



Hues of Simplicity

 **LANKATILES**

Fine Living Redefined

LANKA TILES PLC

INTEGRATED ANNUAL REPORT 2025/26

Hues of Simplicity

Nature is harmony sculpted through process, and at Lanka Tiles, this simplicity begins with close observation of the natural world: the veining of stone, the grain of wood, and the sedimentary patterns of earth and mineral.

Each piece emerges from this study, where natural elements are interpreted with creativity, refined through technique, and engineered into surfaces that honour their origin. Through precision firing, calibrated finishes, and disciplined craftsmanship, inspiration is given form.

This report celebrates the confidence of nature and the clarity of making, revealing how vision and craft converge to create surfaces that ground spaces, proving that the most lasting statements are often the simplest.

 **LANKATILES**
Fine Living Redefined

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ABOUT US

Lanka Tiles PLC is a premier manufacturer and exporter of ceramic and porcelain tiles in Sri Lanka, recognised for delivering high-quality surface solutions that combine design excellence, durability, and innovation

Incorporated in 1984 and listed on the Colombo Stock Exchange, the Company has grown to become a trusted name in the regional ceramic industry, with a strong reputation for product quality, technological capability, and manufacturing expertise.

Operating as part of the Royal Ceramics Lanka PLC Group, Lanka Tiles contributes to one of Sri Lanka's most prominent surfacing solutions platforms, benefiting from shared expertise, innovation, and an extensive market reach.

With a commitment to craftsmanship, advanced manufacturing technologies, and responsible production practices, LANKATILES offers a diverse portfolio of ceramic and porcelain tiles catering to residential, commercial, and industrial applications. The Company serves customers across Sri Lanka while maintaining a growing presence in international markets, delivering products that meet global standards of performance, aesthetics, and sustainability.

Guided by a strong heritage and a forward-looking vision, LANKATILES continues to invest in innovation, operational excellence, and sustainable manufacturing to create enduring value for customers, partners, and stakeholders.



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 are the foundation of everything we do. They inspire our people, shape our products, and strengthen the relationships we build with our customers and communities.

OUR VALUES

Quality	Style	Elegance	Value
Every tile is manufactured to the highest quality standards and we can proudly claim that our products are second to none	Our portfolio features a wide range of tiles in a variety of colours, textures and sizes including special Mosaic tiles.	Classic style, innovative designs and simple elegance make all our products distinctive in local and international markets.	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

This Integrated Annual Report of Lanka Tiles PLC presents a comprehensive overview of the Company's performance, strategic direction, and value creation for the financial year ended 31 March 2026. Prepared in line with integrated reporting principles, it offers a holistic perspective on how Lanka Tiles leverages our financial, manufactured, intellectual, human, social and relationship, and natural capitals to deliver sustainable long-term value to stakeholders.

During the year under review, the Company operated within a dynamic environment shaped by global economic shifts, evolving consumer preferences, regulatory developments, and rising sustainability expectations. Through focused strategic investments, operational optimisation, and innovation-led initiatives, Lanka Tiles further strengthened its competitive position in both domestic and international markets.

This report underscores our continued commitment to transparency, accountability, and sound corporate governance, demonstrating how strategy, risk management, and sustainability considerations are embedded within decision-making to enhance resilience and support sustainable growth.



SCOPE AND BOUNDARY

This report presents a balanced and integrated account of both financial and non-financial performance of Lanka Tiles PLC, the parent entity, together with our three subsidiaries (collectively referred to as "the Group").

The reporting period covers the financial year from 1 April 2025 to 31 March 2026, with comparative information provided for the year ended 31 March 2025 to enable meaningful year-on-year analysis.

The scope and boundary of reporting remain consistent across the Group for both financial and sustainability disclosures, ensuring comparability, transparency, and completeness of information. There have been no significant changes to the reporting scope during the year under review, unless otherwise stated.

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:

Mr. Thilanka Sampath
General Manager - Finance
Email - thilankas@lankatiles.com
Tel - 0114526700

Financial Reporting

- Companies Act No.7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- Sri Lanka Financial Reporting Standards (SLFRS/ LKAS) issued by CA Sri Lanka

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

Integrated Reporting

- International <IR> Framework

Sustainability Reporting

- Global Reporting Initiative Sustainability Reporting Standards
- Sustainable Development Goals (SDGs) of United Nations
- Sustainability Reporting Standards (SLFRS S1 and S2)
- Sustainability Accounting Standards for Construction material

NAVIGATING OUR REPORT

CAPITAL



Financial Capital



Intellectual Capital



Manufactured Capital



Human Capital



Social and Relationship Capital



Natural Capital

STAKEHOLDER



Investors



Customers



Employees



Suppliers



Regulators



Community

SIGNIFICANT CHANGES AND RESTATEMENTS

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

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements based on our current views and assessments, informed by both internal and external sources. These statements illustrate the Group’s potential for future value creation. As they relate to events and outcomes that are inherently uncertain and beyond our control, their actual impacts can only be confirmed over time. Such uncertainties may affect the value-creation process.

Readers are therefore advised to consider these uncertainties, particularly in the context of rapidly changing market conditions and volatility in key economic indicators, and to rely on the most current information when making their own assessments.

All forward-looking statements are presented without recourse or liability to the Board or the preparers of this Annual Report, given the uncertainties outlined above.

ASSURANCE

FINANCIAL REPORTING

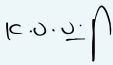
Assurance on financial statements has been provided by Messrs Ernst & Young, Chartered Accountants and their reports are set out on pages 136 to 138.



THE STATEMENT OF RESPONSIBILITY

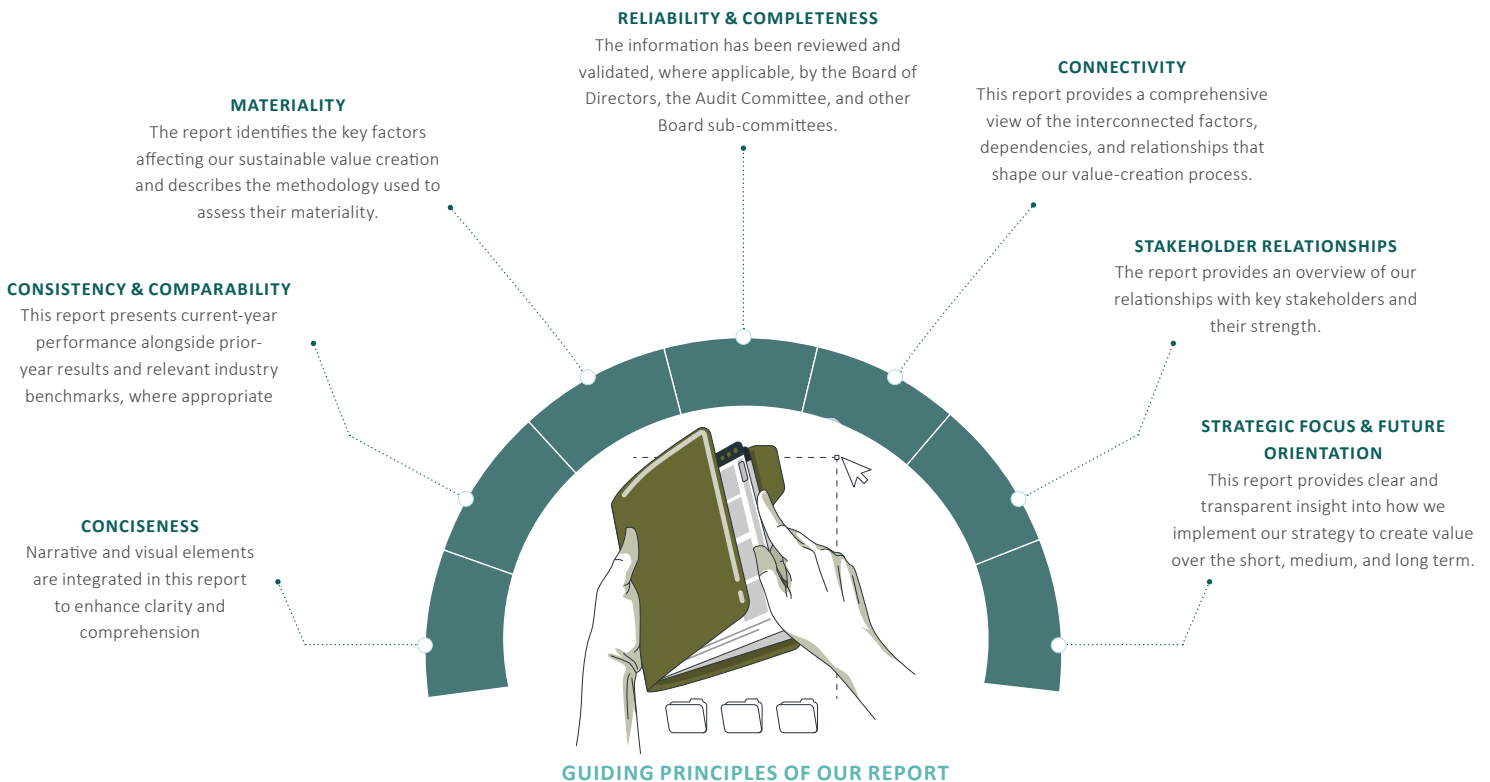
The Annual Report has been prepared by the Senior Management of the Group on behalf of the Board of Directors. Senior Management has used internal and external resources in compiling this report to enhance presentation and readability of the report.

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 2026 is presented in accordance with the <IR> Framework 2021.


Dhammika Perera
 Chairman


Mohan Ratnayake
 Chairman Audit Committee


Priyantha Talwatte
 Managing Director



OUR PRODUCT PORTFOLIO



FLOOR TILES



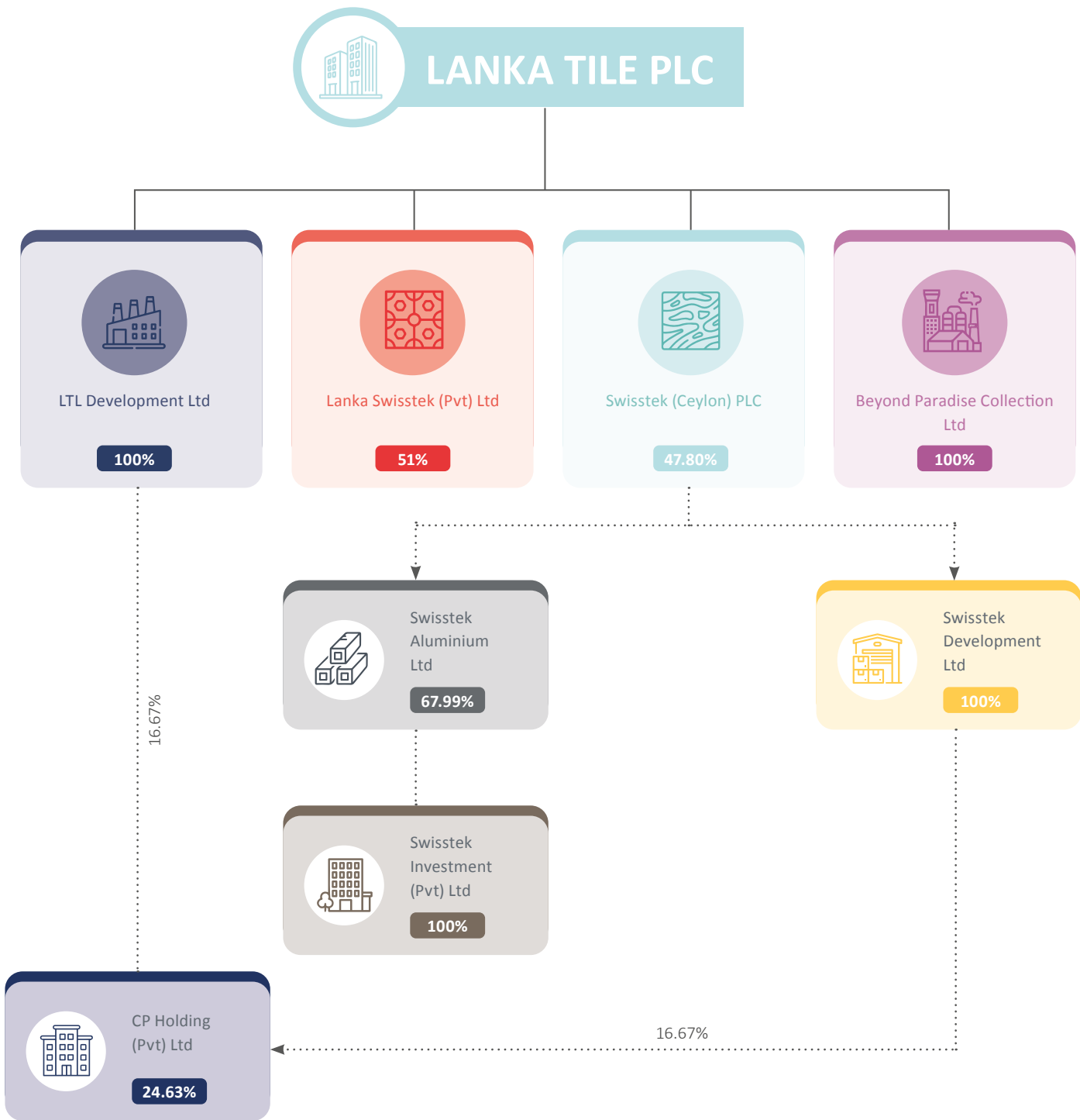
POOL TILES






MOSAIC TILES



OUR GROUP STRUCTURE



 <p>DIVERSE PORTFOLIO Operations across manufacturing, trading, investments, and property development.</p>	 <p>STRATEGIC OWNERSHIP Strong ownership structure ensuring control and long-term value creation.</p>	 <p>VALUE CREATION Focused on innovation, efficiency, and sustainable growth.</p>	 <p>GOVERNANCE Committed to transparency, integrity, and best practices.</p>
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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.

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.

2022

OPENED A NEW SHOWROOM IN DAMBULLA

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

OPENED A NEW SHOWROOM IN TRINCOMALEE

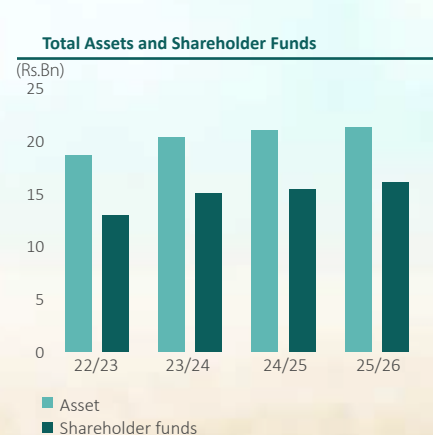
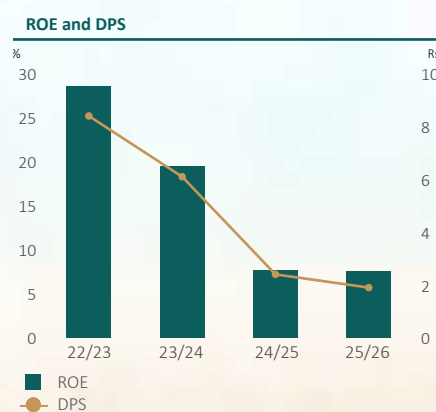
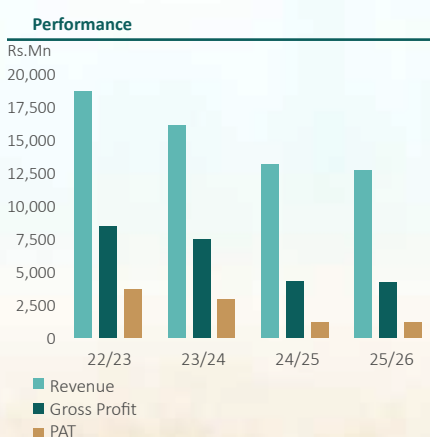
The showroom displays a wide range of products such as large format tiles from MAJESTICA, COLOMA sanitary ware, faucets and accessories, MOSAICS tiles and many other complementary products.

OPENED A NEW SHOWROOM IN DICKWELLA

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

FINANCIAL HIGHLIGHTS

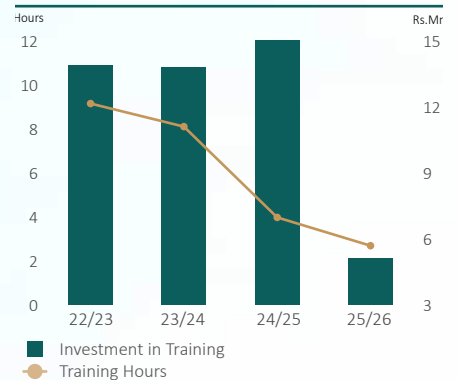
	Unit	2025/26	2024/25	%
Financial Performance				
Revenue	Rs. 000	12,699,787	13,130,450	(3)
Operating Profit	Rs. 000	910,064	1,423,345	(36)
Profit Before Tax	Rs. 000	1,401,660	1,771,531	(21)
Profit After Tax	Rs. 000	1,211,025	1,177,602	3
Gross Profit Margin	%	33.33	32.73	2
Operating Profit Margin	%	7.2	10.8	(33)
Return to Shareholders				
Earnings Per Share	Rs.	4.45	4.25	5
Dividend Per Share	Rs.	1.90	2.40	(21)
Dividend Yield	%	4.18	4.73	(12)
Return on Equity	%	7.52%	7.65%	(2)
Price to Book value	Times	0.77	0.67	(14)
Market Capitalisation	Rs. 000	12,068,968	13,448,279	(10)
Market Value per Share	Rs.	45.50	50.70	(10)
Growth and Stability				
Total Assets	Rs. 000	21,232,330	20,926,178	1
Shareholder funds	Rs. 000	16,107,222	15,397,006	5
Total debt	Rs. 000	1,119,912	1,809,401	(38)
Inventory	Rs. 000	6,882,497	8,116,155	(15)
Net Assets per Share	Rs.	60.72	58.05	5
Gearing ratio	%	6.95%	11.75%	(41)
Current Ratio	Times	3.56	2.94	21
Quick Assets Ratio	Times	1.15	0.62	86



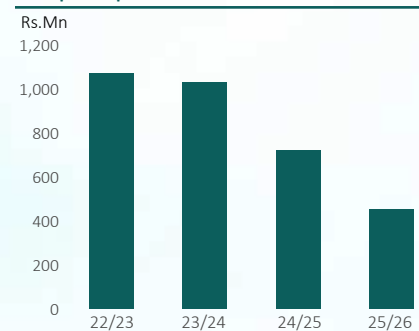
NON -FINANCIAL HIGHLIGHTS

	Unit	2025/26	2024/25	%
Human Capital				
Employees	Nos	898	890	1
Employee Turnover	Nos	191	74	158
Training Hours	Hrs	5,671	6,957	(18)
Training Expenses	Rs.Mn	2.1	12	(83)
Recruits	Nos	199	121	64
Manufactured Capital				
Manufacturing Capacity	Sqm	6,551,750	6,551,750	-
Capacity Utilisation	%	72.84	75.84	(4)
Capex	Rs.Mn	452	720	(37)
No. of showrooms	Nos	59	56	5
Social and Relationship Capital				
Local suppliers	Nos	576	604	(5)
Payment to suppliers	Rs.Mn	8,271	8,119	2
Foreign Suppliers	Nos	37	45	(18)
Distributors	Nos	71	68	4
Franchisees	Nos	56	54	4
CSR Spend	Rs.Mn	0.5	3	(83)
Intellectual Capital				
Brand Value	Rs.Mn	1,658	2,084	(20)
No. of new designs	Nos	58	102	(43)
Natural Capital				
Material Consumption	MT	85,117	90,658	(6)
Energy consumption	Rs.Bn	2.56	3.04	(16)
Water consumption	Mn.Lts	132	132	-

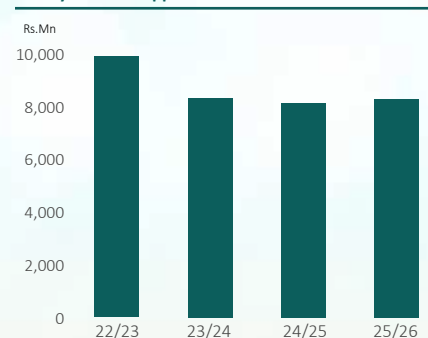
Investment in Training and Training Hours



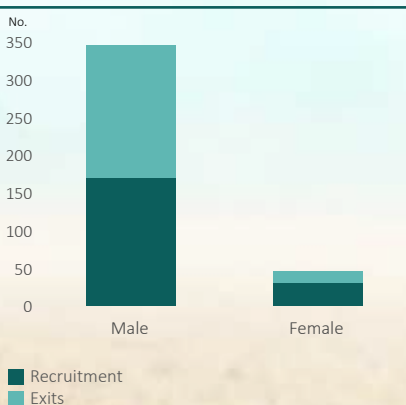
Capital Expenditure



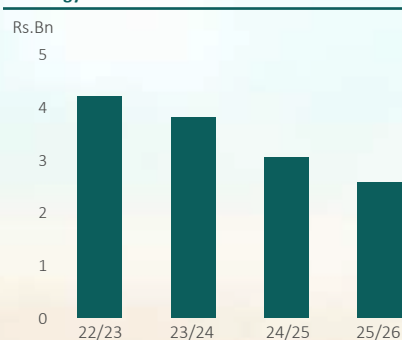
Payment to Supplier



Gender wise - Recruitment & Exits



Energy Cost



HUES OF PURPOSE

At Lanka Tiles, our leadership is shaped by the distinct perspectives and experience of those who guide the business forward. Each of them bring their own depth of understanding to the table, and it is through this convergence of insight and intent that strategy finds its clarity and direction finds its strength. Together, they reflect our commitment to purposeful leadership, where every step forward is taken with the confidence that comes from knowing precisely why it matters.



EXECUTIVE REVIEWS





CHAIRMAN'S MESSAGE



The Group also recorded stronger operating cash flows during the year supported by improved working capital management and inventory optimisation initiatives.



DHAMMIKA PERERA
Chairman

Rs. **12.7** Bn
REVENUE

58
NEW DESIGNS

Rs. **21.2** Bn
ASSETS

Dear Shareholder,

I am pleased to present the Annual Report for the financial year 2025/26.

The year under review was characterised by a highly competitive operating environment, evolving market dynamics, and continued pricing pressures within the tile industry. Despite these challenges, the Group remained focused on strengthening long-term competitiveness, operational resilience, and sustainable value creation through disciplined strategic and financial management.

A CHALLENGING OPERATING ENVIRONMENT

Sri Lanka's economy continued its gradual recovery during the year supported by improving macroeconomic stability, easing inflationary pressures, lower interest rates, and stronger external sector performance. Growth in tourism earnings, worker remittances, and improving liquidity conditions contributed towards strengthening business confidence, supporting credit growth, and improving overall economic activity during the year.

