b) If the appointment of the Alternate Director is revoked by his appointer by a notice in writing delivered to the Secretary;
  - (c) If the Board resolves that the appointment of the Alternate Director be terminated on a date determined by it prior to the completion of the period of one (1) year.
- (vi) A Director shall not vote on the question of the approval of an Alternate Director to act for him, or on the question of the termination of the appointment of such an Alternate under Article 123(v)(c). He shall also not be counted to determine the quorum at meetings when such matters are voted on.
- (vii) If an Alternate Director is appointed for a Non-Executive Director, such Alternate Director shall not be an executive of the Company.
- (viii) If an Alternate Director is appointed to represent an Independent Non-Executive Director, such Alternate Director shall meet the criteria for independence specified in the Listing Rules of the Colombo Stock Exchange.

# NOTICE OF MEETING

- (4) by the deletion of Article 169(ii) in its entirety and the substitution therefor of the following new Article 169(ii),

“The Company may serve notice by electronic mail to an electronic mail account notified by a shareholder in writing or any other acceptable means, to the Company or to the Central Depository Systems (Pvt) Ltd. Where electronic mail is used, the document or notice shall be deemed to have been received by the shareholder upon the dispatch of same by the Company through electronic mail.”

- (5) by the inclusion of the following paragraph immediately after the word “newspapers” in the existing Article 173,

“The Company may if so permitted by Statute, publish any notice required to be given to the shareholders on the official website of the Company and/or on the official website of the Colombo Stock Exchange (so long as the Company is listed on the Colombo Stock Exchange).”

By order of the Board  
**Lanka Tiles PLC**



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

At Colombo  
29th May 2025

## Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 23, Narahenpita Road, Nawala by 1.00 p.m. on 28th of June 2025.

# FORM OF PROXY

I/We\* .....(NIC / Passport / Company  
Reg. No. ....) of .....being a shareholder /  
shareholders of LANKA TILES PLC hereby appoint .....(NIC/Passport  
No.....) of .....or failing him/her

|                                                     |                 |
|-----------------------------------------------------|-----------------|
| Mr. Amarakoon Mudiyanseelage Weerasinghe            | or failing him* |
| Dr. Sivakumar Selliah                               | or failing him* |
| Mr. Tharana Gangul Thoradeniya                      | or failing him* |
| Ms. Anjalie Maryanne Letitia Page                   | or failing her* |
| Mr. John Amrith Nishan Ratnatunga Adhihetty         | or failing him* |
| Mr. Sanjeewa Renuka Jayaweera                       | or failing him* |
| Mr. Jitendra Romesh Gunaratne                       | or failing him* |
| Ms. Kulappu Arachchige Donna Brindhiini Perera      | or failing her* |
| Mr. Ratnayake Mudiyanseelage Mohan Joseph Ratnayake | or failing him* |
| Mr. Lakshitha Priyantha Bandara Talwatte            | or failing him* |
| Mr. Hareesh Somashantha                             |                 |

as my/our\* proxy to represent and speak and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Forty First (41st) Annual General Meeting of the Company to be held on 30th June 2025 at 1.00 p.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

## 1 Ordinary Business

|                                                                                                                                                         | FOR                      | AGAINST                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1) To declare a Final Dividend of Cents Forty (Rs.0.40) per Ordinary share for the year ended 31st March 2025 as recommended by the Board of Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2) To re-elect Mr. T G Thoradeniya as a Director of the Company.                                                                                        | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) To re-elect Mr. S R Jayaweera as a Director of the Company.                                                                                          | <input type="checkbox"/> | <input type="checkbox"/> |
| 4) To re-elect Mr. R M M J Ratnayake as a Director of the Company.                                                                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 5) To re-elect Mr. L P B Talwatte as a Director of the Company.                                                                                         | <input type="checkbox"/> | <input type="checkbox"/> |
| 6) To re-elect Mr. H Somashantha as a Director of the Company.                                                                                          | <input type="checkbox"/> | <input type="checkbox"/> |
| 7) To re-appoint Messrs. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.    | <input type="checkbox"/> | <input type="checkbox"/> |
| 8) To authorize the Directors to determine donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting.         | <input type="checkbox"/> | <input type="checkbox"/> |

## 2 Special Business

|                                                                                    | FOR                      | AGAINST                  |
|------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1) To pass the Special Resolution as set out in item 2.1 of the Notice of Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this..... day of ..... Two Thousand and Twenty Five (2025)

.....  
Signature

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

## LANKA TILES PLC

### INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be deposited at the Registered Office of the Company, No. 23, Narahenpita Road, Nawala by 1.00 p.m. on 28th of June 2025.
3. The Proxy shall –
  - (a) In the case of an individual be signed by the shareholder or by his 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)
4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

# 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. L P B Talwatte - Managing Director (Appointed w.e.f 01 April 2025)  
Mr. J A P M Jayasekera - Former Managing Director (Resigned w.e.f 01 April 2025)  
Mr. H Somashantha - Director Finance (Appointed w.e.f 25 April 2025)  
Dr. S Selliah  
Mr. T G Thoradeniya  
Ms. A M L Page  
Mr. J A N R Adhihetty  
Mr. S M Liyanage (Resigned w.e.f. 25 April 2025)  
Mr. S R Jayaweera  
Mr. J R Gunaratne  
Ms. K A D B Perera  
Mr. R M M J Rathnayake (Appointed w.e.f 01 January 2025)

## SECRETARIES

P W Corporate Secretarial (Pvt) Ltd  
No. 3/17, Kynsey Road  
Colombo 08  
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Telephone : + 94 - 11 - 2808050 / 2808001-3  
Facsimile : + 94 - 11 - 2806232  
E-mail : info@lankatiles.com  
Website : www.lankatiles.com

## REGISTERED OFFICE

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## BANKERS

Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Bank of Ceylon  
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

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