The construction sector also demonstrated signs of gradual recovery

during the year following a prolonged period of contraction. Lower interest rates, easing supply-side constraints, and improving consumer confidence supported increased activity within residential construction, housing renovations, and selected private sector developments. However, the recovery remained uneven as elevated construction costs, subdued large-scale investments, and cautious investor sentiment continued to constrain broader sector expansion.

Amidst these conditions, the operating environment for the local tile manufacturing industry remained highly challenging. Increased import liberalisation and intensified competition from lower-priced imported products continued to exert significant pressure on industry margins and pricing structures. Imported tiles are estimated to account for closer to half of the domestic market, creating one of the most competitive environments experienced by the local ceramic industry in recent years.

At the same time, local manufacturing capacity within the tile industry has increased substantially in recent years through significant investments in plant expansion and manufacturing capabilities undertaken in anticipation of stronger construction sector growth. Current domestic manufacturing capacity is estimated to exceed local tile demand, further intensifying competition, pricing pressures, and industry-wide capacity utilisation challenges. While the industry experienced volume growth during the year, aggressive pricing strategies and excess supply within the market continued to pressure profitability across the sector.

The Board also remains concerned regarding the absence of effective trade protection mechanisms for imports, resulting in an uneven competitive landscape for domestic manufacturers who continue to operate under significantly higher regulatory, labour, environmental, and sustainability compliance standards.

In addition, the industry continued to face challenges arising from elevated energy costs, volatility in raw material sourcing, and changing global trade dynamics. Weather-related disruptions and higher moisture levels in mined raw materials also impacted operational planning and inventory

management during the year, highlighting the increasing influence of climate-related factors on manufacturing operations and supply chains.

STRATEGIC POSITIONING FOR LONG-TERM COMPETITIVENESS

Against this backdrop, the Group continued to focus on strengthening our long-term strategic positioning through operational transformation, product innovation, portfolio optimisation, and market differentiation initiatives. The Board remains confident that sustainable competitiveness within the industry will increasingly depend on design leadership, operational efficiency, product quality, customer experience, and value-added offerings rather than purely on price competition.

Accordingly, the Group continued to strengthen our premiumisation strategy during the year through investments in product development, showroom enhancement initiatives, and stronger engagement with architects, interior designers, contractors, and tilers. 58 new SKUs were introduced during the year across porcelain, mosaic, and specialised tile categories, supporting the Group's efforts to strengthen product differentiation and improve market positioning.

The Group also continued to strengthen our domestic retail and distribution footprint through showroom expansion and enhancement initiatives while continuing to pursue opportunities within export markets including the USA, Australia, Maldives, Oman, and selected emerging regions. Export market strategies remained focused on differentiated and value-added product offerings rather than competing solely on price.

During the year, the Group also made the strategic decision to discontinue the US business venture, Valley View Ceramics LLC, following a reassessment of its long-term commercial viability amidst changing market conditions. While this resulted in certain one-off write-offs and provisions during the year, the decision enables the Group to sharpen strategic focus, optimise capital allocation, and strengthen emphasis on core growth markets and higher value-added segments moving forward.

CHAIRMAN'S MESSAGE

PERFORMANCE OVERVIEW

Despite prevailing market pressures and intense pricing competition, the Group delivered a resilient performance during the year under review. Revenue declined by 3% to Rs. 12.7 Bn amidst continued pressure on average selling prices arising from increased competition from imported products. However, improved sales volumes, operational efficiency initiatives, and stronger cost management supported overall business performance during the year.

Gross profit declined only marginally despite lower revenue levels, reflecting the benefits of yield improvement initiatives, operational efficiencies, product mix optimisation, and improved cost absorption across manufacturing operations. Profit after tax for the year amounted to Rs. 1.2 Bn, representing a growth of 3% compared to the previous year.

The Group also recorded stronger operating cash flows during the year supported by improved working capital management and inventory optimisation initiatives. The balance sheet remained strong and resilient, with 76% of the Group's asset base funded through equity as at year end.

GOVERNANCE AND SUSTAINABILITY

The Board remained focused on strengthening governance frameworks, oversight mechanisms, and sustainability integration across the Group during the year under review. Continued emphasis was placed on enhancing accountability, strengthening risk management practices, and ensuring alignment with evolving regulatory requirements and stakeholder expectations.

The Board was further strengthened during the year with the appointment of Mr. Harsha Amarasekera as a Non-Executive Director, bringing additional legal and corporate expertise to Board deliberations.

During the year, the Group further strengthened the governance and internal control environment through the appointment of an Internal Auditor, enhancing internal audit coverage, compliance monitoring, and operational review processes across the organisation. The Board also continued to strengthen oversight relating to risk management, cybersecurity, internal

controls, and policy governance to support long-term organisational resilience.

The Board remained committed to maintaining high standards of corporate governance and continued to strengthen alignment with the requirements of CSE Listing Rule 9 and emerging sustainability reporting frameworks, including preparatory initiatives relating to SLFRS S1 and S2 reporting requirements.

Sustainability continued to remain an important component of the Group's long-term strategy. Ongoing initiatives relating to energy optimisation, recycling, waste management, resource efficiency, and responsible sourcing remained integrated into operational decision-making and manufacturing practices across the Group.

MOVING FORWARD

While market conditions are expected to remain competitive in the short to medium term, the Board remains optimistic regarding the long-term outlook for both the Company and the broader construction sector. Recovery in housing, commercial construction, tourism-related developments, and renovation activities is expected to support demand growth across the industry over the coming years.

The Group will continue to focus on strengthening operational productivity, optimising inventory levels, improving product mix towards higher-margin categories, enhancing showroom experiences, and expanding export market presence. Technology integration, sustainability initiatives, supply chain resilience, and organisational capability development will also remain important strategic priorities moving forward.

The Board will continue to closely monitor key strategic priorities including export growth, operational efficiency, liquidity management, inventory optimisation, governance enhancement, and long-term value creation for shareholders.

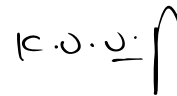
ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere appreciation to the management team and all employees across the Lanka Tiles Group for their dedication, resilience,

and commitment throughout the year. Their leadership, hard work, and collective efforts have been instrumental in navigating a challenging operating environment and driving the progress achieved during the year under review.

I also extend my sincere gratitude to my fellow Board members for their guidance, stewardship, and invaluable contributions throughout the year.

Finally, I wish to thank our shareholders and all other stakeholders for their continued trust, confidence, and support extended to Lanka Tiles PLC.



DHAMMIKA PERERA
Chairman

29 May 2026





MANAGING DIRECTOR'S MESSAGE



Despite these challenges, Lanka Tiles remained focused on strengthening long-term competitiveness through operational transformation, product innovation, portfolio optimisation, and disciplined financial management



PRIYANTHA TALWATTE
Managing Director

87.32%

YIELD IMPROVED

Rs. 1.21 Bn

PROFIT AFTER TAX

Rs. 21 Bn

TOTAL ASSETS

Dear Shareholder,

It is my pleasure to present the Annual Report of Lanka Tiles PLC for the financial year 2025/26. The year under review was characterised by intense competition, evolving market dynamics, and continued pricing pressures across the tile industry. While the Sri Lankan economy showed gradual signs of recovery, the operating environment remained challenging due to increased competition from lower-priced imported products, elevated operating costs, and pressure on industry margins. Imported tiles now account for closer to half of the domestic market, creating one of the most competitive environments the local ceramic industry has experienced in recent years.

Despite these challenges, Lanka Tiles remained focused on strengthening long-term competitiveness through operational transformation, product innovation, portfolio optimisation, and disciplined financial management. Our strategic direction during the year was guided by a clear objective, to compete not through unsustainable price reductions, but through design leadership, product quality, operational efficiency, customer experience, and value-added differentiation.

During the year, we also continued to strengthen our premiumisation strategy by enhancing our product portfolio, upgrading showroom experiences, expanding engagement with architects, interior designers, contractors, and tilers, and investing in differentiated product categories that offer stronger value creation opportunities. We firmly believe that the premium segment remains more resilient and less price-sensitive, providing a stronger platform for sustainable long-term growth.

The Group also made the strategic decision during the year to discontinue our US business venture, Valley View Ceramics LLC, following a reassessment of its long-term commercial viability amidst changing market conditions. While this resulted in certain one-off write-offs and provisions during the year, the decision enables the Group to sharpen our strategic focus, optimise capital allocation, and strengthen emphasis on core growth markets and value-added product segments moving forward.

RESPONDING TO MARKET PRESSURES WITH AGILITY AND DISCIPLINE

Although the overall industry experienced healthy volume growth of approximately 20% during the year, severe pricing pressures continued to impact profitability across the sector. Increased imports, aggressive market discounting, and excess industry capacity created significant pressure on average selling prices. In response, we continued to strengthen our market positioning through product differentiation, customer engagement, operational efficiencies, and strategic portfolio management.

During the year, we introduced 58 new SKUs across porcelain, mosaic, and specialised tile categories, further strengthening our product offering and market relevance. We also continued to develop premium and export-oriented products including porcelain mosaic pool tiles, trims, and field wall tiles targeted at specialised international market segments.

Our export operations remained active across markets including the USA, Australia, India, Maldives, and Oman, while the Oman market was successfully reactivated during the year. We also continued to explore opportunities within emerging export regions, including selected African markets, where demand for value-added products and specialised offerings continues to grow.

On the domestic front, we further strengthened our retail and distribution footprint through the opening of three new showrooms in Palawatta, Galle and Jaffna, together with selected showroom enhancement and relocation initiatives aimed at improving customer accessibility and enhancing brand visibility. Our distribution network continued to expand during the year, strengthening our ability to serve customers across key regions of the country.

OPERATIONAL TRANSFORMATION AND EFFICIENCY ENHANCEMENT

Operational efficiency remained a critical focus area throughout the year as we continued to strengthen manufacturing stability, optimise costs, and improve productivity across operations. Through multiple process improvement initiatives, Total Productive Maintenance (TPM) programmes, energy optimisation measures, and enhanced production monitoring systems, we successfully improved production yield from 85.58% to 87.32%, while capacity utilisation maintained at 72.84%.

We also continued to focus on manufacturing rationalisation and product mix optimisation initiatives to improve throughput, reduce process losses, and strengthen margin performance. Energy optimisation initiatives contributed towards reductions in electricity and diesel consumption during the year, while process innovations including heat recovery systems and recycling initiatives supported improved resource efficiency and lower operational waste.

Importantly, inventory optimisation remained a major focus area during the year. Given the nature of ceramic manufacturing operations, inventory management remains critical to maintaining kiln stability and operational continuity. Through improved planning and stronger operational coordination, inventory levels reduced significantly compared to the previous year, contributing positively towards working capital management and cash flow generation.

In addition, maintaining uninterrupted energy supply remained critical to operational continuity during the year given the energy-intensive nature of tile manufacturing operations. While no major supply disruptions were experienced during the year, volatility in energy costs and occasional short-term interruptions continued to pose operational challenges. In response, the Company

MANAGING DIRECTOR'S MESSAGE

continued to strengthen energy optimisation initiatives, improve fuel efficiency, and enhance operational planning to minimise the impact of rising utility costs and supply-related disruptions on manufacturing performance. Centralised procurement initiatives, particularly relating to LPG procurement, continued to be in place the year to strengthen supply stability, improve procurement coordination, and achieve greater cost efficiencies across operations.

FINANCIAL PERFORMANCE

Despite operating within a highly competitive and price-sensitive market environment, Lanka Tiles delivered a resilient financial performance during the year under review. Revenue declined by 3% to Rs. 12.7 Bn as intensified competition from lower-priced imported products and aggressive market pricing continued to exert pressure on average selling prices across the industry. Nevertheless, domestic sales volumes increased by approximately 16%, reflecting the strength of our brand, distribution network, and customer reach.

While the challenging pricing environment impacted topline growth, our continued focus on operational efficiency, product mix optimisation, yield improvements, and cost management initiatives helped mitigate the impact on profitability. Gross profit declined only marginally by 1% to Rs. 4.23 Bn, supported by improved manufacturing efficiencies, stronger cost absorption arising from higher production volumes, and increased emphasis on higher-margin and value-added product categories.

Distribution expenses during the year were impacted by non-recurring debtor write-offs and inventory provisions associated with the winding up of the Group's US business venture. Despite these one-off impacts, the Group recorded a profit after tax of Rs. 1.2 Bn, reflecting a growth of 3% compared to the previous year. The Group also recorded a significant improvement in operating cash flows during the year, supported by stronger working capital management and inventory optimisation initiatives. Our balance sheet remained strong, with 76% of the Group's asset base funded through equity, reflecting prudent financial management and disciplined capital allocation.

STRENGTHENING SUSTAINABILITY AND ORGANISATIONAL CAPABILITIES

As we continue to strengthen the long-term competitiveness of the business, we remain equally focused on enhancing organisational

capabilities, operational sustainability, and future readiness across the Group. During the year, continued investments were made towards improving employee capabilities, strengthening technical expertise, and building leadership capacity across key functions. Extensive training and development programmes, overseas exposure opportunities, and specialised technical engagements were carried out to support continuous learning and operational excellence throughout the organisation.

Sustainability also remained an important focus area within our operational strategy. The Company continued to implement initiatives relating to energy optimisation, waste reduction, recycling, water management, and responsible resource utilisation across manufacturing operations. Circular manufacturing practices, including the reintegration of production waste and recycled materials back into the production process, continued to support improved resource efficiency and reduced environmental impact.

We also continued to strengthen engagement with architects, interior designers, contractors, tilers, and other key industry stakeholders through collaborative initiatives, technical support programmes, and brand engagement activities aimed at enhancing market presence and reinforcing our positioning within the premium segment.

LOOKING AHEAD

While the operating environment is expected to remain competitive, we remain optimistic regarding the long-term outlook for both the Company and the industry. Gradual recovery within the construction, tourism, housing, and commercial real estate sectors is expected to support market demand over the coming years. At the same time, we believe the industry will increasingly favour manufacturers capable of competing through product quality, operational excellence, sustainability standards, design capability, and customer experience rather than purely on price.

Accordingly, our strategic priorities moving forward will remain focused on strengthening operational productivity, improving inventory management, optimising our product portfolio towards higher-margin and value-added categories, expanding our premium market presence, enhancing showroom experiences, and accelerating export market development. We will also continue to strengthen

technology integration, governance systems, sustainability initiatives, and organisational capabilities to support long-term resilience and competitiveness.

ACKNOWLEDGEMENTS

I would first like to extend my sincere appreciation to all our employees across the Lanka Tiles Group for their dedication, resilience, and commitment throughout the year. Their hard work, adaptability, and continuous efforts have been instrumental in navigating a challenging operating environment and driving the progress achieved during the year under review.

I also wish to express my gratitude to our customers, dealers, franchise partners, suppliers, contractors, and all other business partners for their continued trust, collaboration, and support extended to Lanka Tiles PLC.

I am also pleased to welcome back Mr. Dhammika Perera as Chairman of Lanka Tiles PLC. His extensive experience, strategic insight, and longstanding association with the Company will continue to provide valuable guidance as we strengthen the Group's long-term growth and competitiveness. I further extend my sincere thanks to the Board of Directors for their guidance, counsel, and stewardship throughout the year.

Finally, I would like to thank our shareholders for their continued confidence in the Company and their unwavering support as we continue to strengthen Lanka Tiles PLC for long-term sustainable growth and value creation.



PRIYANTHA TALWATTE
Managing Director

29 May 2026



BOARD OF DIRECTORS



MR. DHAMMIKA PERERA
Chairman/Non-Executive Director



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



MR. L P B TALWATTE
Managing Director/Executive Director



MR. H SOMASHANTHA
Director Finance / Executive Director



DR. S SELLIAH
Non-Executive Director



MR. S H AMARASEKERA
Non-Executive Director



MS. K A D B PERERA
Non-Executive Director



MR. S R JAYAWEERA
Independent Non-Executive Director



MR. J R GUNARATNE
Independent Non-Executive Director



MR. T THORADENIYA
Non-Executive Director



MR. R M M J RATNAYAKE
Independent Non-Executive Director



MS. A M L PAGE
Non-Executive Director



MR. J A N R ADIHETTY
Independent Non-Executive Director

BOARD OF DIRECTORS

MR. DHAMMIKA PERERA

Chairman/Non-Executive Director

Mr. Dhammika Perera is a philanthropist, quintessential strategist and business leader with interests in various key industries, including manufacturing, banking and finance, leisure and hydropower generation. He has over 35 years of experience building formidable business through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr. Perera contributes a wealth of strategic and operational expertise to the Board, drawing from decades of leadership across diverse industries. His ability to anticipate market shifts and identify growth opportunities supports the Group's resilience and competitiveness, with a strong track record in value creation. He plays a pivotal role in guiding the Group's strategic direction and ensuring alignment with its long-term vision.

Currently, Mr. Perera is the Chairman of Vallibel One PLC, Lanka Walltiles PLC, Royal Ceramics Lanka PLC, Summer Season Ltd and Greener Water Ltd. He also serves as Co-Chairman of Hayleys PLC and Chairman/ Founder Dhammika & Priscilla Perera Foundation.

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

MR. A M WEERASINGHE

Co-Chairman - Non Executive Director

The Founder of Royal Ceramics Lanka PLC, established in 1990, he is a gem merchant by profession and presently holds the position of Co-Chairman of the Company. Mr. Weerasinghe has been in the business field for more than 40 years involved in Real Estate, Construction, Transportation & Healthcare Industry and a Landed Proprietor.

In addition to the above, he is the Chairman of Rocell Bathware Limited, Lanka Ceramics PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd Weerasinghe

Gems (Pvt) Ltd and the Co-Chairman of Lanka Walltiles PLC. He also serves as a Non-Executive Director of Swisstek (Ceylon) PLC, Swisstek Aluminium Limited, Biscuits and Chocolate Company Ltd, C P Holding (Pvt) Ltd, LC Plantation Projects (Pvt) Ltd and Rocell Properties Limited.

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

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 Chief Executive Officer 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 the Chief Executive Officer of SDB Bank, successfully leading the institution through a challenging period following the economic crisis.

He currently holds directorships in fifteen other companies across diverse sectors, including Executive Directorships at Lanka Walltiles PLC, and Lanka Ceramic PLC, as well as Non-Executive Directorships at LB Finance PLC, CP Holding (Pvt) Ltd., Vallibel Plantation Management Ltd., LWL Plantation Investments Ltd., LC Plantation Projects Ltd., LC Development (Pvt) Ltd., Uni Dil Packaging Ltd., Uni Dil Packaging Solutions Ltd., LWL

Development (Pvt) Ltd., LTL Development Ltd., Beyond Paradise Collection Ltd and Lanka Tiles USA Inc.

Total No. of Companies Holding Directorship/Key Management positions: 15

MR. H SOMASHANTHA

Director Finance / Executive Director

Mr. Haresh 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 holds a Bachelor of Science degree in Mathematics.

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 Lanka Walltiles PLC and several subsidiary companies within the Unidil and Delmege Group.

Mr. Somashantha is also a Council member of the Institute of Chartered Accountants of Sri Lanka.

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

DR. S SELLIAH

Non-Executive Director

He has over two decades of diverse experience in serving on the Boards of companies in varied fields such as Manufacturing, Banking, Insurance, Logistics, Packaging, Healthcare, Renewable Power generation, Plantation, Retail etc. Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil).

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, and Risk Management committee etc.

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, Arunodhaya Industries (Pvt) Ltd. He is also the Chairman of Cleanco Lanka (Private) Ltd, Orysys Ltd, Soul Corporation (Private) Ltd, Vydexa Lanka Power Corporation (Pvt) Ltd and Andysel (Private) Ltd. He is also the Deputy Chairman of ArunoAus (Pte) 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.

Total No. of Companies Holding Directorship positions: 15.

MR. S H AMARASEKERA

Director / Non-Executive Director

Mr. Harsha Amarasekera, a renowned lawyer and an eminent legal practitioner in the Sri Lanka legal fraternity since 1987, is a Non-Executive Director of the Company.

Mr. Harsha Amarasekera, President's Counsel has a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. Mr. Amarasekera has extensive experience in the corporate sector being an Independent Director and Chairman of several listed Companies in the Colombo Stock Exchange.

Mr. Amarasekera is the Non-Executive Chairman of CIC Holdings PLC, CIC Agri Business (Pvt)Ltd, Swisstek (Ceylon) PLC, Swisstek Aluminium Limited and Vallibel Power Erathna PLC.

He is also the Chairman of Colombo Port City Economic Commission and the Chairman/ Independent Non-Executive Director of Sampath Bank PLC. He is also the Co-Chairman of Royal Ceramics Lanka PLC.

Mr. Amarasekera serves as Non-Executive Director in the Ceylon Hotel Holdings (Pvt) Ltd., EFL Global Logistics (PTE) Ltd., Galle Face Management Company (Pvt) Ltd., Lanka Walltiles PLC., Link Natural Products (Pvt) Ltd., Millennium Airlines (Pvt) Ltd, Millennium Investments Lanka (Pvt) Ltd and an Independent Non-Executive Director of Expolanka Holding Limited

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

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.

Ms. Perera currently serves as Non-Executive Director of Vallbel One PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, The Kingsbury PLC, Hayleys Leisure PLC, Singer (Sri Lanka) PLC, Royal Ceramics Lanka 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) and Haylex Ltd (UK).

Total No. of Companies Holding Directorship/Key Management positions: 18

MR. S R JAYAWEERA

Independent Non-Executive Director

Mr. Jayaweera was appointed to the Board in October 2020 and also serves as a member of the Audit Committee, Related Party Transaction Review Committee, Nominations and Governance Committee and Sustainability 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).

He has expertise in financial accounting, management accounting, hotel management, manufacturing, retail, audit and compliance. From July 2005 to June 2018, he was a member of the Group Operating Committee (GOC) of John Keells Holding PLC. He also serves as an Independent Non Executive Director of Lanka Walltiles PLC and Royal Ceramics Lanka PLC and as a Non Executive Director of Delmage Ltd and as the Non Executive Chairman of Hiru Rice Pvt Ltd.

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

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.

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 Walltiles PLC, Royal Ceramics Lanka PLC.

BOARD OF DIRECTORS

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.

Total No. of Companies Holding Directorship positions: 10

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

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.

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.

Mr. Ratnayake currently serves as the Managing Director of Colonial Motors Ceylon Ltd., Director of Union Investments (Pvt) Ltd., and Non Executive Director of C M Holdings

PLC. He also serves as a Senior Independent Non-Executive Director of ACL Plastics PLC. He is an Independent Non-Executive Director of Lanka Walltiles PLC, Serandib Land PLC, Swisstek Ceylon PLC, UB Finance PLC, , Lee Hedges PLC.and Lee Hedges Investments Limited. Mr Ratnayake also serves on several Sub Committees.

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.

Total No. of Companies Holding Directorship/Key Management positions: 11

MS. A M L PAGE

Non-Executive Director

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

Her career includes working extensively in Sri Lanka and overseas in financial services and humanitarian development industries focusing on strategy, project management, stakeholder management and marketing. She is also a Board member of Public listed Companies- Lanka Ceramic PLC and Lanka Walltiles PLC.

Total No. of Companies Holding Directorship/Key Management positions: 03

MR. J A N R ADHIHETTY

Independent Non-Executive Director

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

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

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

Total No. of Companies Holding Directorship positions: 8

SENIOR MANAGEMENT



Mr. Priyantha Talwatte
Managing Director



Mr. Haresh Somashantha
Director Finance



Mr. Nandajith Somaratne
Director Manufacturing



Mr. Naimishkumar Patibandha
Director Group Sales, Marketing & Business
Development



Mr. Thilanka Sampath
General Manager Finance



Mr. Nalin Fernando
Group Head of IT



Mr. Randeer Mendis
Group Head of Supply Chain



Mr. Sumeda Madewela
Asst. General Manager - Plant



Mr. Prasad Keerthiratna
Asst. General Manager - IT

SENIOR MANAGEMENT



Ms. Kaushalya Sudasinghe
Asst. General Manager - Sales



Mr. Athula Hewapathirana
Chief Human Resources Officer



Mr. Anura Ratnayake
Group Business Development Manager



Mr. Samadarshana Samaraweera
Group Finance Manager



Mr. Harin Samat
Head of Marketing



Mr. Mathisha Senaratne
Head of Procurement



Mr. Suresh Kulasinghe
Group Logistics & Warehouse Manager



Ms. Apsara Dilrukshi
Snr. Manager – Audit & Risk

HUES OF GROWTH

In a year of sharpened perspective, Lanka Tiles turns its gaze inward and outward, assessing the operating landscape with greater discipline, strategic intent, and a clearer sense of where opportunity lies. With the business recalibrated for a new phase of growth, resources are allocated with precision, and decisions are grounded in insight and experience.



MANAGEMENT DISCUSSION & ANALYSIS



STRATEGY

OUR STRATEGY - DRIVING VALUE THROUGH DISCIPLINED GROWTH

Our strategy for the year builds on Lanka Tiles' commitment to disciplined growth, operational excellence, and sustainable value creation, with a sharper focus on execution in an increasingly competitive and cost-conscious environment.

Anchored on six strategic pillars, market expansion and diversification, innovation and design excellence, operational efficiency and lean manufacturing, sustainability and ESG leadership, technological transformation and customer experience, and talent development and culture, we remain focused on strengthening its core business while unlocking new growth opportunities.

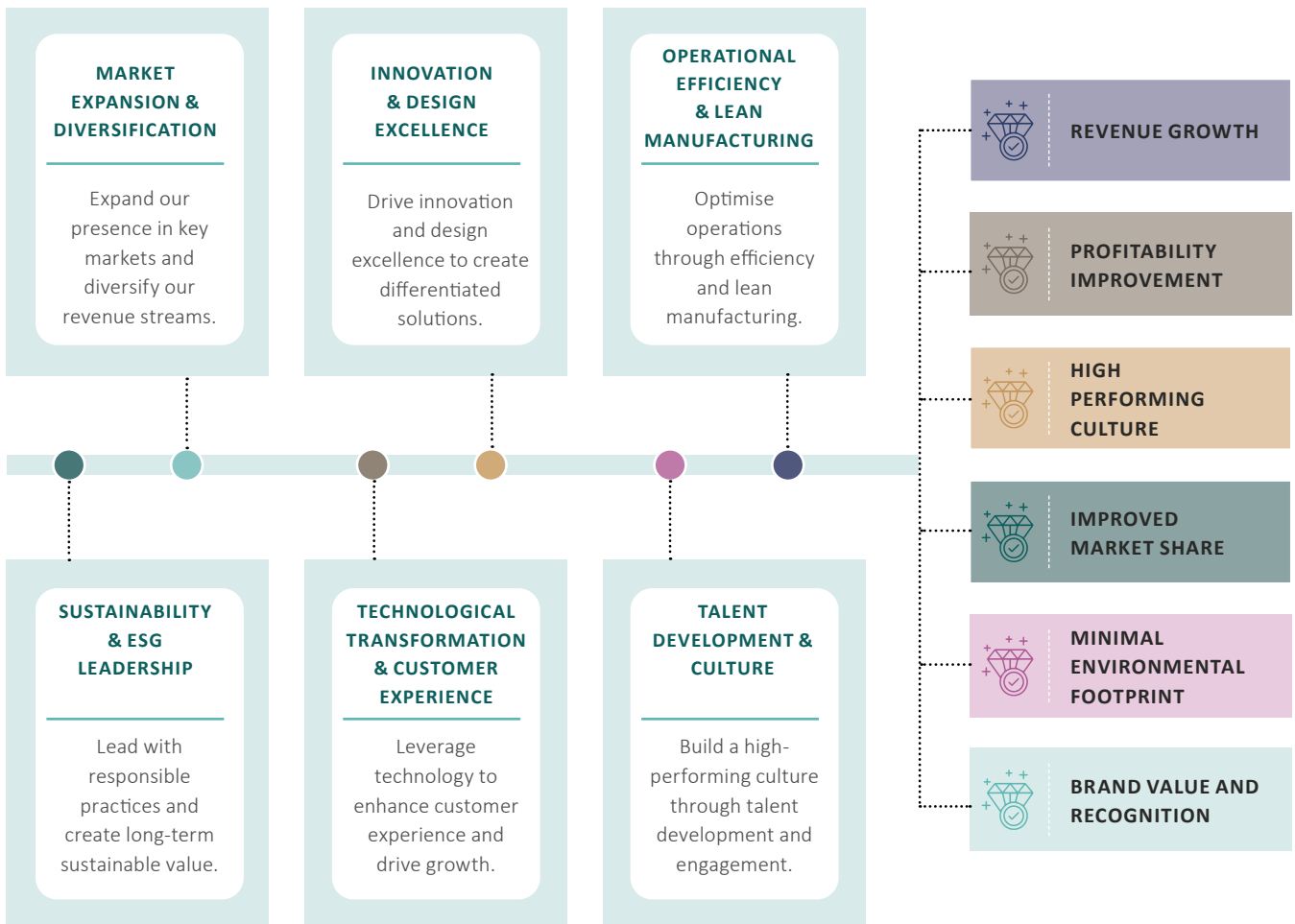
During the year, emphasis has been placed on improving revenue quality, enhancing channel productivity, and strengthening margin resilience. Key initiatives include expanding the retail footprint, optimising dealer and showroom performance, accelerating export growth, and deepening engagement with architects, contractors, and designers. Concurrently, targeted actions are driving improvements in average selling prices, product mix, and trading revenue streams.

Operationally, Lanka Tiles continues to prioritise cost optimisation through process enhancements, energy efficiency initiatives, and manufacturing improvements. These efforts are supported by focused investments in product development, enabling us to

meet evolving customer preferences with value-added, design-led offerings across both domestic and export markets.

The strategy also reinforces our commitment to sustainability, responsible resource utilisation, and environmental compliance, while advancing technological capabilities to enhance customer engagement, sales effectiveness, and data-driven decision-making.

Underpinned by a strong performance culture and continuous talent development, Lanka Tiles is well-positioned to navigate market dynamics, strengthen competitiveness, and deliver sustainable long-term value to stakeholders.



Strategic Pillar	Strategic Priorities	Action Plan	KPIs
Market expansion and diversification 	Expand market reach and improve channel productivity	<ul style="list-style-type: none"> Open new showrooms and factory outlets in key regions Upgrade and renovate existing showrooms Strengthen dealer network and reactivate inactive dealers Expand project sales and influencer engagement (architects, contractors) Accelerate export and OEM growth 	<ul style="list-style-type: none"> 4.6 Mn Sqm Total Sales Rs.412 Mn Export revenue contribution 03 No. of new showrooms
Innovation and design excellence 	Strengthen product differentiation and value-added portfolio	<ul style="list-style-type: none"> Develop new formats, finishes, and specialised tiles Launch market-specific product ranges for export markets Improve speed to market through faster development cycles 	<ul style="list-style-type: none"> 58 new product launches 01 Week New design Product development cycle time
Operational efficiency and lean manufacturing 	Improve cost competitiveness and operational efficiency	<ul style="list-style-type: none"> Implement lean manufacturing and process optimisation initiatives Reduce energy consumption through efficiency projects Optimise product mix and production planning Strengthen preventive maintenance practices 	<ul style="list-style-type: none"> 4.68 Energy consumption Kwh per unit 87.32% Production efficiency 18% Waste reduction 11% Maintenance cost reduction
Sustainability and ESG leadership 	Embed sustainable and responsible business practices	<ul style="list-style-type: none"> Improve energy efficiency and reduce emissions Increase use of recycled and sustainable raw materials Ensure compliance with environmental standards Strengthen community engagement initiatives 	<ul style="list-style-type: none"> 1% Energy intensity reduction Carbon emissions (Scope 1 -27,757 & Scope 2- 11,502) 02 ESG compliance / certifications achieved
Technological transformation and customer experience 	Leverage technology to enhance customer engagement and sales effectiveness	<ul style="list-style-type: none"> Strengthen CRM systems and data analytics capabilities Enable data-driven sales and pricing strategies Enhance customer experience across retail and digital touchpoints Equip sales teams with technology-enabled tools 	<ul style="list-style-type: none"> Main showrooms Customer foot falls 33,926 122 Customer touch points
Talent development and culture 	Build a high-performance, execution-driven organisation	<ul style="list-style-type: none"> Upskill workforce across sales, technical, and operational functions Strengthen sales capability and leadership development programs Enhance performance management and accountability Promote employee engagement and employer branding 	<ul style="list-style-type: none"> 6.3 Training hours per employee Staff turnover rate 21%

MATERIALITY

At Lanka Tiles PLC, materiality is central to how we define priorities, allocate resources, and create sustainable value. Our materiality assessment process enables us to identify and prioritise the economic, environmental, and social matters that are most significant to our business and stakeholders.

During the year under review, the Lanka Tiles undertook a structured materiality assessment, taking into account internal strategic priorities, industry trends, regulatory developments, and stakeholder expectations. This process ensures alignment between our strategy, risk management framework, and sustainability agenda.

MATERIALITY ASSESSMENT PROCESS

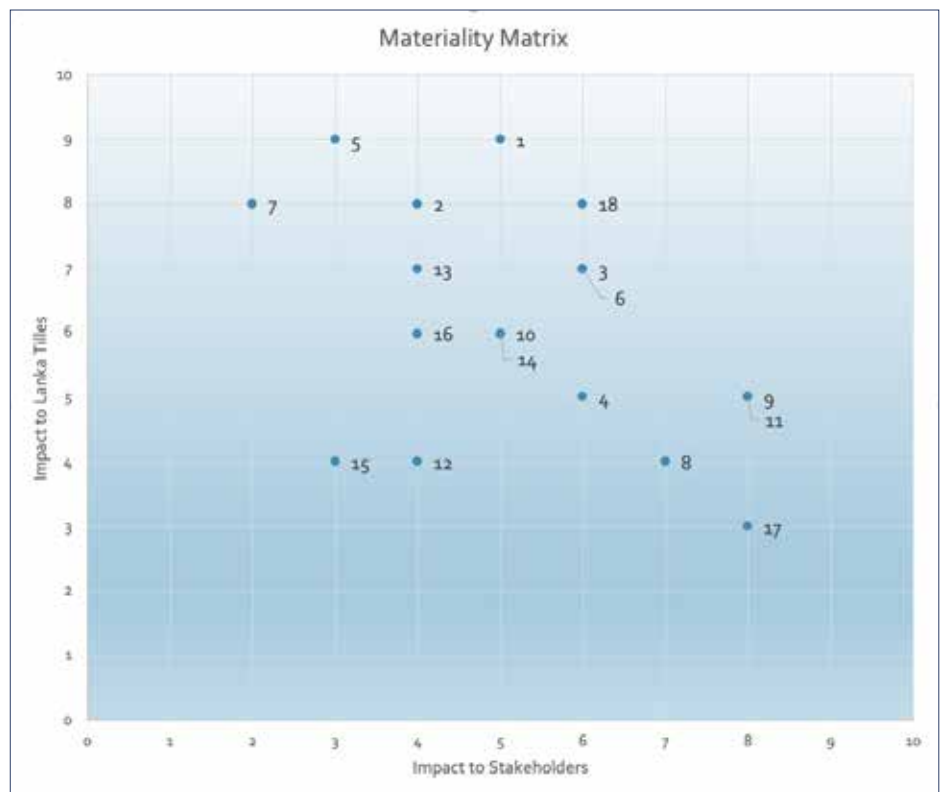
The materiality assessment was conducted through a structured, multi-step approach.



The materiality matrix presents the key material matters identified through the latest assessment, illustrating their relative significance based on the level of impact. Each material topic disclosed in the Materiality Table is assigned a reference number to ensure consistency and ease of cross-reference.

The matrix maps these material matters across two dimensions: impact on stakeholders and impact on the business. The stakeholder dimension reflects the extent to which each issue influences stakeholder expectations and decision-making, while the business dimension captures the degree to which each matter affects strategy, operations, risk exposure, regulatory compliance, and long-term value creation at Lanka Tiles.

Together, the matrix provides a clear visual representation of the issues most significant to both the Company and its stakeholders, supporting effective prioritisation for strategic decision-making, risk management, and transparent reporting.



Material Topic	Reference	Impact to Stakeholders	Impact to Lanka Tiles	Corresponding GRI Topic	Corresponding SDG Targets	SASB Construction material
1 Financial performance, stability and managing liquidity	Financial Capital 54-58	5	9	GRI 201 Economic Performance	SDG 8 – Decent Work & Economic Growth	
2 Macro-economic conditions	Risk Management on page 41-44 and Operating environment on page 45-48	4	8	GRI 201 Economic Performance		
3 Customer satisfaction	Social and relationship capital 72-76	6	7	GRI 416 Customer Health & Safety GRI 417 Marketing & Labelling	SDG 12 – Responsible Consumption & Production	EM-CM-520a.1
4 Service and operational excellence	Intellectual Capital	6	5			
5 Cost efficiency	Financial Capital	3	9	GRI 302 Energy GRI 301 Materials		
6 Product portfolio	Intellectual Capital	6	7			EM-CM-410a.1 EM-CM-410a.2
7 Property and investment portfolio	Financial Capital Manufactured Capital	2	8		SDG 9 – Industry, Innovation & Infrastructure	
8 Talent management	Human Capital on page 64-71	7	4	GRI 404 Training & Education GRI 401 Employment	SDG 8 – Decent Work & Economic Growth	
9 Good Governance	Corporate Governance on page 102-114	8	5	GRI 205 Anti-corruption	SDG 16 – Peace, Justice & Strong Institutions	
10 Brand visibility and reputation	Intellectual Capital	5	6	GRI 417 Marketing & Labelling		
11 Health and safety	Human Capital on page 64-71	8	5	GRI 403 Occupational Health & Safety	SDG 3 – Good Health & Well-being	EM-CM-320a.1 EM-CM-320a.2
12 Product responsibilities and sustainable business practices	Social and relationship capital 72-76	4	4	GRI 416 Customer Health & Safety	SDG 12 – Responsible Consumption & Production	
13 Procurement practices	Social and relationship capital 72-76	4	7	GRI 204 Procurement Practices		
14 Carbon footprint (energy and emissions)	Natural Capital	5	6	GRI 305 Emissions GRI 302 Energy	SDG 7 – Affordable & Clean Energy	EM-CM-110a.1 EM-CM-110a.2 EM-CM-130a.1
15 Water and biodiversity	Natural Capital	3	4	GRI 303 Water GRI 304 Biodiversity	SDG 6 – Clean Water & Sanitation SDG 15 – Life on Land	EM-CM-140a.1 EM-CM-160a.1 EM-CM-160a.2
16 Material consumption	Natural Capital	4	6	GRI 301 Materials		
17 Local communities	Social and relationship capital 72-76	8	3	GRI 413 Local Communities	SDG 11 – Sustainable Cities & Communities	
18 A regulated marketplace		6	8	GRI 206 Anti-competitive Behaviour		EM-CM-520a.1

STAKEHOLDER ENGAGEMENT

At Lanka Tiles PLC, stakeholder engagement is fundamental to our approach to sustainable value creation. Ongoing and structured interactions with stakeholders provide valuable insights into their expectations, enabling us to align our strategy, operations, and sustainability priorities effectively.

Our engagement framework is underpinned by the principles of inclusivity, responsiveness, and transparency. Through a combination of formal and informal channels, we engage proactively with key stakeholder groups to understand emerging issues, address risks, and identify opportunities that contribute to long-term growth. The insights gained through this process are embedded within our materiality assessment, strategic planning, and performance management, ensuring that the Company remains agile and responsive within a dynamic operating environment.

Customers

Customers are central to Lanka Tiles’ growth and market leadership. Understanding evolving preferences, design trends, and service expectations enables us to continuously enhance our product offering and deliver superior customer experiences across all touchpoints.

Engagement Mechanisms	<ul style="list-style-type: none"> Island-wide showroom network and direct interactions Customer hotline Trade fairs Digital platforms, and marketing channels Tiler and contractor engagement platforms Corporate website
Key Concerns	<ul style="list-style-type: none"> Product variety, design, and quality Value for money and availability Convenience and service experience
Our strategy	<ul style="list-style-type: none"> Continuous product innovation and portfolio expansion Strengthening retail experience and service quality Enhancing availability and distribution reach
KPIs	<ul style="list-style-type: none"> Customer satisfaction index 60 NPS On-time delivery Customer Footfall own showrooms 33,926

Employees

Our employees are the foundation of our operational excellence and long-term success. We are committed to fostering a safe, inclusive, and performance-driven workplace that supports continuous learning, professional growth, and employee wellbeing.

Engagement Mechanisms	<ul style="list-style-type: none"> Training and development programs Performance appraisals Staff meetings Employee engagement initiatives
Key Concerns	<ul style="list-style-type: none"> Competitive remuneration Job security Career development and recognition Safe and inclusive workplace
Our strategy	<ul style="list-style-type: none"> Structured learning and development pathways Performance-driven culture with clear career progression Strong focus on health, safety, and employee wellbeing
KPIs	<ul style="list-style-type: none"> Training hours per employee 6.3 Staff turnover rate 21%

Business
Partners and
Suppliers

Strong and collaborative relationships with our business partners and suppliers are essential to ensuring operational continuity and delivering consistent value. We focus on building mutually beneficial partnerships grounded in trust, transparency, and shared growth.

Engagement Mechanisms	<ul style="list-style-type: none"> • Direct meetings • Supplier visits, and regular communication • Training programs • Industry events
Key Concerns	<ul style="list-style-type: none"> • Fair and timely payments • Business continuity • Growth opportunities • Strong, collaborative relationships
Our strategy	<ul style="list-style-type: none"> • Strengthening long-term partnerships • Ensuring transparent and timely financial practices • Supporting partner capability development
KPIs	<ul style="list-style-type: none"> • Supplier on-time payment • Supplier retention rate

Investors

Maintaining investor confidence is critical to sustaining long-term growth and financial stability. We are committed to delivering consistent performance, transparent communication, and robust governance practices that support informed decision-making.

Engagement Mechanisms	<ul style="list-style-type: none"> • Annual General Meeting • Investor briefings • Financial disclosures and regulatory filings • Ongoing communication through corporate channels
Key Concerns	<ul style="list-style-type: none"> • Financial performance and returns • Transparency and governance • Long-term growth and stability
Our strategy	<ul style="list-style-type: none"> • Maintaining strong financial discipline and governance • Delivering consistent performance and clear disclosures • Strengthening risk management and strategic execution
KPIs	<ul style="list-style-type: none"> • Return on Equity (ROE) 7.52% • Dividend per share 1.9

STAKEHOLDER ENGAGEMENT

Regulator

Engagement with regulators ensures that Lanka Tiles operates in full compliance with applicable laws and industry standards. We maintain proactive and transparent relationships to support good governance and contribute to a fair and stable operating environment.

Engagement Mechanisms	<ul style="list-style-type: none"> Regulatory filings and formal engagements Industry collaboration and consultations
Key Concerns	<ul style="list-style-type: none"> Compliance and governance Timely and accurate reporting Industry stability and fair practices
Our strategy	<ul style="list-style-type: none"> Adherence to all regulatory requirements Strengthening governance frameworks Proactive engagement with regulatory bodies
KPIs	<ul style="list-style-type: none"> Zero regulatory breaches Timeliness of statutory filings

Communities

As a responsible corporate citizen, Lanka Tiles is committed to contributing positively to the communities in which we operate. We focus on creating shared value through sustainable practices, local engagement, and initiatives that support social and economic development.

Engagement Mechanisms	<ul style="list-style-type: none"> Community initiatives and CSR programs Awareness and engagement campaigns
Key Concerns	<ul style="list-style-type: none"> Ethical business practices Employment opportunities Environmental responsibility
Our strategy	<ul style="list-style-type: none"> Supporting local employment and development Promoting sustainable and responsible operations Contributing to community wellbeing
KPIs	<ul style="list-style-type: none"> CSR investment Rs.0.5 Mn Number of Beneficiaries 21,160 Local employment 99.99%



OUR BUSINESS MODEL

INPUT

OUR VALUE CREATION PROCESS

FINANCIAL CAPITAL

Rs. 21.23Bn **Rs. 16.08Bn**
Assets Equity

Rs. 1,120Mn
Debt

MANUFACTURED CAPITAL

Rs. 8,241Mn **Rs. 452Mn**
PPE CAPEX

59
Showrooms

HUMAN CAPITAL

898 **199**
Employees New Recruits

5,671
Training Hours

SOCIAL AND RELATIONSHIP CAPITAL

576 **37** **19**
Local Suppliers Foreign Suppliers Factory Outlet

26 **56**
Distributors Franchisees

INTELLECTUAL CAPITAL

Rs. 1,658 Mn

Brand Value Systems & Processes

Research & Development

NATURAL CAPITAL

85,117 MT **2,562 Kwh**
Material Energy

Ltr. 133 Mn
Water

CORPORATE GOVERNANCE

RISK MANAGEMENT





OUTPUT/OUTCOME



VALUE DELIVERED

OUTPUT

4,529,940 SQM

Tiles

SHAREHOLDERS

- Earnings per Share of Rs.4.45
- Dividend per Share of Rs.1.90



CUSTOMERS

- Delivery of high quality, innovative designs
- Customer support



EMPLOYEES

- Employee remuneration of Rs.1,464 Mn
- Rs.2.1Mn investment in training and development
- Job security
- Healthy and safe workplace
- An inclusive workplace



SUPPLIERS/BUSINESS PARTNERS

- Rs.8,271 Mn payments to suppliers
- Rs.652 Mn paid as commission



COMMUNITIES

- Recruitment of 199 new employees
- CSR spend of Rs.0.5 Mn



GOVERNMENT

- Tax payments of Rs.1,582 Mn



HUMAN CAPITAL
MANAGEMENT

CAPITAL
EXPENDITURE

TECHNOLOGY

OUTCOMES

ECONOMIC

Rs. **1,464Mn** Paid as Remuneration
 Rs. **8,271Mn** Paid to Suppliers

Rs. **504Mn** Paid to Equity Holders
 Rs. **1,582Mn** Direct and Indirect Tax Payments

SOCIAL



Direct and Indirect Employment Opportunities



Community Development Initiatives

SOCIAL

5,613 MT
 Waste Discharged

70,377,500 Ltrs.
 Water Discharged

2,986 MT
 Waste Recycle

SUSTAINABILITY AND ESG IMPACT

Sustainability remains integral to the long-term value creation strategy of Lanka Tiles, guiding how the Company manages resources, supports our people, and upholds responsible business practices. During the year, Lanka Tiles continued to strengthen our ESG approach through targeted initiatives across environmental stewardship, human capital development, and governance, aligned with global sustainability priorities and the United Nations Sustainable Development Goals.

ENVIRONMENTAL

- Implementation of waste heat recovery systems to improve energy efficiency and reduce fuel consumption
- Reduction in LPG and overall energy consumption through process optimisation and efficient equipment usage
- Enhanced water recycling systems, increasing reuse levels to over 50% and reducing freshwater consumption
- Recycling of production waste, including reuse of ceramic scrap and process by-products within manufacturing
- Strengthened sustainable sourcing practices through supplier engagement and compliance monitoring

KPIs

21kwh.Mn

Energy consumption

9kg.Mn

LPG consumption

- Water recycling rate: 53% (up from 11%)
- Water intensity: 0.029 m³/m² (improved efficiency)
- Total water withdrawal: 132,888 m³ (reduction trend)
- Waste recycling: Increased reuse of ceramic scrap and process waste within production
- Environmental compliance: Zero major non-compliance incidents reported



SOCIAL

- Implementation of structured training and development programmes across technical, operational, and leadership areas
- Continued focus on employee health and safety through regular training, medical programmes, and workplace safety initiatives
- Strengthening employee engagement through structured initiatives and workplace activities
- Maintenance of strong industrial relations through regular dialogue and collective agreements

KPIs

- Total workforce: 898 employees (permanent and temporary)
- Training hours: Extensive programmes across technical, operational, and leadership areas
- Employee engagement: Multiple initiatives including training, wellness, and engagement activities
- Health & safety: Regular safety training, medical programmes, and workplace safety initiatives
- Union representation: Approximately 65% of employees covered by trade unions



GOVERNANCE

- Strengthened oversight of sustainability and environmental performance at Board and management levels
- Continued adherence to regulatory requirements and environmental compliance standards
- Implementation of structured policies and monitoring systems across operations
- Supplier evaluation and audits to ensure responsible sourcing and compliance

KPIs

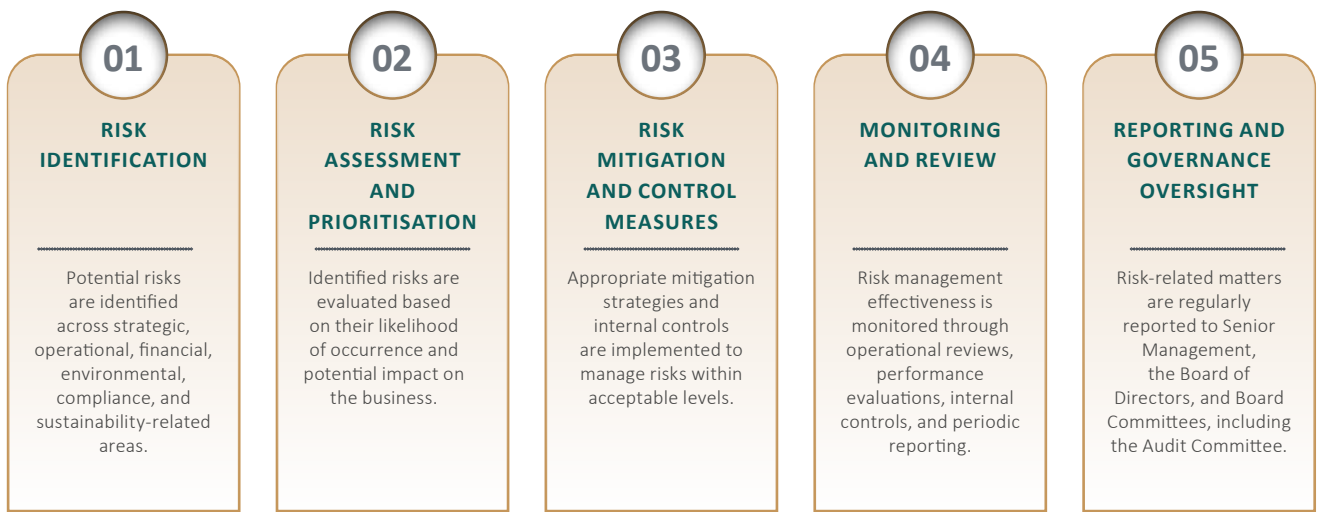
- Board-level oversight of sustainability and environmental performance
- 100% compliance with environmental and regulatory requirements
- Supplier compliance: Ongoing evaluation and engagement with approved and licensed suppliers
- Certifications maintained:
 - ISO 9001 (Quality Management)
 - ISO 14001 (Environmental Management)
 - CE Marking and Green Building certifications



RISK MANAGEMENT

Lanka Tiles recognises that effective risk management is essential to sustaining long-term value creation, maintaining operational resilience, and protecting stakeholder interests. Operating within a dynamic business environment influenced by economic fluctuations, competitive market conditions, regulatory developments, and evolving sustainability expectations, the Company adopts a proactive and structured approach to identifying and managing risks across our operations.

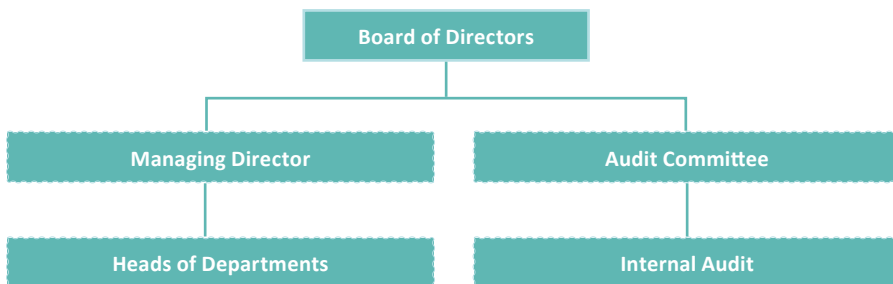
The Group’s risk management framework is integrated into strategic planning, operational decision-making, and performance management processes to ensure that potential risks and opportunities are identified, assessed, monitored, and addressed in a timely manner. This framework supports the achievement of business objectives while strengthening the Company’s ability to respond effectively to emerging challenges and changing market conditions.



RISK MANAGEMENT OVERSIGHT

The Board of Directors is responsible for overseeing the effectiveness of the Group’s risk management framework and internal control systems to ensure that risks are identified, assessed, and managed within acceptable levels. The Board provides strategic direction and ensures that appropriate governance structures, policies, and control mechanisms are in place to support sustainable business operations and long-term value creation.

Risk management oversight is supported by the Audit Committee and Senior Management through regular reviews of operational, financial, strategic, compliance, and sustainability-related risks. Management teams across business functions are responsible for identifying and monitoring risks within their respective areas and implementing appropriate mitigation measures to minimise potential impacts on business performance and continuity.



RISK LANDSCAPE

The operates within a dynamic and evolving risk environment shaped by economic conditions, industry trends, regulatory developments, technological advancements, and sustainability-related expectations. The Company continuously monitors both internal and external factors that may impact business performance, operational continuity, and long-term value creation.

Global Economic Outlook

Global economic conditions remain uncertain amid geopolitical tensions, trade disruptions, inflationary pressures, and evolving monetary policies across major economies. Slower global growth, supply chain disruptions, and fluctuations in commodity and energy prices may impact international trade, raw material availability, and export market demand.

RISK MANAGEMENT

Outlook for Sri Lanka

Sri Lanka's economy continued to demonstrate gradual recovery during the year supported by improving macroeconomic stability, easing inflation, lower interest rates, tourism growth, and improved foreign exchange inflows. However, economic growth remains subject to structural challenges, global uncertainties, fiscal reforms, and changing policy directions which may influence business confidence, construction sector activity, and consumer spending patterns.

Geopolitical Environment

Ongoing geopolitical conflicts and global trade uncertainties continue to affect international supply chains, freight costs, commodity markets, and economic stability. Changes in global trade policies, tariffs, and regional tensions may influence material sourcing, export competitiveness, and overall market conditions within the industry.

Industry Competition

The domestic tile industry continues to experience intense competition, particularly from lower-priced imported tile products following the easing of import restrictions. Imported products continue to place pressure on pricing, margins, and market share within the local market, especially within price-sensitive customer segments. In response, the Company continues to strengthen product innovation, customer engagement, showroom presence, and operational efficiency initiatives to maintain competitiveness.

Energy Supply

Tile manufacturing operations are highly dependent on continuous and stable energy supply, particularly electricity and LPG. Energy price volatility, fuel supply disruptions, and utility-related constraints may significantly impact production continuity and manufacturing costs. The Company continues to focus on energy optimisation initiatives, alternative energy solutions, and operational efficiency improvements to mitigate these risks.

Climate Change

Climate-related impacts such as prolonged rainfall, flooding, and changing weather patterns continue to affect mining operations, transportation, and raw material quality. Increased moisture content in clay and other mined materials may require extended drying periods and higher inventory holding levels, affecting operational efficiency and working capital management. The Company continues to strengthen resource planning, raw material inventory management, and environmental management practices to enhance resilience against climate-related risks.

Construction Sector Outlook

Demand for tiles and related products is closely linked to the performance of the construction sector. The sector is expected to gradually recover supported by lower interest rates, housing demand, tourism-related developments, and commercial construction activities. However, fluctuations in construction activity and investor confidence may continue to impact market demand and industry growth.

Financial Risks

The Company remains exposed to financial risks arising from inflation, exchange rate fluctuations, liquidity pressures, interest rate movements, and working capital requirements. Elevated inventory levels, pricing pressures, and volatility in imported material costs may also impact profitability and cash flows. Lanka Tiles continues to maintain prudent treasury management, disciplined working capital controls, and regular monitoring of financial exposures to support financial stability.

Raw Material Availability

The industry depends on the continuous availability of key raw materials including ball clay, feldspar, silica, chemicals, and packaging materials. Certain raw materials require mining licenses and are subject to regulatory approvals and environmental considerations. Supply disruptions, transportation challenges, and price fluctuations may impact production continuity and costs. The Company mitigates these risks through supplier diversification, strategic inventory management, and long-term resource planning initiatives.

Evolution of Designs and Consumer Preferences

Rapidly evolving design trends and changing customer preferences continue to drive the need for continuous product innovation and portfolio enhancement. The ability to introduce contemporary designs, new formats, and differentiated product offerings remains critical to maintaining market competitiveness and customer relevance. The Company continues to invest in design development, market research, and product innovation initiatives to respond effectively to changing consumer expectations.

Technology Advancements

Technological advancements in manufacturing processes, automation, digital integration, and product development continue to reshape the tile manufacturing industry. Maintaining competitiveness requires ongoing investments in manufacturing technology, information systems, cybersecurity, and operational digitalisation. The Company continues to invest in process automation, SAP integration, digital platforms, and manufacturing improvements to strengthen operational efficiency and customer engagement.

KEY RISKS

The top risks of the Lanka Tile Group are set out below

Risk	Level	Impact	Mitigating Factors/Plans
1. EMPLOYEE HEALTH & SAFETY Manufacturing operations involve high temperatures, heavy machinery, and industrial processes that may create workplace safety risks.	Low	<ul style="list-style-type: none"> Workplace accidents Injuries Production downtime 	<ul style="list-style-type: none"> Maintaining occupational health and safety procedures Regular safety training Routine maintenance programmes PPE usage Continuous monitoring of workplace safety practices.
2. RAINFALL Adverse weather conditions may affect mining operations, raw material quality, transportation, and production planning.	Low	<ul style="list-style-type: none"> Production delays Poor quality raw materials affecting final product quality 	<ul style="list-style-type: none"> Maintaining higher raw material inventory levels Diversified sourcing locations Improved logistics and inventory planning.
3. CAPACITY UTILISATION Low capacity utilisation may impact cost absorption, operational efficiency, and profitability levels.	Moderate	<ul style="list-style-type: none"> Inability to meet demand Underutilisation of resources 	<ul style="list-style-type: none"> Strengthening sales volumes through domestic and export market expansion Optimising product mix Improving inventory movement Enhancing operational planning.
4. CYBERSECURITY Increasing reliance on digital systems and integrated technologies exposes the Company to cyber threats and data security risks.	Low	<ul style="list-style-type: none"> Increase Costs associated with data recovery or system restoration Potential loss of revenue due to technological failures 	<ul style="list-style-type: none"> Strengthening cybersecurity controls System monitoring Employee awareness programmes Access controls, data backup procedures IT infrastructure upgrades.
5. ENERGY SUPPLY Continuous fuel and gas supply is essential for kiln operations and uninterrupted manufacturing processes.	Low	<ul style="list-style-type: none"> Increase Energy Cost Increase production cost Reduce price competitiveness Decrease profitability 	<ul style="list-style-type: none"> Maintaining supplier relationships Exploring alternative fuel options Monitoring fuel consumption and implementing energy optimisation initiatives.
6. INTEREST RATE RISK Interest rate fluctuations may impact borrowing costs, working capital financing, and investment decisions.	Low	<ul style="list-style-type: none"> Increased finance costs Reduced profitability 	<ul style="list-style-type: none"> Maintaining prudent treasury management practices Optimising financing structures Improving working capital management.
7. TRADE UNION ACTION Industrial relations challenges and labour disputes may disrupt operational continuity and productivity.	Low	<ul style="list-style-type: none"> Legal penalties Reputational damage Operational disruptions 	<ul style="list-style-type: none"> Maintaining proactive employee engagement Regular dialogue with trade unions Collective agreements Fair labour practices to support positive industrial relations.

RISK MANAGEMENT

Risk	Level	Impact	Mitigating Factors/Plans
8. NEW DESIGNS/SIZES Rapidly evolving customer preferences require continuous innovation in tile designs, formats, and product offerings.	Moderate	<ul style="list-style-type: none"> Decline in competitiveness Loss of market share 	<ul style="list-style-type: none"> Continuous product innovation Engagement with foreign consultants Market trend analysis Investment in design development Regular introduction of new collections.
9. FIRE Manufacturing operations involving kilns and high-temperature processes carry inherent fire risks.	Low	<ul style="list-style-type: none"> Employee safety Potential shutdown of operations due to non-compliance (Temporary suspension of EPL) 	<ul style="list-style-type: none"> Routine maintenance Fire detection and suppression systems Employee fire safety training Emergency response procedures, and regular fire drills.
10. RAW MATERIAL AVAILABILITY Availability of key raw materials may be affected by licensing requirements, environmental regulations, resource depletion, and supply disruptions	Low	<ul style="list-style-type: none"> Production delays Product defects Customer complaints Brand damage 	<ul style="list-style-type: none"> Strategic sourcing Maintaining long-term supplier relationships Higher inventory levels Alternative sourcing options Sustainable mining practices Ownership of mining lands for long-term supply security.
11. INCREASING ENVIRONMENTAL REGULATION Evolving environmental and sustainability-related regulations may increase compliance requirements and operational costs.	Low	<ul style="list-style-type: none"> Legal penalties Reputational damage Loss of investor confidence 	<ul style="list-style-type: none"> Strengthening environmental management systems Sustainability reporting processes Resource efficiency initiatives Compliance monitoring mechanisms.
12. NEW TECHNOLOGY Rapid technological advancements may require continuous investment to maintain manufacturing competitiveness and operational efficiency.	Low	<ul style="list-style-type: none"> Potential loss of productivity and efficiency Increase the risk of lost information 	<ul style="list-style-type: none"> Ongoing investments in manufacturing technology SAP integration Automation, process improvements
13. CREDIT RISK The Group provides credit for large corporate customers and to business partners in our distribution network.	Low	<ul style="list-style-type: none"> Increased credit risk Liquidity issues 	<ul style="list-style-type: none"> Conducting credit evaluations Continuous monitoring of receivables Maintaining credit controls, and strengthening collection and customer relationship management processes.

OPERATING ENVIRONMENT

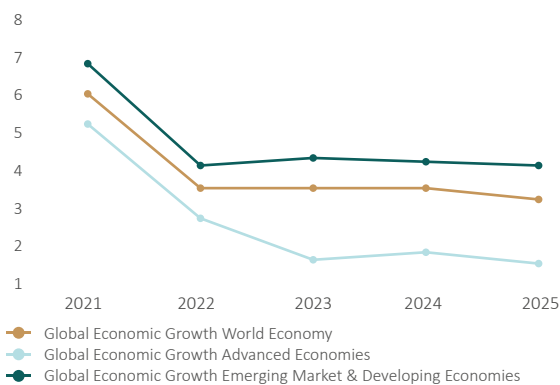
The operating environment during the year was shaped by a complex interplay of global and domestic factors, reflecting both resilience and emerging uncertainties. While improving macroeconomic conditions and stabilising inflation supported a gradual recovery in demand, evolving geopolitical developments, cost pressures, and shifting trade dynamics continued to influence business performance. Within this context, Lanka Tiles PLC remained focused on strengthening operational agility, enhancing cost competitiveness, and capitalising on growth opportunities across both domestic and export markets.

GLOBAL ECONOMY

Global economic activity remained resilient in 2025, supported by moderating inflation, easing financial conditions, and continued momentum in key economies. Growth was sustained despite earlier headwinds from tighter monetary policy and trade uncertainties, reflecting stronger-than-expected performance in major markets and the gradual normalisation of supply chains.

However, the outlook for 2026 has weakened amid rising geopolitical tensions, particularly following the escalation of conflict in the Middle East. According to the International Monetary Fund, global growth is projected to moderate to approximately 3.1%, as disruptions to energy markets, heightened uncertainty, and tighter financial conditions weigh on economic activity.

Global Economic Growth



Global inflation continued to ease through much of 2025, supported by lower energy prices, improved supply chain conditions, and the lagged effects of monetary tightening. However, this disinflation trend is expected to face renewed pressure in 2026, with headline inflation projected to rise to around 4.4%, reflecting increased volatility in energy and commodity prices and the potential for second-round price effects.

Global trade conditions in 2025 showed gradual stabilisation, with resilient trade volumes supported in part by strong technology-related exports and the continued normalisation of supply chains. At the

same time, structural shifts in global trade patterns became more pronounced, driven by geopolitical tensions, evolving tariff regimes, and increasing regionalisation of supply chains.

Overall, while the global economy demonstrated resilience during 2025, the near-term outlook is increasingly shaped by geopolitical developments and structural realignments. Downside risks remain elevated, particularly for commodity-importing and emerging economies, as the global economy navigates a more uncertain and fragmented landscape.

Global Inflation



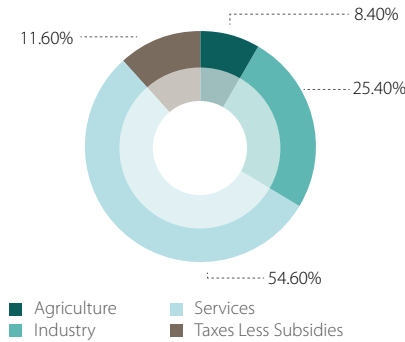
SRI LANKA

The Sri Lankan economy continued its recovery trajectory in 2025, supported by improved macroeconomic stability, consistent policy implementation, and strengthening investor confidence. Economic activity remained resilient, with broad-based growth across key sectors, underpinned by easing monetary conditions, gradual demand recovery, and improved external sector performance.

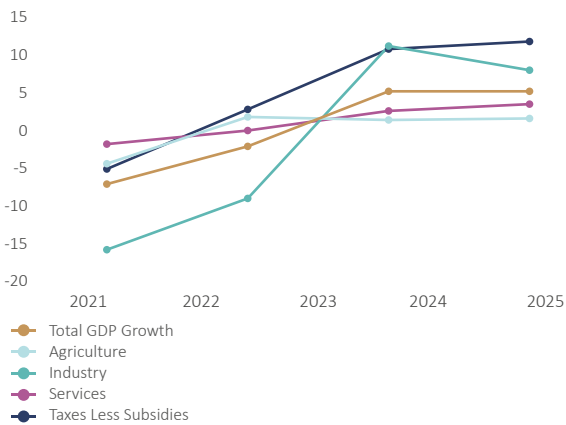
While inflationary pressures remained largely subdued during the year, supported by stabilising prices and policy measures, credit expansion and domestic economic activity showed clear signs of revival. At the same time, continued progress in fiscal consolidation and external sector stabilisation contributed to strengthening macroeconomic fundamentals and enhancing overall economic resilience.

OPERATING ENVIRONMENT

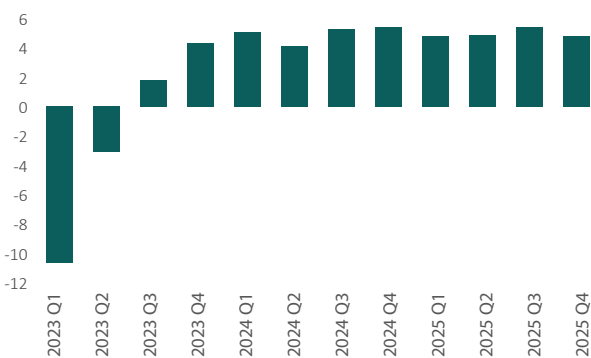
GDP Composition of Sri Lanka for 2025 Share of GDP (%)



Sri Lanka GDP Performance (2021–2025)



GDP Growth (%)

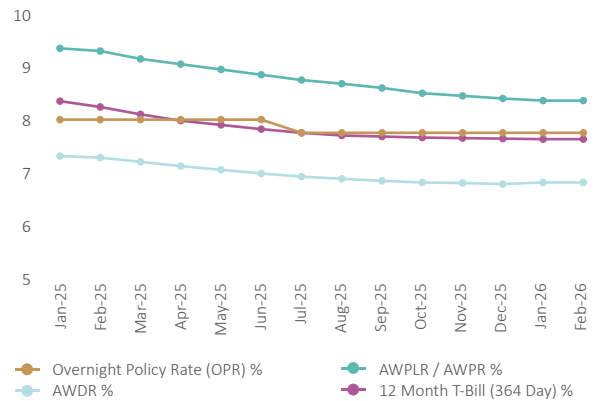


MONETARY POLICY

Monetary policy in 2025 remained accommodative, supporting economic recovery amid subdued inflation and improving macroeconomic conditions. Policy easing during the year contributed to a decline in market interest rates, with the Overnight Policy Rate (OPR) reduced to 7.75% by end-2025, while the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) declined to 7.25% and 8.25%, respectively.

This easing in policy rates translated into lower lending and deposit rates across the banking system. The Average Weighted Lending Rate (AWLR) declined to 11.48%, while the Average Weighted Prime Lending Rate (AWPR) moderated to around 9.07%, reflecting improved liquidity conditions and reduced cost of borrowing.

Sri Lanka Interest Rate Indicators (Jan 2025 – Feb 2026)

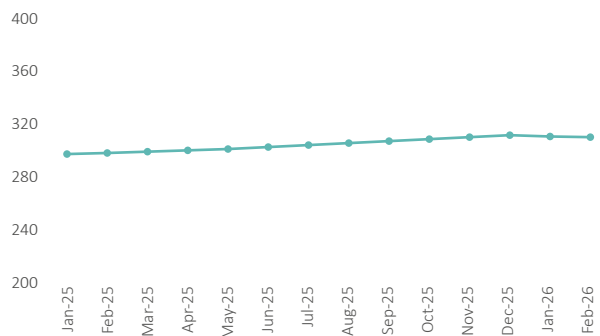


The accommodative stance supported a strong rebound in private sector credit, which expanded by 25.2% during the year, signalling improved business confidence and strengthening domestic economic activity. Overall, monetary policy played a key role in lowering borrowing costs, stimulating credit growth, and sustaining economic momentum, while maintaining stability in financial markets

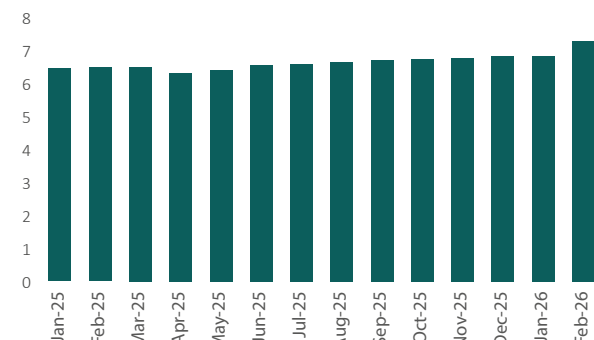
EXTERNAL SECTOR

Sri Lanka's external sector performance strengthened further in 2025, supported by robust foreign exchange inflows and continued improvements in key external indicators. The current account recorded a surplus for the third consecutive year, reaching approximately USD 1.7 billion, driven largely by strong workers' remittances and improved services exports.

Exchange Rate Movement - (USD/LKR)



Foreign Reserves (USD Bn)



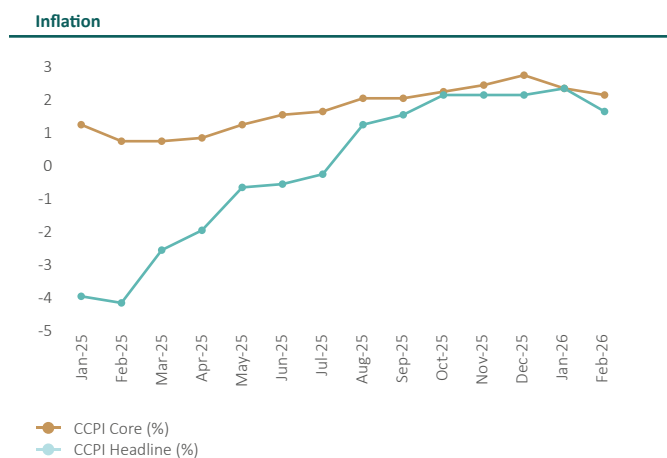
Workers' remittances increased significantly, while tourism continued its recovery momentum with arrivals rising during the year. These inflows helped offset the widening trade deficit, which expanded to USD 7.9 billion, as import growth outpaced export earnings amid the relaxation of import restrictions and increased domestic demand.

The improved external position supported a further build-up of foreign exchange reserves, reaching approximately USD 6.8 billion by end-2025. Meanwhile, the Sri Lankan rupee recorded a moderate depreciation against the US dollar, reflecting market adjustments under the flexible exchange rate regime.

Overall, the external sector remained resilient in 2025, underpinned by strong inflows and improved macroeconomic stability, although vulnerabilities persisted due to the widening trade deficit and exposure to global economic conditions.

INFLATION

Inflation remained subdued during much of 2025, following the sharp correction in price levels observed in the previous year. Headline inflation, as measured by the Colombo Consumer Price Index (CCPI), recorded an annual average of (0.5%), reflecting the continuation of deflationary conditions during the early part of the year.



However, inflation turned positive from mid-year onwards, reaching 2.1% (year-on-year) by end-2025, driven primarily by rising food prices and the dissipation of earlier energy-related price declines. Core inflation also remained contained, indicating relatively stable underlying demand conditions.

The low inflation environment, supported by easing global price pressures and improved domestic supply conditions, contributed to enhanced consumer purchasing power and provided space for accommodative monetary policy.

Overall, inflation dynamics in 2025 reflected a transition from deflation to moderate price stability, supporting economic recovery while maintaining macroeconomic stability.

CONSTRUCTION SECTOR PERFORMANCE

The construction sector in Sri Lanka showed signs of gradual recovery in 2025, supported by improving macroeconomic conditions, lower interest rates, and the easing of supply-side constraints. Following a period of contraction in previous years, the sector benefited from renewed activity in residential construction, particularly in the mid-market segment, as financing conditions improved and consumer confidence strengthened.

Public sector infrastructure activity remained moderate, reflecting continued fiscal consolidation efforts, while private sector-led developments—particularly in housing, retail, and small-scale commercial projects—contributed to the sector's recovery. The gradual normalisation of material supply chains and stabilisation in input costs further supported construction activity during the year.

However, the recovery remained uneven. Elevated construction costs, driven by imported material prices and currency depreciation, continued to constrain large-scale developments. In addition, competitive pressures intensified with the increased availability of imported building materials following the relaxation of import restrictions, impacting domestic manufacturers.

Overall, while the construction sector demonstrated early signs of stabilisation and recovery in 2025, growth remained moderate and sensitive to macroeconomic conditions, cost dynamics, and investment sentiment. The pace of recovery is expected to depend on sustained improvements in financing conditions, policy stability, and investor confidence.

IMPACT OF THE OPERATING ENVIRONMENT ON LANKA TILES PLC

The evolving operating environment during the year had a mixed impact on the performance of Lanka Tiles PLC, presenting both opportunities and challenges across its key markets.

Demand Recovery and Market Growth

Improved macroeconomic stability and the recovery in domestic economic activity supported a gradual improvement in demand within the construction and real estate sectors. Lower interest rates and increased availability of credit contributed to renewed activity in residential and commercial construction, positively influencing domestic tile demand. Rising disposable incomes and improving consumer sentiment further supported retail sales through the Company's showroom and dealer network.

Competitive Pressures and Cost Challenges

The expansion in economic activity, together with the relaxation of import restrictions, intensified competition—particularly from imported tiles—placing pressure on pricing and margins. In addition, the depreciation of the Sri Lankan rupee increased input costs, especially for imported raw materials and energy-related expenses, reinforcing the need for continued cost optimisation and operational efficiency.

OPERATING ENVIRONMENT

Export Market Dynamics

On the external front, improved global demand conditions and strong remittance flows supported relative stability in export markets, while supply chain normalisation facilitated smoother international operations. However, ongoing geopolitical developments and volatility in freight and energy costs continued to pose risks to export competitiveness and overall cost structures.

STRATEGIC RESPONSE

In response, Lanka Tiles remained focused on strengthening revenue quality, enhancing channel productivity, and improving cost efficiencies. The Company continued to leverage its brand strength, product innovation, and distribution capabilities to sustain competitiveness across both domestic and international markets.



ECONOMIC OUTLOOK

The global economic outlook for 2026 is expected to moderate amid heightened geopolitical tensions, evolving trade dynamics, and continued uncertainty in energy and commodity markets. While inflationary pressures are projected to remain relatively contained over the medium term, near-term risks persist due to volatility in global supply chains and financial markets. Growth is expected to remain resilient, albeit at a slower pace, as economies adjust to tighter financial conditions and structural shifts in global trade.

In Sri Lanka, the economic outlook remains cautiously optimistic, supported by continued macroeconomic stabilisation, policy consistency, and progress in structural reforms. Economic activity is expected to sustain its recovery momentum, underpinned by improved investor confidence, gradual expansion in private sector credit, and strengthening external sector conditions.

Inflation is expected to stabilise within the target range, supported by prudent monetary policy and improved supply conditions, although potential external shocks—particularly related to global energy prices—may pose upside risks. Meanwhile, fiscal consolidation efforts are expected to remain a key priority, supporting debt sustainability and macroeconomic stability.

Overall, while both global and domestic economies are expected to maintain a recovery trajectory, the outlook remains subject to downside risks stemming from geopolitical developments, external demand conditions, and market volatility. Sustained policy discipline and continued reforms will be critical in strengthening resilience and supporting long-term, sustainable growth.

BUSINESS LINE REVIEW

LANKA TILES PLC CONTINUES TO MAINTAIN OUR POSITION AS ONE OF SRI LANKA'S LEADING TILE MANUFACTURERS DURING THE YEAR UNDER REVIEW, SUPPORTED BY A STRONG BRAND PORTFOLIO, EXTENSIVE DISTRIBUTION NETWORK, AND ESTABLISHED MANUFACTURING CAPABILITIES. THE COMPANY OFFERS A WIDE RANGE OF CERAMIC AND PORCELAIN TILES CATERING TO RESIDENTIAL, COMMERCIAL, HOSPITALITY, AND EXPORT MARKET SEGMENTS.

THE COMPANY CONTINUED TO LEVERAGE OUR INTEGRATED BUSINESS MODEL, COMBINING MANUFACTURING EXPERTISE, DESIGN CAPABILITIES, AND AN ISLANDWIDE DISTRIBUTION NETWORK COMPRISING COMPANY-OWNED SHOWROOMS, FRANCHISE OUTLETS, DEALERS, AND FACTORY OUTLETS. EXPORT OPERATIONS ALSO REMAINED ACTIVE ACROSS SELECTED INTERNATIONAL MARKETS INCLUDING AUSTRALIA, THE USA, INDIA, MALDIVES, AND OMAN

STRATEGIC PRIORITIES AND INITIATIVES



BUSINESS LINE REVIEW

RISKS AND OPPORTUNITIES

KEY RISKS	POTENTIAL OPPORTUNITIES
<ul style="list-style-type: none"> Intense competition from lower-priced imported tile products placing pressure on margins and market share 	<ul style="list-style-type: none"> Growing demand from the recovery of the construction, tourism, and real estate sectors
<ul style="list-style-type: none"> Pricing pressure arising from excess industry capacity and changing customer purchasing behaviour 	<ul style="list-style-type: none"> Expansion opportunities within export and international project markets
<ul style="list-style-type: none"> Fluctuations in raw material, energy, and utility costs impacting production costs 	<ul style="list-style-type: none"> Increasing demand for premium, customised, and large-format tiles
<ul style="list-style-type: none"> Supply chain disruptions and raw material availability constraints 	<ul style="list-style-type: none"> Product innovation opportunities including porcelain, mosaic, and specialised tile solutions
<ul style="list-style-type: none"> Climate-related impacts affecting mining operations, logistics, and raw material quality 	<ul style="list-style-type: none"> Technology integration and automation initiatives to improve operational efficiency

REVIEW OF 2025/26

Lanka Tiles operated within a highly competitive and dynamic business environment during the year under review, characterised by pricing pressures, increased competition from imported tile products, evolving customer purchasing behaviour, and changing market conditions. Despite these challenges, the Company demonstrated resilience through disciplined operational management, strengthened market engagement, and continued focus on long-term strategic priorities.

The easing of import restrictions resulted in a significant influx of lower-priced imported tiles into the domestic market, intensifying price competition across the industry and placing pressure on margins. At the same time, cautious consumer spending patterns and shifts towards value-oriented purchasing behaviour continued to influence market demand and product mix dynamics.

Despite these pressures, domestic sales volumes increased by approximately 14% during the year, supported by our extensive showroom and dealer network, customer engagement initiatives, and continued market penetration efforts. Export operations also remained active across several international markets, although global market volatility and pricing pressures continued to affect export performance.

We remained focused on strengthening operational resilience, improving manufacturing efficiencies, optimising inventory management, and maintaining disciplined cost control measures throughout the year. Strategic emphasis was also placed on strengthening showroom visibility, enhancing customer accessibility, and improving operational coordination through continued investments in technology integration and digital enablement initiatives.

Procurement activities during the year were carried out amidst challenges relating to raw material availability, price fluctuations, import-related constraints, and delays in obtaining mining and transportation approvals for certain locally sourced materials. Volatility in global supply chains and logistics costs also continued to impact procurement planning and sourcing strategies. In response, we focused on supplier diversification, strategic sourcing, inventory planning, and closer coordination between procurement and production teams to ensure stable material availability and minimise operational disruptions. Continuous monitoring of material consumption and inventory levels also supported improved procurement efficiency and cost management throughout the year.

INNOVATION AND PRODUCT DEVELOPMENT

Innovation and product development remained key strategic priorities for Lanka Tiles during the year as we continued to respond to evolving customer preferences, changing design trends, and increasing competition within the tile industry. Efforts were focused on strengthening product differentiation, enhancing aesthetic appeal, and expanding the premium product portfolio across both local and export markets.



Key developments during the year included:

- Introduction of 58 new SKUs across porcelain, mosaic, and specialised tile categories
- Continued expansion of product formats including 20x20, 30x30, 50x50, 30x60, 60x60, 80x80, 60x120, and 80x120 tile sizes together with various mosaic configurations
- Strengthened focus on premium and value-added product categories including glazed porcelain, glazed polish, vitrified, and mosaic tile solutions
- Foreign technical expertise was engaged during the year to support glaze development, design enhancement, product effects, and engineering improvements aimed at strengthening product quality and market competitiveness
- Product innovation initiatives also supported export market differentiation, particularly through porcelain mosaic pool tiles, trims, and field wall tile offerings targeted at premium market segments
- Ongoing focus was placed on conceptual new designs and contemporary collections to improve market penetration and strengthen customer engagement across evolving market segments

OPERATIONAL PERFORMANCE AND EFFICIENCY

Lanka Tiles continued to strengthen operational efficiency through process optimisation, yield improvement initiatives, strategic sourcing, and enhanced production monitoring systems. Focus was placed on improving manufacturing stability, reducing process losses, optimising energy consumption, and enhancing capacity utilisation to support profitability amidst prevailing market pressures.

Key operational achievements during the year included,

- Production yield improved from 85.58% to 87.31% through multiple quality improvement and process optimisation initiatives implemented across floor tile and mosaic operations

- Capacity utilisation reached 72.84% a, supported by improved production planning and operational coordination
- Product mix optimisation initiatives were implemented to maximise profitability, improve throughput, and reduce downtime across product categories
- Electricity consumption reduced from 77,121 GJ to 76,373 GJ, while diesel consumption reduced from 324,650 litres to 265,596 litres through energy optimisation initiatives and operational improvements

87.3%
Yield increase

58
New Design SKUs

5,671
Training Hours

MARKET EXPANSION AND GLOBAL FOOTPRINT

During the year, we continued to strengthen our domestic and international market presence through showroom expansion, enhanced dealer engagement, and focused export market development initiatives. Export strategies centred on expanding value-added and differentiated product offerings, particularly porcelain mosaic pool tiles, trims, and field wall tiles targeted at premium market segments. In addition, the Company continued to explore growth opportunities within emerging export regions, including selected African markets, with the aim of strengthening market penetration and improving export competitiveness through specialised product offerings.

Key market expansion initiatives during the year included:

- Opening of three new showrooms and selected showroom relocations to improve customer accessibility and strengthen brand visibility within key regions
- Continued strengthening of the Company's islandwide network comprising company-owned showrooms, franchise outlets, factory outlets, direct dealers, and consignment distributors
- Export operations remained active across USA, Australia, India, and Maldives, while the Oman market was successfully reactivated during the year

PEOPLE AND CULTURE

Lanka Tiles continued to invest in employee development, workplace engagement, health and safety, and capability enhancement initiatives to support operational excellence and organisational resilience. Focus was placed on strengthening technical competencies, digital readiness, employee wellbeing, and continuous learning across the organisation.

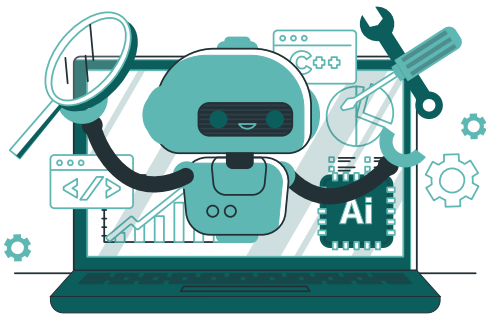
- Conducted 5,671 training hours covering technical, operational, safety, sales, and leadership development programmes
- Continued focus on employee wellbeing and workplace safety through medical camps, safety training, first aid programmes, and employee wellness initiatives
- Employee engagement initiatives included annual trips, family day events, sports activities, quality circles, and Kaizen projects



BUSINESS LINE REVIEW

DIGITAL TRANSFORMATION AND TECHNOLOGY INTEGRATION

Technology-driven improvements remained an important focus area during the year as we continued to enhance operational coordination, reporting accuracy, and process efficiency across key business functions. Investments in digital systems and automation initiatives supported improved visibility, faster decision-making, and stronger integration between operational and financial processes.



Key initiatives included:

- Continued enhancement and integration of the SAP ERP system to strengthen production planning, inventory control, procurement, and financial reporting processes
- Implementation of BI dashboards, workflow automation systems, and production monitoring tools to improve operational visibility and coordination across functions
- Strengthened integration between production and financial reporting processes through enhanced production data monitoring and operational reporting systems
- Continued focus on automation, predictive maintenance initiatives, and AI-based quality monitoring systems to improve manufacturing performance and operational efficiency
- Investments in digital HR systems and workforce analytics to improve HR operational efficiency and employee data management.

OUTLOOK

Looking ahead, Lanka Tiles remains focused on strengthening operational resilience, improving market competitiveness, and driving sustainable long-term growth amidst evolving industry dynamics. The gradual recovery of the construction, tourism, and real estate sectors is expected to support demand growth within the domestic market, while opportunities within export and premium product segments are also expected to contribute towards future growth.

However, the operating environment is expected to remain challenging due to continued pricing pressures arising from lower-priced imported products, volatility in raw material and energy costs, global economic uncertainty, and changing customer purchasing behaviour. Increased competition within the local market and pressure on industry margins are also expected to continue in the short to medium term.

In response, the Company will continue to focus on improving operational efficiency, optimising product mix, strengthening manufacturing yields, and enhancing cost competitiveness through process improvements and technology integration initiatives. Product innovation and design development will remain key priorities, with continued emphasis on premium, value-added, and differentiated product offerings aligned with evolving customer preferences and international market trends.

Export market development will continue to be an important strategic focus area, particularly within selected high-potential regions and value-added product categories. Lanka Tiles also intends to further strengthen customer engagement, showroom visibility, digital integration, and omnichannel capabilities to enhance market reach and customer experience.



FINANCIAL CAPITAL



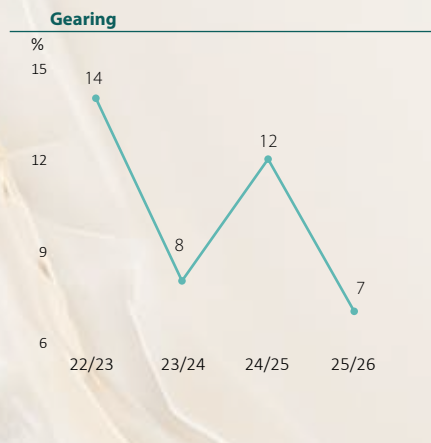
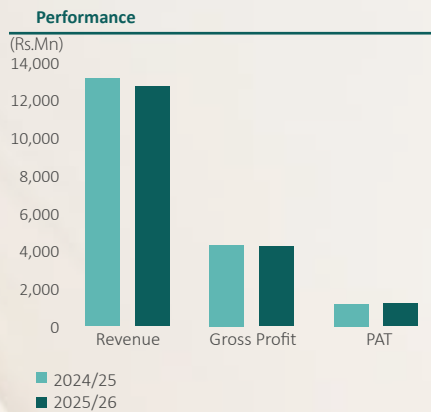
Despite challenges arising from pricing pressures, evolving market conditions, and intensified competition within the industry, Lanka Tiles PLC delivered a resilient financial and operational performance during the year.

The Company remained focused on strengthening operational efficiency, improving manufacturing yields, and optimising product mix to enhance profitability and operational stability. Strategic emphasis on process improvements, cost rationalisation, and capacity optimisation enabled Lanka Tiles to improve margin performance despite lower average selling prices and continued market pressures. Enhanced production efficiencies, supported by yield improvement initiatives and stronger cost absorption, contributed to improved gross profit margins and strengthened operational resilience during the year

HIGHLIGHTS



- Revenue declined by **3%** during the year amid continued pricing pressures and competitive market conditions
- Distribution expenses increased by **19%**, primarily due to one-off debtor write-offs and inventory provisions
- Profit after tax increased to **Rs. 1.21 Bn**, reflecting a growth of 2.84%



Rs.12,700 Mn

Revenue

Rs. 21,232 Mn

Assets

33%

Gp Margin

Rs. 12,069 Mn

Market Capitalisation



STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Operational Excellence

- Improved production yield enhancement programmes
- Strengthened manufacturing stability and machine reliability
- Total Productive Maintenance (TPM) implementation
- Capacity utilisation optimisation
- Process efficiency and downtime reduction initiatives
- Product mix optimisation towards higher-margin products

Cost Optimisation & Margin Improvement

- Procurement cost optimisation initiatives
- Improved economies of scale through higher production volumes
- Energy optimisation and utility consumption reduction
- Heat recovery system implementation
- Recycling of squaring powder into ceramic body formulations
- Operational cost rationalisation programmes

Financial Resilience & Capital Management

- Disciplined working capital management
- Reduction of interest-bearing liabilities
- Controlled leverage and prudent treasury management
- Optimised funding structure with strong equity base
- Improved liquidity and operational cash flow generation

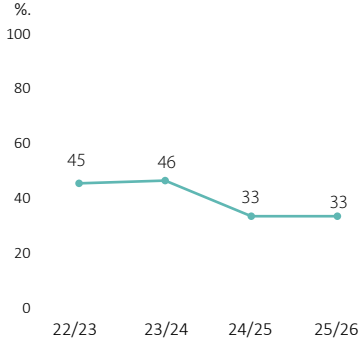
Inventory & Supply Chain Optimisation

- Improved inventory planning and coordination
- Working capital cycle management initiatives
- Reduction of work-in-progress inventory
- Enhanced inventory movement and stock optimisation
- Procurement and supply chain efficiency improvements

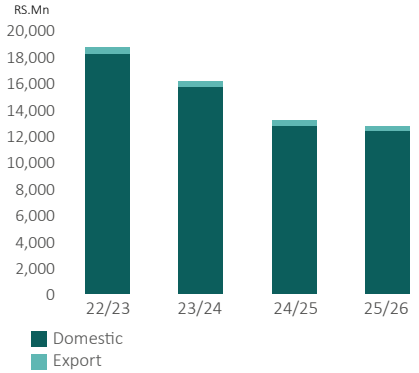


FINANCIAL CAPITAL

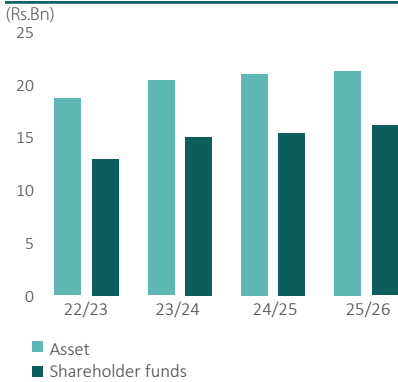
GP Margin



Revenue



Total Assets and Shareholder Funds



REVENUE

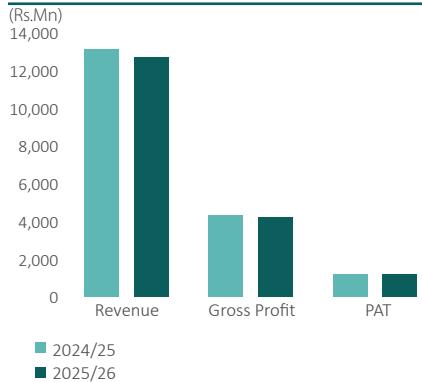
Revenue declined by 3% to Rs. 12.7 Bn during the year under review despite a strong 14.5% increase in sales volumes, reflecting the challenging pricing environment experienced across the industry. Average selling prices declined by 10.3% compared to the previous year as intensified market competition, increased availability of imported products, and changing market dynamics placed pressure on pricing across key product categories.

Export sales, which accounted for approximately 3% of total revenue, declined by 14% compared to the previous year, reflecting softer demand conditions in certain export markets and increased global competition. Meanwhile, domestic sales recorded a relatively moderate decline of 3%, demonstrating the resilience of the Company's local market presence despite prevailing competitive pressures.

PROFITABILITY

Despite the 3% decline in revenue during the year, gross profit recorded only a marginal decline of 1%, reflecting the effectiveness of the Company's operational improvement initiatives and cost optimisation strategies. This performance was supported by successful initiatives implemented to improve production yields, enhance operational efficiencies, strengthen manufacturing stability across operations, and optimise the product mix towards higher-margin and value-added product categories. In addition, improved economies of scale achieved through higher production volumes contributed to better cost absorption and procurement efficiencies in raw material purchasing, helping to mitigate the impact of pricing pressures and cost challenges during the year. Gross profit for the year amounted to Rs. 4.23 Bn.

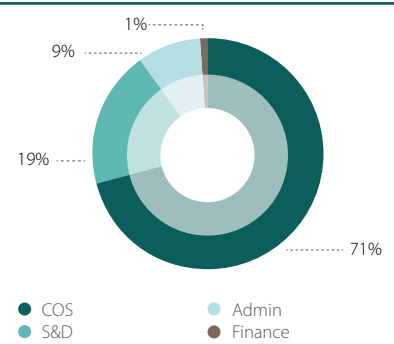
Performance



Selling and distribution expenses increased by 19% during the year to Rs. 2.2 Bn, mainly due to one-off provisions relating to debtor write-offs and inventory provisions amounting to approximately Rs. 228 Mn. Excluding these non-recurring impacts, the increase in distribution-related costs remained comparatively moderate amidst prevailing market and operating conditions.

Administrative expenses recorded a marginal increase of 11% to Rs. 1.1 Bn, reflecting continued cost discipline while supporting ongoing investments in operational coordination, business support functions, and strategic initiatives across the organisation

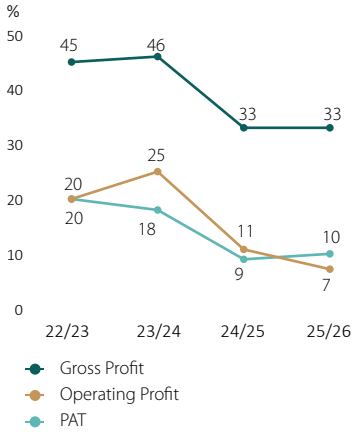
Expense Composition



Finance expenses for the year amounted to Rs. 113 Mn, reflecting a decline of 31% compared to the previous year, primarily due to the absence of long-term borrowings during the period. Finance costs mainly comprised interest incurred on short-term working capital facilities utilised during the year. Meanwhile, finance income amounted to Rs. 110 Mn.

The Company continued to realise benefits from operational efficiency and cost optimisation initiatives implemented across manufacturing operations during the year. Improvements in production yield and capacity utilisation contributing towards improved cost absorption and manufacturing stability. Total Productive Maintenance (TPM) initiatives also supported improved machine reliability, operational stability, and reductions in process downtime across manufacturing operations.

Profit Margins



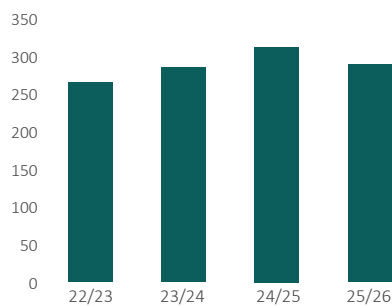
The Company continued to realise benefits from operational efficiency and cost optimisation initiatives implemented across manufacturing operations during the year. Improvements in production yield and capacity utilisation contributing towards improved cost absorption and manufacturing stability. Total Productive Maintenance (TPM) initiatives also supported improved machine reliability, operational stability, and reductions in process downtime across manufacturing operations.

Energy optimisation initiatives further supported reductions in utility consumption, with electricity and diesel consumption reducing during the year. In addition, process innovations such as heat recovery systems and recycling of squaring powder back into ceramic body formulations supported improved resource efficiency, lower process waste, and enhanced operational cost management across the production cycle. Lanka Tiles achieved a total cost saving of Rs.289 Mn by implementing these initiatives.

Lanka Tiles recorded a profit before tax of Rs. 1.4 Bn for the year under review, reflecting a decline of 21% compared to the previous year, primarily due to lower revenue levels and increased operational expenses amidst prevailing market pressures.

Tax expenses declined significantly by 68% to Rs. 191 Mn, mainly driven by a tax reversal amounting to Rs.39 Mn relating to the Group's associated company, Rs.495 Mn and 24/25 FY over provision tax reversal Rs.40.8 MN. Supported by this adjustment, the Group recorded a profit after tax of Rs. 1.2 Bn for the year 2025/26, representing a growth of 3% compared to the previous year.

Cost Saving Achieved Cost Saving

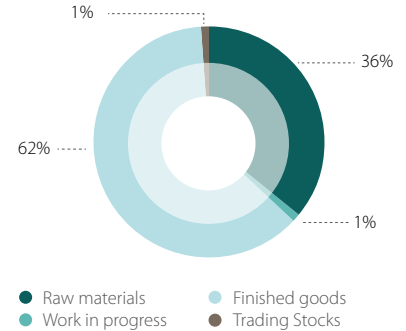


ASSET BASE

The Company's asset base remained relatively stable during the year under review as capital investments were managed cautiously amidst prevailing market uncertainties and evolving industry conditions. Capital expenditure decisions were carefully prioritised with a focus on operational sustainability, efficiency enhancement, and long-term value creation rather than large-scale expansion initiatives.

During the year, Lanka Tiles invested approximately Rs. 452 Mn in capital expenditure, primarily directed towards showroom expansion and refurbishment initiatives, plant and machinery upgrades, operational improvements, and routine maintenance requirements. Investments were also made towards strengthening manufacturing reliability, improving operational efficiency, and enhancing customer accessibility and brand visibility through selected showroom enhancement projects.

Inventory Composition



Inventory levels at the end of the year declined by 15% to Rs. 6.9 Bn compared to Rs. 8.1 Bn recorded in the previous year, reflecting improved inventory management and working capital optimisation initiatives implemented during the year. Total inventory represented 32% of the Company's total assets as at year end. Raw material inventory decreased by 10%, while work-in-progress inventory declined significantly by 52%, supported by improved production planning and operational coordination. Finished goods inventory also reduced by 9% , reflecting stronger inventory management and improved inventory movement during the year.

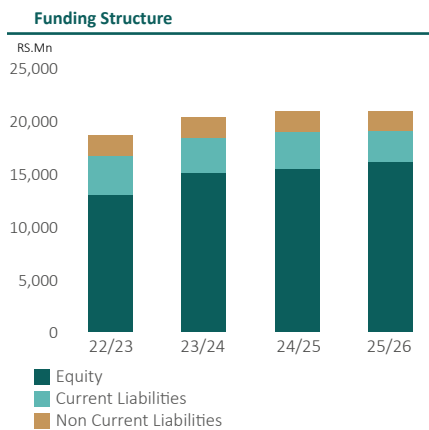
FINANCIAL CAPITAL

Trade and other receivables increased by 25%, reflecting higher credit sales and timing differences in collections towards the latter part of the financial year. Amounts due from related parties increased significantly by 141% to Rs. 1.6 Bn, primarily due to operational and trading balances arising within Group entities during the year under review.

Cash and cash equivalents declined by 24% to Rs. 302 Mn compared to Rs. 398 Mn in the previous year, reflecting working capital movements and operational funding requirements during the year. Overall, the Company continued to maintain disciplined working capital management practices to support liquidity, operational continuity, and financial resilience.

FUNDING STRUCTURE AND CAPITAL POSITION

Lanka Tiles continued to maintain a strong and stable funding structure during the year under review, supported by healthy retained earnings, prudent working capital management, and disciplined financing strategies. Total equity increased by 4% to Rs. 16.1 Bn, primarily driven by growth in retained earnings generated through profitable operations during the year. Total equity accounted for 76% of the Company's total asset base as at year end, demonstrating a strong capital position and low financial leverage.



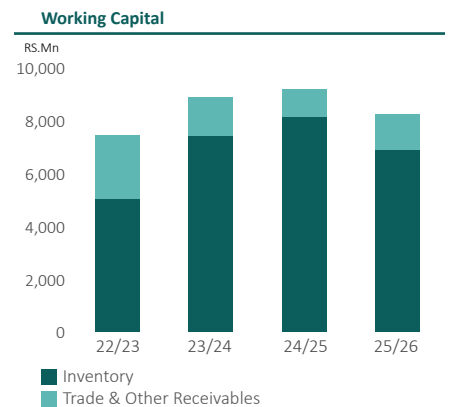
Total non-current liabilities declined marginally by 3% to Rs. 2.0 Bn, mainly due to reductions in deferred tax liabilities and retirement benefit obligations during the year. Notably, the Company did not carry any long-term interest-bearing borrowings as at year end, reflecting the reduced exposure to long-term financing costs.

Current liabilities declined by 18% to Rs. 2.9 Bn during the year, primarily driven by a 38% reduction in the current portion of interest-bearing liabilities, which decreased to Rs. 1.1 Bn. These interest-bearing liabilities primarily represented short-term financing facilities obtained to support working capital requirements during the year under review.

Overall, the Company's funding structure remained well-balanced and financially resilient, supported by strong internal capital generation, controlled leverage levels, and disciplined liability management amidst prevailing market uncertainties.

CASH FLOW

Lanka Tiles recorded a significant improvement in cash flow generation during the year under review, supported by stronger working capital management, lower tax payments, and improved inventory optimisation initiatives. Net cash generated from operating activities increased to Rs. 1,336 Mn compared to Rs. 724 Mn recorded in the previous year, reflecting improved operational cash generation despite challenging market conditions.



Working capital management initiatives contributed positively to operating cash flow performance, particularly through a reduction in inventory levels, which generated a positive cash flow impact of Rs. 1.83 Bn. This was partially offset by increases in trade and other receivables and amounts due from related parties during the year.

Cash generated from operations amounted to Rs. 1.57 Bn, remaining relatively stable compared to the previous year. Finance costs paid declined marginally to Rs. 14 Mn, reflecting reduced financing costs and lower reliance on long-term borrowings.

Net cash used in investing activities amounted to Rs. 330 Mn, primarily relating to capital expenditure on plant, equipment, showroom improvements, and operational enhancement initiatives. Capital expenditure during the year remained lower compared to the previous year as the Company adopted a more cautious investment approach amidst prevailing market uncertainties.

Financing activities recorded a net cash outflow of Rs. 862 Mn, mainly due to repayments of interest-bearing borrowings amounting to Rs. 6.94 Bn and dividend payments of Rs. 504 Mn during the year. Although the Company obtained short-term borrowings amounting to Rs. 6.62 Bn to support working capital requirements, overall borrowings reduced during the year reflecting disciplined treasury and liability management practices.



MANUFACTURED CAPITAL



At Lanka Tiles PLC, manufactured capital forms the foundation of our operational strength and market competitiveness.

The state-of-the-art manufacturing facility located in Ranala, together with the island-wide showroom and dealer network, supports the efficient production, distribution, and delivery of premium ceramic and porcelain tiles across domestic and export markets.

The Ranala manufacturing facility is equipped with advanced production capabilities that enable Lanka Tiles to manufacture a diverse range of tile formats, finishes, and product categories while maintaining high standards of quality, efficiency, and operational reliability. Complementing these manufacturing capabilities is an extensive retail and distribution network comprising own showrooms, franchise showrooms, factory outlets, and dealer channels, ensuring strong market accessibility and customer reach across Sri Lanka



HIGHLIGHTS

- ★ Production yield improved to **87.31%** (2024/25: 85.58%) through quality and process improvement initiatives
- ★ Capacity utilisation reached **72.84%**, reflecting improved operational efficiency
- ★ Heat recovery systems enhanced energy efficiency, reducing LPG consumption across operations
- ★ Continued investment in manufacturing and retail infrastructure, including showroom expansion and process upgrades



STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Operational Efficiency & Yield Enhancement

- Implementation of quality improvement and yield enhancement initiatives across floor tile and mosaic operations
- Continuous monitoring to minimise process losses and operational inefficiencies
- Capacity rationalisation and optimisation of manufacturing capabilities
- Strengthening production planning and operational coordination
- Enhancing manufacturing stability and throughput

Technology Integration & Manufacturing Excellence

- Ongoing SAP ERP upgrades to improve production planning and inventory management
- Strengthening production monitoring and reporting systems
- Engineering and process optimisation initiatives
- Technology upgrades to improve manufacturing reliability and operational capability
- Engagement of foreign technical expertise to support process improvements

Sustainable & Resource-Efficient Manufacturing

- Operation and enhancement of heat recovery systems to reduce LPG consumption
- Recycling of squaring powder into ceramic body formulations
- Recycling and reuse of pallets within operations
- Reuse of recycled water in milling, squaring, and polishing operations
- Energy optimisation and utility efficiency initiatives across manufacturing processes

Asset Reliability & Infrastructure Enhancement

- Investments in plant and machinery upgrades
- Building improvements and operational enhancement projects
- Routine maintenance and engineering improvements
- Strengthening manufacturing reliability and operational continuity
- Enhancing operational infrastructure to support long-term sustainability



MANUFACTURED CAPITAL

STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Operational Efficiency and Yield Enhancement	Technology Integration and Manufacturing Excellence
<ul style="list-style-type: none"> • Implementation of quality improvement and yield enhancement projects across floor tile and mosaic operations • Reduction of process losses and operational inefficiencies through continuous monitoring • Capacity rationalisation and optimisation of existing manufacturing capabilities 	<ul style="list-style-type: none"> • Ongoing SAP ERP upgrades to improve production planning, inventory management, and operational coordination • Strengthening production monitoring and reporting systems • Engagement of foreign tech
Product Mix Optimisation and Market Responsiveness	Sustainable and Resource-Efficient Manufacturing
<ul style="list-style-type: none"> • Optimisation of product mix across tile sizes, finishes, and categories • Increased focus on value-added and design-led products • Development of conceptual new designs to improve market penetration 	<ul style="list-style-type: none"> • Operation of heat recovery systems to reduce LPG consumption and improve thermal efficiency • Recycling of squaring powder and process waste within production processes • Pallet recycling and reuse initiatives to reduce waste generation and improve material efficiency

MANAGING OUR MANUFACTURED CAPITAL

At Lanka Tiles PLC, manufactured capital is managed through a continuous focus on operational reliability, process efficiency, and manufacturing excellence. The Company’s production facility, retail infrastructure, and operational assets are strategically maintained and enhanced to support product quality, market responsiveness, and long-term business sustainability.

The management of manufactured capital is centred on optimising existing capacity, improving production yield, and strengthening coordination across manufacturing and support functions. Continuous monitoring of operational performance, maintenance activities, quality standards, and resource utilisation enables the Company to improve efficiency while minimising production disruptions and process losses.

Operational priorities during the year included energy optimisation, product mix improvements, and cost rationalisation initiatives aimed at enhancing overall manufacturing efficiency and margin performance. The Company also continued to strengthen process integration and operational coordination across production and support functions to improve manufacturing stability and throughput.

Capital expenditure during the year was directed towards plant and machinery upgrades, building improvements, showroom infrastructure, and operational enhancement projects to strengthen manufacturing efficiency and customer accessibility. Investments were also made in engineering improvements, process optimisation initiatives, and technology upgrades to support long-term operational capability and reliability. Total capital expenditure amounted to Rs.452Mn

PRODUCTION FACILITY IN RANALA



The Ranala production facility serves as the primary manufacturing hub of Lanka Tiles PLC, supporting the production of a diverse portfolio of ceramic and porcelain tiles for both domestic and export markets. Equipped with advanced manufacturing capabilities and modern production technologies, the facility plays a critical role in maintaining product quality, operational efficiency, and manufacturing flexibility.

The facility is capable of producing a wide range of tile formats and finishes, including ceramic, porcelain, vitrified, polished, and mosaic tiles across multiple sizes. Continuous process improvements, quality enhancement initiatives, and operational optimisation programmes implemented during the year contributed to improved production yield and manufacturing performance.

6,551,750

Capacity (Sqm)

72.84%

Capacity Utilisation

4,529,940

Actual Production (sqm)

Rs.452 Mn

Capex

MODIFICATIONS

- Enhancements to production monitoring and quality control systems
- Heat recovery system improvements enabling reuse of kiln exhaust heat within drying operations, reducing LPG consumption
- Product mix optimisation initiatives supporting the manufacture of larger format and premium tile products

KEY SUSTAINABILITY INITIATIVES

- Heat recovery system implemented to capture waste heat from Kiln 05 exhaust gases
- Recovered heat redirected to vertical dryers and spray dryers
- Reduction in LPG consumption through heat reuse systems
- Squaring powder generated during grinding operations recycled back into ceramic body formulations at approximately 3.44%
- Pallet recycling programme implemented to repair and reuse damaged pallets internally
- Recycled water reused within milling, squaring, and polishing operations

CERTIFICATIONS

Green Label Product Certification

OUR SHOWROOM NETWORK

Lanka Tiles maintains an extensive showroom and distribution network across Sri Lanka, strengthening customer accessibility and supporting the Company's market presence across both urban and regional markets. The network comprises own showrooms, franchise showrooms, factory outlets, and dealer channels, enabling Lanka Tiles to effectively serve a diverse customer base across residential, commercial, and industrial segments.

The Company continued to strengthen our retail footprint through showroom expansion and relocation initiatives, further enhancing customer reach and brand visibility. The showroom network is designed to provide customers with a comprehensive product experience, supported by professional guidance, product displays, and customer engagement platforms. During the year, Lanka Tiles further expanded the retail presence through the opening of three new showrooms in Palawaththa /Galle / Jaffna, together with the relocation of an existing showroom in Panadura / Minuwangoda/ Rathnapura, enhancing customer accessibility and strengthening brand visibility across strategically important regions.

OUTLOOK



Looking ahead, Lanka Tiles PLC will continue to strengthen manufactured capital through focused investments in operational efficiency, process optimisation, and infrastructure enhancement. Key priorities include improving production yield, enhancing energy efficiency, advancing technology integration, and optimising product mix to support margin resilience and manufacturing flexibility.

The Company will also continue to enhance our showroom and distribution network to strengthen customer accessibility and market reach, while integrating sustainability initiatives across manufacturing operations through resource-efficient technologies and process improvements. Through these efforts, Lanka Tiles aims to further strengthen operational resilience, manufacturing excellence, and long-term competitiveness.

HUMAN CAPITAL



At Lanka Tiles PLC, our people are fundamental to delivering operational excellence, driving innovation, and sustaining long-term value creation

We recognise that a skilled, engaged, and empowered workforce is essential to navigating a dynamic operating environment and achieving our strategic ambition. We remain committed to fostering a safe, inclusive, and supportive workplace that enables employees to perform at their best. Through continuous investment in people, strong industrial relations, and a culture that encourages collaboration and accountability, Lanka Tiles continues to build a resilient and future-ready organisation.

898

No. of Employees

RS. 1,316 Mn

Value distributed to employees

RS. 2.1 Mn

Investment in Training

199

New Recruits

6.3

Training Hours per employee

HIGHLIGHTS



- Workforce of **898** employees across permanent and contract categories
- **65%** of employees covered by trade unions, supporting strong industrial relations
- Extensive training programmes delivered across technical, operational, and leadership areas
- Continued investment in health and safety, including regular training, medical camps, and on-site medical support
- Progress in digital HR transformation, including implementation of HR systems for payroll, attendance, and workforce analytics



STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Digital Transformation of HR

- Implementation of digital HR systems to streamline recruitment, payroll, attendance, and employee data management
- Adoption of HR information systems to improve accuracy, efficiency, and reporting
- Use of workforce analytics to support data-driven decision-making

Talent Development

- Delivery of structured training programmes across technical, operational, and leadership areas
- Focus on developing digital and technical competencies across the workforce
- Strengthening internal capabilities through continuous learning initiatives

Employee Engagement

- Implementation of employee engagement initiatives to promote collaboration and morale
- Encouraging a culture of continuous improvement through quality circles and team-based initiatives
- Strengthening internal communication and feedback mechanisms

Health, Safety and Wellbeing

- Ongoing focus on maintaining a safe and healthy working environment
- Regular safety training programmes, medical camps, and workplace health initiatives
- Strengthening preventive measures and awareness programmes across operations



HUMAN CAPITAL

MANAGING OUR PEOPLE

At Lanka Tiles PLC, our Human Resources (HR) framework is grounded in industry best practices and aligned with the Group's culture and core values. Operating under the oversight of senior management, the HR function plays a key role in aligning people strategies with business objectives, while ensuring compliance with regulatory requirements and internal policies.

During the year under review, continued focus was placed on strengthening HR governance, enhancing operational effectiveness, and reinforcing a culture of accountability and continuous improvement. Building on established frameworks, the Company further advanced our human capital practices to support a structured and consistent approach to people management.

The HR function remained focused on enhancing employee wellbeing, engagement, and performance, while driving initiatives in talent development, capability building, and the digitalisation of HR processes. These efforts contribute to building a resilient and future-ready workforce.

Our approach to human capital management continues to support the Group's strategic priorities, ensuring that our people remain central to sustainable growth and long-term value creation.

People Strategy for 2025/26



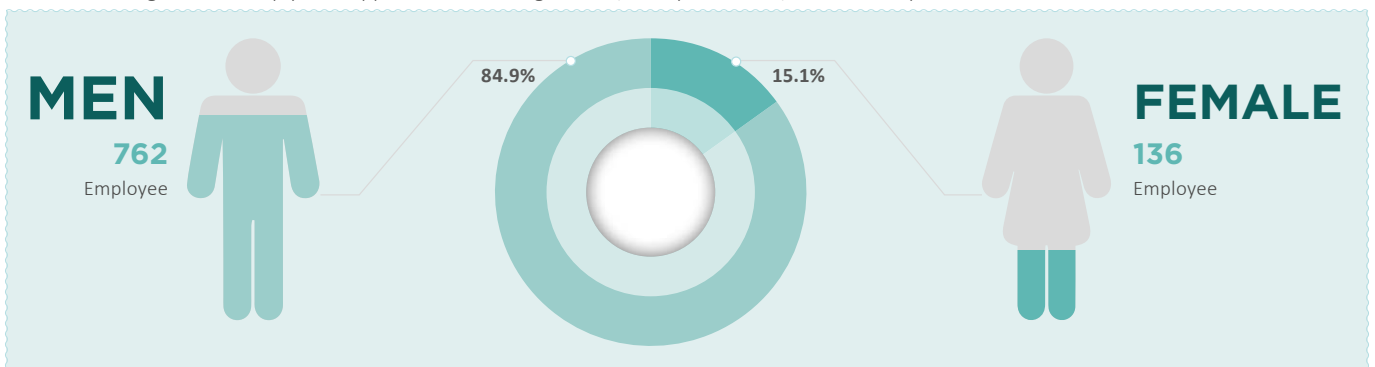
HR POLICIES IN PLACE

1. Recruitment and Selection Policy
2. Attendance and Leave Policy
3. Health and Safety Policy
4. Training and Development Policy
5. Performance Management Policy
6. Disciplinary and Grievance Policy
7. Compensation and Benefits Policy
8. Environmental & Sustainability Policy

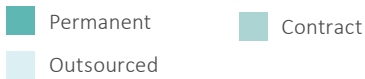
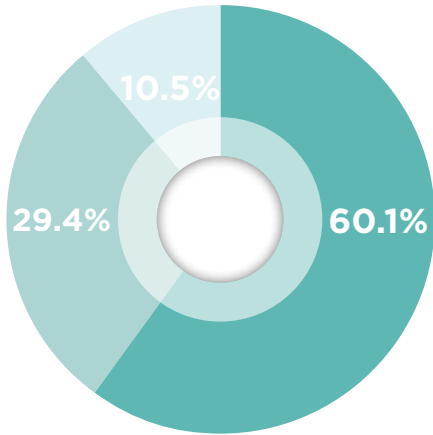
TEAM PROFILE

At Lanka Tiles PLC, our workforce of 898 employees comprises a diverse mix of permanent and temporary employees, supported by a range of outsourced personnel engaged across selected operational activities. This blended workforce model enables the us to maintain operational flexibility while ensuring continuity and efficiency across manufacturing and support functions.

While the majority of work is carried out by direct employees, certain specialised and non-core activities, such as logistics, material handling, maintenance, and selected production processes, are supported by third-party contractors and outsourced service providers. A total of 264 outsourced workers operate under formal contractual arrangements with external service providers, and the Group maintains oversight to ensure that such arrangements comply with applicable labour regulations, safety standards, and internal policies.



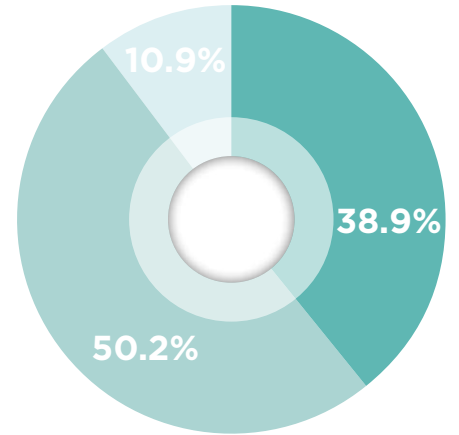
EMPLOYMENT TYPES



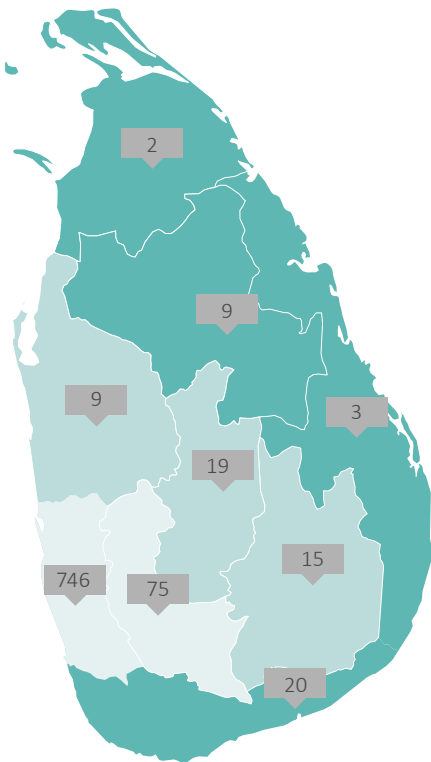
Employee type	Male	Female	Total
Permanent	499	41	540
Contract	79	15	94
Outsourced	184	80	264

Age Group	Male	Female	Total
Under 30	258	91	349
30-50	424	27	451
Over 50	80	18	98

AGE DISTRIBUTION



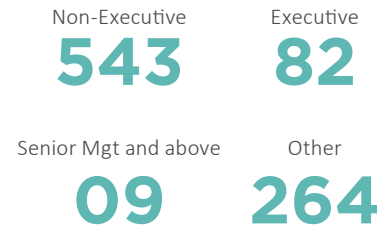
REGION



STAFF ATTRITION

Managing employee turnover remains an important focus area for Lanka Tiles, as workforce stability is critical to maintaining operational efficiency and organisational continuity. During the year under review, the Group recorded 199 new recruits and

EMPLOYEE CATEGORY



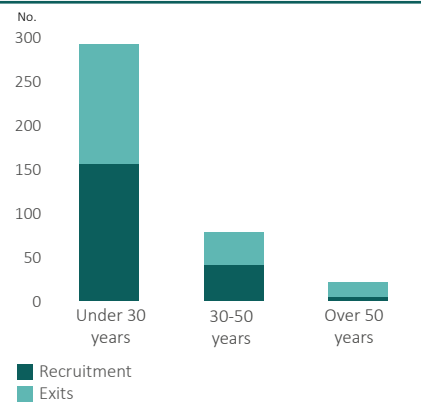
Category	Male	Female	Total
Non-Executive	509	34	543
Executive	61	21	82
Senior Mgt and above	8	1	9
Other	184	80	264

191 employee exits, reflecting the impact of labour market dynamics and ongoing competition for skilled talent.

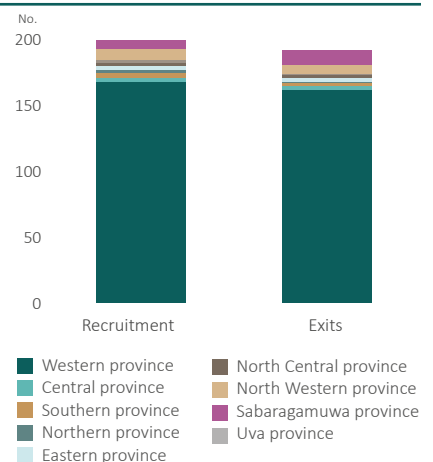
In response, Lanka Tiles continued to strengthen our retention approach through targeted initiatives focused on training and development, employee engagement, and workplace wellbeing. Emphasis was also placed on enhancing career development opportunities and fostering a supportive, performance-driven work environment.

We remain committed to improving retention levels through continuous investment in our people, ensuring the availability of skilled talent to support sustainable growth and long-term value creation.

Age Group

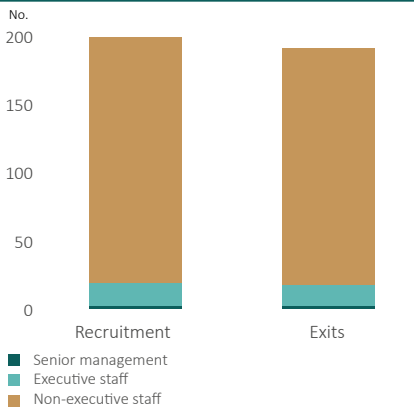


Recruitment & Exits by Province



HUMAN CAPITAL

Grade



Gender wise - Recruitment & Exits



RECRUITMENT AND INDUCTION

Our recruitment practices are designed to attract, select, and retain talent aligned with the Group's operational and strategic requirements. The recruitment process is structured and transparent, ensuring fairness, consistency, and compliance with established policies.

New employees undergo a structured induction and orientation programme designed to familiarise them with our operations, policies, safety procedures, and workplace culture. These programmes support effective integration and enable employees to perform their roles with clarity and confidence.

Lanka Tiles also maintains defined employment structures, including probationary periods and fixed-term contracts, ensuring appropriate evaluation, development, and alignment with organisational expectations.

PERFORMANCE CULTURE AND APPRAISALS

At Lanka Tiles PLC, a performance-driven culture is embedded across the organisation, ensuring alignment between individual performance and business objectives.

We maintain a structured performance management system applicable across all employee categories, through which employees undergo periodic performance evaluations. These appraisals are designed to assess performance against defined objectives, provide feedback, and identify development needs, supporting both individual growth and organisational effectiveness.

Performance reviews are conducted on a regular basis and form the basis for decisions related to training and development, career progression, and rewards. The framework ensures that employees receive ongoing feedback and have access to development opportunities to enhance their skills and capabilities.

Through this structured approach, Lanka Tiles promotes accountability, transparency, and continuous improvement, while ensuring that performance management practices are applied consistently across the workforce.

EMPLOYEE REWARDS FRAMEWORK

At Lanka Tiles PLC, the employee rewards framework is designed to recognise performance, support employee wellbeing, and reinforce a high-performance culture across the organisation.

The Group provides a structured mix of fixed and performance-linked remuneration, complemented by a range of employee benefits and welfare initiatives. These include production and attendance incentives, medical support, and other employee-focused benefits that contribute to overall wellbeing. Remuneration levels are periodically reviewed and benchmarked against industry standards to ensure competitiveness and alignment with market practices.

The rewards structure is closely aligned with the performance management framework, ensuring that individual contributions are recognised and linked to both personal and organisational outcomes. In addition to financial rewards, non-financial recognition and engagement initiatives further support motivation and job satisfaction.

FIXED COMPONENT

- Basic Salary
- Allowances
 - ◊ Travel
 - ◊ Meal
 - ◊ Accommodation
 - ◊ Vehicle
- Statutory pension contributions

VARIABLE COMPONENT

- Monthly production and attendance incentives
- Regular doctor consultations (twice a week)
- Eye care camps
- Tile and paper calendars
- Funeral Assistance
- 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

COMPETENCY DEVELOPMENT

At Lanka Tiles PLC, continuous learning and capability development are central to building a skilled and future-ready workforce. The Group is committed to enhancing employee competencies across technical, operational, and leadership domains to support organisational performance and long-term growth.

We continue to assess training needs through performance evaluations and operational requirements, ensuring that development initiatives are aligned with both individual growth and business objectives.

	25/26	24/25
Total investment in training – Rs.Million	2.1	12
Total No. of training hours	5,671	6957
No. of employees received training	898	890
Average hours of training per employee	6.3	7.8

During the year, we conducted a wide range of structured training programmes covering areas such as technical skills, safety, quality management, digital tools, and leadership development. These programmes were designed to strengthen functional expertise, improve operational efficiency, and support career progression across all employee categories. Training initiatives also focused on enhancing digital capabilities and supporting the adoption of new systems and processes, enabling employees to operate more effectively in an evolving business environment. In addition, targeted programmes were conducted to support frontline employees, including sales, operational, and factory teams.

Listed below is a list of training Programmes carried out across the Group during the year.

Technical and Operational Training

- Production process optimisation and quality improvement
- Machinery operation and maintenance
- Kiln and energy management practices
- Product handling and material efficiency
- Lean manufacturing and process improvement

Health, Safety and Compliance Training

- Workplace safety and accident prevention
- Fire safety and emergency response training
- First aid and occupational health awareness
- Environmental compliance and waste management
- Safe handling of materials and equipment

Digital and Systems Training

- HR systems and digital workflow tools
- ERP and operational systems training
- Data management and reporting tools
- Process automation and system usage

Leadership and Management Development

- Supervisory and team leadership training
- Performance management and appraisal skills
- Communication and team-building workshops
- Decision-making and problem-solving

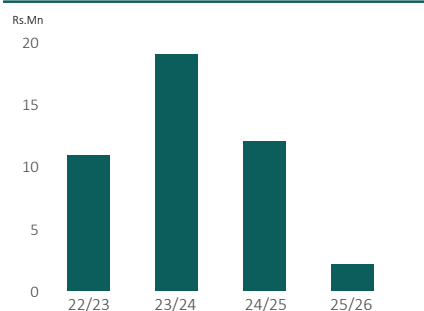
Sales and Customer-Focused Training

- Product knowledge and application training
- Customer service and relationship management
- Sales techniques and showroom management
- Market trends and customer engagement

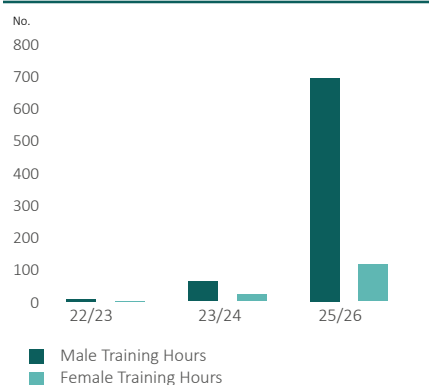
Behavioural and Soft Skills Training

- Communication and interpersonal skills
- Time management and productivity
- Workplace ethics and professional conduct
- Teamwork and collaboration

Investment in Training & Development



Employee Category By Gender



MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

Employees are provided a minimum notice period of 03 weeks with regard to any operational changes to existing terms and conditions of employment.

INDUSTRIAL RELATIONS

Lanka Tiles PLC maintains a strong and collaborative industrial relations framework, recognising the importance of constructive engagement in fostering workforce stability and organisational effectiveness.

A significant proportion of the workforce, approximately 65%, is represented by trade unions, reflecting a well-established collective engagement structure. The Company maintains regular dialogue with union representatives through structured meetings and communication channels, ensuring transparency, mutual understanding, and timely resolution of employee concerns.

No industrial disputes were reported during the year, underscoring the effectiveness of our engagement model. The current collective agreement, effective from 01.06.2025 to 31.05.2028, supports fair labour practices and reinforces our commitment to a respectful and collaborative workplace.

HEALTH AND SAFETY

Given the nature of our operations, Lanka Tiles places a strong emphasis on safeguarding the health, safety, and wellbeing of our workforce across all operational sites. The Group adopts a proactive and structured approach to occupational health and safety (OHS), supported by policy-driven frameworks, employee engagement, and continuous monitoring. This approach is aligned with applicable regulatory requirements and recognised standards, reinforcing a culture of safety and continuous improvement across the organisation.

HUMAN CAPITAL

	Employees		Workers who are not employees	
	Number	Rate	Number	Rate
Fatalities as a result of work-related injury	-	-	-	-
High-consequence work-related injuries (excluding fatalities)	-	-	-	-
Recordable work-related injuries	-	-	-	-
Hours worked	-	-	-	-

Governance and Systems

Lanka Tiles maintains a structured Occupational Safety, Health, and Environment (OSHE) management system to oversee safety practices across operations. This system supports hazard identification, risk assessment, and compliance monitoring, with regular safety walks, monthly safety meetings, and digital tools used to record and track unsafe conditions and near misses.

Risk Identification and Control

A systematic approach is adopted to identify and mitigate workplace risks through ongoing hazard assessments, preventive maintenance, and operational controls. Collaboration with shop-floor employees further strengthens risk identification, enabling timely interventions and continuous improvement in safety practices.

Employee Participation

Employee involvement is integral to the Group’s safety culture. Employees are actively encouraged to report hazards and participate in safety initiatives, including safety kaizen programmes and improvement-driven activities, fostering shared responsibility for workplace safety. Active safety committees and cross-functional safety teams at the manufacturing plant

Training and Awareness

Regular health and safety training programmes are conducted to reinforce safe work practices and emergency preparedness. These include fire safety drills, first aid training, and workplace safety awareness sessions, ensuring employees are equipped to respond effectively to potential risks.

Following programmes were conducted during the year

- Workplace safety and accident prevention
- Fire safety and emergency response training
- First aid and occupational health awareness
- Environmental compliance and waste management
- Safe handling of materials and equipment

EMPLOYEE ENGAGEMENT

Employee engagement is recognised as a key driver of organisational performance and workplace culture. The Group fosters an inclusive and collaborative environment where employees are encouraged to contribute ideas, participate in decision-making, and engage actively in continuous improvement initiatives.

During the year, a range of engagement initiatives were carried out to strengthen teamwork, communication, and employee morale. These included team-building activities, workplace events, and structured forums that promote interaction between management and employees. In addition, initiatives such as quality circles and improvement-driven programmes provided employees with opportunities to contribute to operational excellence.

Culture and Social Engagement

- Annual Trip
- Employees’ Family Day
- Christmas Celebration
- Birthday Celebrations
- International Women’s Day





Sports and Recreation

- Volleyball Matches

Wellbeing and Health

- Health Day

Community Engagement

- Religious Activities
- JH Activities

Workplace Excellence and Continuous Improvement

- 5S Implementation Initiatives
- Kaizen Projects
- Quality Circles

GRI 405

DIVERSITY AND INCLUSION

Diversity and inclusion are embedded within our organisational culture and core values. The Group is committed to fostering a workplace that promotes equality, respects individual differences, and provides equal opportunities to all employees, regardless of gender, age, or background.

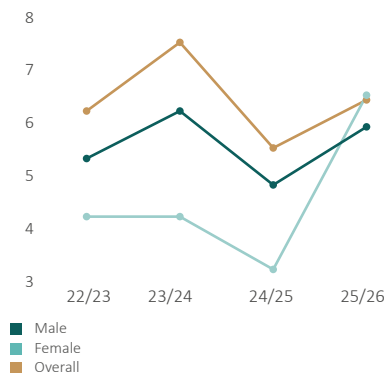
Return to work after maternal leave

	2025/26	2024/25
Employees entitled to maternity leave	136	186
Employees on maternity leave	7	9
Employees who returned after maternity leave	-	9
Employees still in employment 12 months after returning on maternity leave	-	4

Structured policies and practices are in place to support fair employment, prevent workplace harassment, and promote inclusive

behaviour across all levels of the organisation. As an equal opportunity employer, the Group maintains a 1:1 ratio in basic salary between men and women for comparable roles, ensuring pay equity and fairness across the workforce.

Average Training Per Hours



The workforce reflects a diverse mix of experience and age groups, supporting a balance between operational expertise and emerging talent. While the nature of manufacturing operations results in a predominantly male workforce, Lanka Tiles continues to encourage greater female participation across executive and non-executive roles.

Through ongoing employee engagement, strong industrial relations, and inclusive workplace practices, the Group continues to strengthen a culture that values diversity and supports collaboration, innovation, and long-term organisational resilience.



OUTLOOK



Looking ahead, Lanka Tiles will continue to strengthen our human capital strategy with a focus on building organisational capability, enhancing workforce productivity, and fostering a high-performance culture. Key priorities include advancing the digitalisation of HR processes, expanding training and development initiatives, and further strengthening employee engagement and wellbeing. The group will also continue to promote inclusive workplace practices and maintain strong industrial relations, ensuring workforce stability and alignment with business objectives. Through these efforts, Lanka Tiles aims to build a resilient, agile, and future-ready workforce capable of supporting sustainable growth in an evolving operating environment.

SOCIAL AND RELATIONSHIP CAPITAL



At Lanka Tiles, strong and enduring relationships with stakeholders are fundamental to long-term value creation and sustainable business growth.

We actively engage with customers, suppliers, employees, regulators, industry bodies, investors, and local communities to foster trust, collaboration, and shared value. Through structured stakeholder engagement, customer-centric initiatives, responsible supply chain practices, and industry partnerships, Lanka Tiles continues to strengthen market presence and enhance stakeholder confidence.

HIGHLIGHTS



- Expanded customer reach with 3 showroom additions and relocations during the year
- Launched the thematic campaign “Creating Spaces You’d Love to Live In”, supported by integrated digital marketing initiatives
- Ranked among Sri Lanka’s Most Valuable Brands with a AAA brand rating by Brand Finance

4,673,480 SQM

Revenue SQM

Rs. 8,516 Mn

paid to local suppliers

Rs. 0.5 Mn

CSR spend

Rs. 412 Mn

Export revenue

VALUE DELIVERED

Customers

- 4,673,480 SQM of tiles
- 58 new products
- 03 new Showrooms

Suppliers

- Rs.Mn 8,516 paid to local suppliers
- Rs.Mn 2,046 paid to foreign suppliers
- Timely payments
- Collaborations for industry growth

Community

- Direct and indirect employment opportunities
- CSR spend of Rs.Mn 0.5

Regulator

- Rs.Mn 1,582 paid as Direct and Indirect taxes
- Export revenue of Rs.Mn 412

CUSTOMERS

Customers remain central to the long-term success of Lanka Tiles, with the Group focused on delivering high-quality products, superior customer experiences, and responsive service across all customer touchpoints. Lanka Tiles serves a diverse customer base across residential, commercial, and industrial segments through an extensive distribution and showroom network across Sri Lanka.



STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Strengthening Customer Engagement and Experience

- Expansion and relocation of showrooms to strengthen market presence
- Implementation of integrated seasonal marketing campaigns and digital engagement initiatives
- Ongoing website revamp project to enhance customer experience and digital interaction
- Strengthening customer support through call centre and feedback mechanisms

Responsible Supply Chain and Supplier Partnerships

- Supplier diversification initiatives to reduce supply dependency risks
- Group-level bulk procurement strategies to improve supply stability and cost efficiency
- Supplier evaluations and compliance screening aligned with ISO and environmental standards
- Strengthening sourcing strategies amid global supply chain disruptions

Enhancing Industry Collaboration and Knowledge Sharing

- Conducting CPD programmes in collaboration with SLIA and SLIID
- Participation in industry exhibitions and professional engagement forums
- Strengthening technical knowledge-sharing and product awareness initiatives
- Continued engagement with architects, designers, and industry professionals

Brand Building and Stakeholder Trust

- Launch of the “Creating Spaces You’d Love to Live In” campaign
- Expansion of digital and research-driven stakeholder engagement initiatives
- Participation in national trade exhibitions and brand activation programmes
- Continued focus on maintaining product quality, compliance, and customer trust



SOCIAL AND RELATIONSHIP CAPITAL

We adopt a customer-centric approach built on product quality, innovation, accessibility, and continuous engagement. Multiple channels, including showrooms, dealers, digital platforms, call centres, and direct interactions, are utilised to strengthen customer relationships and gather feedback to support continuous improvement.

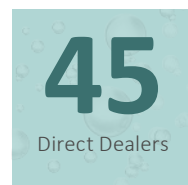
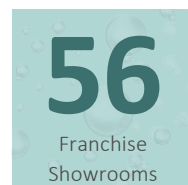
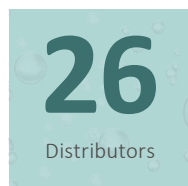
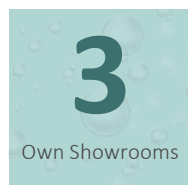


PRODUCT PORTFOLIO AND INNOVATION

Lanka Tiles offers a diverse portfolio of ceramic and porcelain tiles catering to residential, commercial, and industrial applications. Continuous product innovation and design development enable the Group to respond to evolving market trends and customer preferences, while maintaining high standards of functionality and aesthetic appeal.

CUSTOMER EXPERIENCE AND ACCESSIBILITY

The Company continues to enhance customer accessibility and engagement through our extensive showroom and dealer network, supported by digital platforms and customer service channels. Ongoing investments in showroom expansion, customer engagement initiatives, and digital transformation support a seamless and consistent customer experience across all touchpoints.

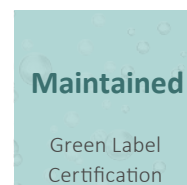


PRODUCT QUALITY, SAFETY AND COMPLIANCE

Maintaining product quality and reliability remains a core priority for Lanka Tiles. Stringent quality assurance processes and compliance mechanisms are embedded across manufacturing operations to ensure products consistently meet customer expectations and applicable standards. No major product recalls or regulatory non-compliance incidents were reported during the year.

SUSTAINABILITY AND RESPONSIBLE PRODUCTS

The Company continues to integrate sustainability considerations into product development and manufacturing processes. Focus areas include efficient resource utilisation, environmentally responsible sourcing, and the adoption of sustainable production practices that support long-term environmental stewardship and product sustainability.



MARKETING AND BRAND STRENGTHENING

Lanka Tiles continued to strengthen our brand positioning during the year through integrated marketing and customer engagement initiatives. The launch of the “Creating Spaces You’d Love to Live In” campaign, supported by digital and seasonal promotional activities, further enhanced

brand visibility and customer engagement. The Group also continued to strengthen our presence through trade exhibitions and industry collaborations.

Brand Finance Ranking	53rd Most Valuable Brand
Brand Rating	AAA
LMD Ranking	No. 8 in Home Finishing
Industry Awards	Best Trade Stall Design & Best Local Product Display Stall

SUPPLIERS

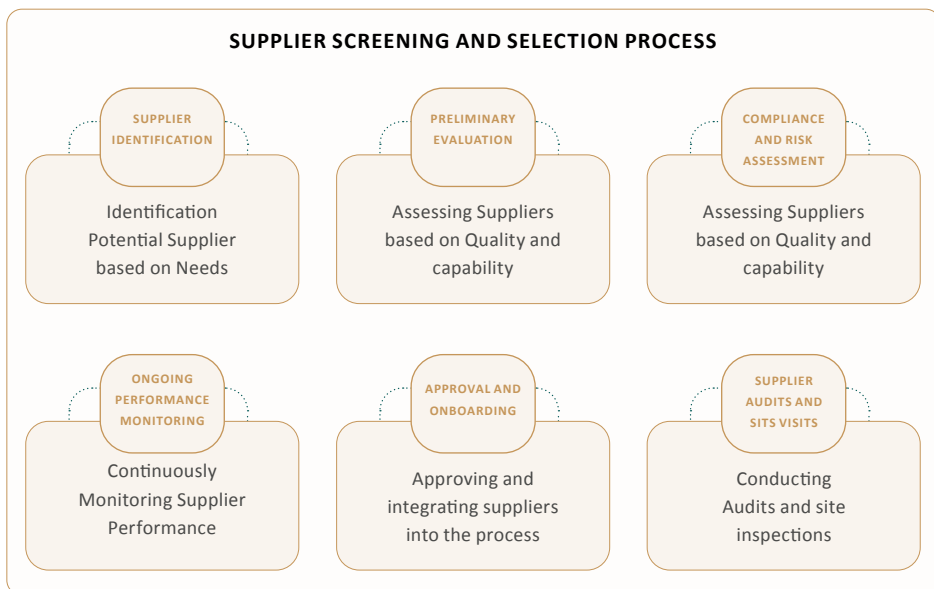
At Lanka Tiles, suppliers are a vital part of our value chain, supporting the continuity of operations, product quality, and long-term business sustainability. The Group works closely with a diverse network of local and international suppliers to source raw materials, fuel, packaging materials, and other operational inputs required across manufacturing and distribution activities.

No. of local suppliers	576
No. of foreign suppliers	37
New suppliers during the year	55
No. of discontinued suppliers during the year	42
Payments made to local suppliers	Rs.Mn 8,516
Payments made to foreign suppliers	Rs.Mn 2,046

Lanka Tiles adopts a collaborative and responsible approach to supplier management, focused on building long-term partnerships, ensuring supply reliability, and maintaining high standards of quality and compliance. Through structured supplier evaluations, strategic sourcing initiatives, and proactive risk management practices, the Group continues to strengthen supply chain resilience while supporting operational efficiency and sustainable growth.

SUPPLIER SCREENING AND SELECTION PROCESS

Lanka Tiles maintains a structured supplier evaluation and onboarding process to ensure consistency in quality, reliability, compliance, and sustainability across our supply chain.



Procurement practices are guided by transparency, ethical sourcing principles, and long-term sustainability considerations, supporting responsible supply chain management across the business.

STRATEGIC SOURCING AND PARTNERSHIPS

The Group adopts strategic sourcing practices to strengthen supply stability and improve procurement efficiency. Bulk procurement initiatives for LPG, diesel, body materials, and packaging items are coordinated at Group level, leveraging combined purchasing volumes to improve negotiation capabilities and enhance supply security.

Lanka Tiles also maintains long-term relationships with key suppliers to ensure continuity of supply, quality consistency, and operational reliability across our manufacturing processes.

SUPPLY CHAIN RESILIENCE AND CONTINUITY

During the year, global and regional supply chain disruptions continued to impact logistics and procurement activities, including shipping route disruptions, fuel price volatility, port congestion, and import clearance delays. Despite these challenges, we continue to maintain operational continuity through proactive planning and close coordination with suppliers and logistics partners.

Continuous monitoring of inventory levels, procurement planning, and supply chain coordination supported the timely availability of critical raw materials and operational inputs throughout the year.

SUPPLIER DIVERSIFICATION AND RISK MANAGEMENT

Lanka Tiles continued to strengthen supply chain resilience through supplier diversification and risk mitigation initiatives. During the year, we introduced new suppliers for packaging materials, local body materials, and specialised production inputs to reduce dependency risks and enhance sourcing flexibility.

Supplier diversification strategies, combined with ongoing supplier performance evaluations and compliance screening, support the Group's ability to manage supply chain risks, maintain operational stability, and respond effectively to evolving market conditions.

STRATEGIC PARTNERSHIPS AND INDUSTRY COLLABORATIONS

At Lanka Tiles PLC, strategic partnerships and industry collaborations play an important role in strengthening technical expertise, enhancing stakeholder engagement, and supporting industry development.

SOCIAL AND RELATIONSHIP CAPITAL

VOCATIONAL TRAINING AND INDUSTRY DEVELOPMENT

We continued to contribute to industry capability development through monthly tiler training programmes conducted in collaboration with the Vocational Training Authority (VTA). These programmes focused on improving technical competencies, installation standards, and professional skills within the tiling industry.

INDUSTRY EXHIBITIONS AND PROFESSIONAL ENGAGEMENT

Lanka Tiles actively participated in industry exhibitions and professional forums during the year, including the SLIA Annual Exhibition 2026. These platforms enabled the Company to strengthen stakeholder engagement, showcase product innovations, and enhance brand visibility within the construction and building materials industry. The Company received awards for Best Trade Stall Design and Best Local Product Display Stall at the exhibition

LANKA TILES TILERS' CLUB

The Lanka Tiles Tilers' Club is a dedicated engagement platform established to strengthen relationships with tiling professionals across Sri Lanka while supporting industry skill development and service excellence. With a growing network of over 5159 members, the initiative serves as a collaborative platform for knowledge sharing, technical training, and professional development.

Through regular training programmes and industry engagement initiatives, members are equipped with enhanced product knowledge, installation techniques, and application expertise, enabling them to deliver improved workmanship and customer service standards. The programme also creates opportunities for members to strengthen their professional capabilities and expand income-generating opportunities through closer engagement with Lanka Tiles products and solutions.

By fostering long-term partnerships with tiling professionals, Lanka Tiles continues to support industry development, strengthen customer confidence, and enhance overall service quality across the value chain.

COMMUNITY ENGAGEMENT

At Lanka Tiles PLC, community engagement is an integral part of our approach to sustainable and responsible business practices. The Group remains committed to building positive relationships with the communities surrounding our operations while contributing to social development and long-term community wellbeing.

Community engagement initiatives are focused on supporting education, health, environmental awareness, and community development, while promoting meaningful stakeholder interaction and social inclusion. Lanka Tiles also continues to support local employment generation and contribute to regional economic activity through Group's operational presence and supply chain network.

During the year, we continued to engage with local communities and stakeholders through awareness initiatives, employee-driven activities, and collaborative programmes aligned with broader sustainability and social responsibility objectives.



INTELLECTUAL CAPITAL



At LANKATILES, intellectual capital is a key enabler of innovation, operational excellence, and long-term competitiveness.

Our intellectual capital encompasses brand strength, technical expertise, product innovation capabilities, operational knowledge, digital systems, and customer insights, all of which contribute to our sustainable value creation and market differentiation. During the year, we continued to strengthen our intellectual capital through ongoing investments in product development, process optimisation, technology integration, and brand-building initiatives. Emphasis was placed on enhancing design capabilities, improving manufacturing know-how, strengthening digital engagement platforms, and leveraging operational insights to improve efficiency and customer experience.



HIGHLIGHTS

- Ranked among Sri Lanka's Most Valuable Brands with a **AAA** brand rating by Brand Finance
- Strengthened product innovation through new conceptual design and glaze development initiatives
- Continued **SAP ERP** upgrades and digital enhancements to improve operational integration and customer engagement

PRODUCT INNOVATION AND DESIGN DEVELOPMENT

Innovation and design excellence remain central to strengthening product differentiation and sustaining market competitiveness. The Company continues to invest in product development initiatives aimed at aligning our portfolio with evolving customer preferences, architectural trends, and emerging market requirements.

During the year, we focused on developing new conceptual designs, surface finishes, and product enhancements across our ceramic and porcelain tile portfolio. Continuous improvements in glaze technologies, textures, and aesthetic effects supported the introduction of value-added, design-led products with

enhanced visual appeal and functionality.

Our manufacturing capabilities enable the production of a diverse range of tile sizes, formats, and finishes, including ceramic, porcelain, vitrified, polished, and mosaic categories, providing greater flexibility to address varying customer and project requirements. Product mix optimisation initiatives implemented during the year further strengthened alignment between manufacturing capabilities, market demand, and profitability objectives.

Key initiatives during the year include,

- Introduction of new conceptual tile designs to strengthen market penetration
- Expansion of product offerings across ceramic, porcelain, vitrified, polished, and mosaic categories
- Enhancement of glaze technologies and decorative surface effects to improve product aesthetics and differentiation
- Optimisation of product mix across multiple tile sizes and formats to improve market responsiveness and manufacturing flexibility



STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Product Innovation and Design Development

- Development of new conceptual designs and finishes
- Enhancement of glaze technologies and surface effects
- Expansion of product offerings across multiple formats and categories
- Alignment of product development with evolving customer preferences and market trends

Brand Strengthening and Market Positioning

- Launch of the “Creating Spaces You’d Love to Live In” campaign
- Participation in industry exhibitions and professional engagement forums
- Ongoing digital marketing and customer engagement initiatives
- Strengthening brand positioning through showroom and experience enhancements

Technology Integration and Digital Enablement

- Ongoing SAP ERP upgrades and operational system improvements
- Website revamp project to enhance digital customer experience
- Strengthening production monitoring and operational reporting systems
- Improved integration between operational and financial reporting processes

Technical Expertise and Knowledge Development

- Engagement of foreign technical expertise for design and engineering improvements
- Continuous knowledge sharing across manufacturing and operational teams
- Technical training and process improvement initiatives
- Strengthening operational know-how to improve quality and efficiency



INTELLECTUAL CAPITAL

BRAND STRENGTHENING AND MARKET POSITIONING

Lanka Tiles continued to strengthen our brand positioning during the year through focused marketing initiatives, customer engagement programmes, and enhanced industry presence. The Company remained focused on reinforcing our reputation as a premium tile brand recognised for quality, design innovation, and reliability.

KEY BRAND AND MARKET INITIATIVES

- Launch of the thematic campaign “Creating Spaces You’d Love to Live In”, supported by integrated seasonal promotional campaigns
- Increased focus on digital marketing and customer engagement initiatives
- Ongoing website revamp project aimed at enhancing digital experience and omnichannel engagement
- Participation in industry exhibitions and professional forums to strengthen market visibility and stakeholder engagement

INDUSTRY RECOGNITION AND BRAND PERFORMANCE

During the year, Lanka Tiles received several recognitions that reinforced our market standing and brand strength,

- Ranked 53rd among Sri Lanka’s Most Valuable Brands by Brand Finance
- Achieved a AAA Brand Rating
- Ranked No. 8 in the Home Finishing category in the LMD rankings
- Received awards for Best Trade Stall Design and Best Local Product Display Stall at the SLIA Exhibition 2026

TECHNOLOGY INTEGRATION AND DIGITAL ENABLEMENT

Lanka Tiles continued to strengthen our digital capabilities during the year through investments in enterprise systems, operational automation, and customer-focused digital platforms. These initiatives supported improved operational coordination, inventory management, decision-making, and customer engagement across the business.

During the year, Lanka Tiles invested approximately Rs. 34.7 Mn in technology and digital enablement initiatives, covering ERP upgrades, digital platforms, workflow automation, IT infrastructure, and cybersecurity enhancements.

ENTERPRISE SYSTEMS AND PROCESS INTEGRATION

The Company continued to enhance operational efficiency through upgrades and improvements to core digital systems.

- Upgrade of the SAP S/4 HANA ERP system from the 2020 version to the 2025 version
- Continuous improvements to warehouse management systems to strengthen operational efficiency
- Automation of Material Requirement Planning (MRP) processes to optimise inventory replenishment across showroom warehouses
- Configuration of stock norms within SAP to improve inventory visibility and control

DIGITAL TRANSFORMATION AND CUSTOMER ENABLEMENT

Continued to strengthen digital engagement and customer accessibility through technology-driven initiatives.

- Ongoing website revamp project to enhance digital customer experience
- Implementation of an AI-powered digital tile matching library across showrooms, enabling customers to view tile images, catalogues, and ambience visualisations
- Strengthening omnichannel engagement through integrated digital marketing initiatives

OPERATIONAL REPORTING AND DATA INTEGRATION

Further, The Company enhanced the integration of operational and financial processes through improved production monitoring and reporting mechanisms. Ongoing coordination between production and finance teams supported greater accuracy in operational data, strengthened inventory and cost management, and enabled more informed decision-making across the business.

Through these initiatives, Lanka Tiles continued to enhance operational agility, digital capability, and customer responsiveness while strengthening the technological foundation required to support long-term business growth.

TECHNICAL EXPERTISE AND KNOWLEDGE DEVELOPMENT

Lanka Tiles continued to strengthen our technical capabilities and operational knowledge base during the year through continuous learning, process improvement initiatives, and specialised technical collaborations. The Company recognises technical expertise and industry knowledge as key drivers of product quality, manufacturing excellence, and innovation.

TRAINING AND CAPABILITY DEVELOPMENT

We strengthened in-house technical and professional capabilities through a broad range of training and development programmes conducted across operational, technical, safety, sales, and leadership areas. During the year, the Company conducted over 5,671 training hours covering employees across manufacturing, showroom, technical, and support functions.

Key training programmes conducted during the year included:

- Quality Circle Training
- Ceramic Diploma Programme
- Supervisory Development Certificate Course
- LPG Safety and OSH Training
- First Aid and Fire Fighting Training
- SAP and Warehouse Management Training
- Product Awareness and Technical Characteristics Training
- Sales and Negotiation Programmes
- Tiler Training Programmes
- Design Consultation and Customer Experience Training

TECHNICAL EXPERTISE AND INDUSTRY COLLABORATION

During the year, we engaged foreign technical expertise to support design development, glaze optimisation, engineering improvements, and manufacturing process enhancements. These collaborations contributed to improving product quality, production compatibility, and operational efficiency across manufacturing operations.

PROFESSIONAL KNOWLEDGE SHARING

The Company also strengthened external knowledge-sharing initiatives through Continuous Professional Development (CPD) programmes conducted in collaboration with the Sri Lanka Institute of Architects (SLIA) and the Sri Lanka Institute of Interior Designers (SLIID). These programmes supported the sharing of technical knowledge, product applications, and industry best practices with key professional stakeholders.

OUTLOOK



Lanka Tiles PLC will continue to strengthen our intellectual capital through ongoing investments in product innovation, digital enablement, technical expertise, and brand development. Key priorities include enhancing design capabilities, expanding digital integration across operations and customer engagement platforms, and strengthening data-driven decision-making processes.

The Company will also continue to focus on knowledge development, technical training, and industry collaboration initiatives to support operational excellence and innovation. Through these efforts, we aim to further strengthen our competitive positioning, customer value proposition, and long-term growth potential.

NATURAL CAPITAL



Natural capital is fundamental to our operations, given the Company's reliance on raw materials, energy, and water in the manufacturing of ceramic tiles.

The Company adopts a structured and responsible approach to managing environmental impacts, with a focus on resource efficiency, regulatory compliance, and continuous improvement. Lanka Tiles' approach to natural capital management is guided by clearly defined governance structures, operational controls, and monitoring mechanisms that address key environmental aspects, including raw materials, energy, water, emissions, and waste. These practices are aligned with national environmental regulations and internal policies, ensuring responsible resource use and minimising environmental impact across the value chain.

HIGHLIGHTS



- Water recycling increased to 53% (2024/25: 11%), improving circular water use
- Water intensity reduced to 0.029 m³/m², reflecting enhanced process efficiency
- Energy consumption reduced, with LPG down to 444,580 kg and electricity to 207,773Kwh
- Waste reduced and recycled, with effluent treatment plant sludge declining to 2125 MT and no major environmental non-compliance reported
- Total Water Withdrawal 132,888 M³

GOVERNANCE AND MANAGEMENT APPROACH

Environmental management at Lanka Tiles is overseen at Board level, with responsibility for sustainability risks, regulatory compliance, and environmental performance. Strategic direction and policy oversight are provided through management reviews, ensuring alignment with organisational objectives and regulatory requirements.

At the operational level, environmental responsibilities are embedded across functions, including production, engineering, procurement, and compliance teams. Employees are responsible for adhering to defined procedures to minimise resource consumption, reduce waste, and prevent environmental incidents. This includes optimising material usage, reducing energy and water consumption, and maintaining emission control systems.

Lanka Tiles adopts a proactive approach to environmental management, supported by:

- Regular monitoring of energy, water, and material consumption
- Internal audits and compliance reviews
- Preventive maintenance and operational controls
- Employee awareness and reporting mechanisms



Rs.577.25

Energy Intensity

85,117 MT

Material Consumption

1,754 MT

Recycled Material

133 Mn LTS

Water Consumption

STRATEGIC FOCUS AREA AND INITIATIVES FOR 2025/26

Resource Efficiency and Material Optimisation

- Optimisation of body and glaze formulations to improve material efficiency
- Recycling of unfired scrap and process waste back into production
- Strengthening material handling and storage practices to minimise losses
- Sourcing raw materials from licensed and environmentally compliant suppliers

Energy Efficiency and Decarbonisation

- Implementation of waste heat recovery systems to reduce LPG consumption
- Optimisation of kiln operations and equipment efficiency
- Monitoring energy consumption per unit of production

Water Stewardship and Circular Use

- Expansion of water recycling systems, achieving over 53% reuse
- Monitoring water consumption through metering and process controls
- Treatment and reuse of wastewater in production processes
- Continuous reduction of water intensity per unit of output

Waste Reduction and Environmental Compliance

- Recycling of ceramic waste, including reuse of fired scrap in external applications
- Reduction of landfill waste through reuse and contractor recycling systems
- Continuous monitoring of waste generation and implementation of corrective actions



NATURAL CAPITAL

OUR MONETISED NATURAL CAPITAL

The Company owns an extensive land portfolio, including mining lands and other freehold properties utilised for key commercial activities such as manufacturing, warehousing, and showroom operations. Of this, The Group holds mining land, which is critical to sustaining the Group's core operations.

These resources support the Group's in-house raw material requirements, ensuring a consistent and reliable supply while enhancing supply chain security and operational resilience. By securing access to essential inputs, Lanka Tiles is well-positioned to maintain continuity of operations and mitigate potential supply disruptions over the long term.

GRI 301

MATERIAL MANAGEMENT

At Lanka Tiles, raw materials are a critical component of the manufacturing process, with key inputs including ball clay, feldspar, kaolin, dolomite, silica, and other minerals. The Group adopts a structured approach to material management to ensure efficient utilisation, minimise waste, and support sustainable sourcing practices.

Material consumption is closely monitored across production processes, with a focus on optimising yield and reducing losses. Operational controls are in place to ensure accurate batching, proper handling, and efficient use of materials, supported by continuous monitoring and process improvements.

Material Consumption by Type (MT)

Type	2025/26	2024/25
Non-renewable		
Ball clay	28,282	28,030
Feldspar	46,998	52,441
Kaolin	7,569	7,870
Silica sand	2,268	2,317
Total	85,117	90,658

HIGHLIGHTS

- Increased use of recycled inputs through reuse of unfired scrap and process waste in production
- Improved material efficiency via optimisation of body and glaze formulations
- Reduction in material losses through enhanced handling, storage, and process controls
- 100% sourcing from licensed suppliers, strengthening responsible and compliant supply chains



RESPONSIBLE SOURCING



We maintain a strong focus on responsible sourcing to ensure environmental and operational sustainability.

- Procurement from licensed and environmentally compliant suppliers
- Supplier evaluations and site visits to ensure adherence to standards
- Monitoring of supplier practices, particularly in mining operations
- Diversification of supply sources to reduce dependency risks

MATERIAL SOURCING AND CONSUMPTION



We source raw materials through a mix of local and international suppliers to ensure consistency, quality, and supply reliability.

- Use of key inputs such as clay, feldspar, silica, and glaze materials
- Combination of local sourcing and imports for specialised materials
- Supplier diversification to ensure continuity of supply
- Ongoing monitoring of material consumption to improve efficiency

RESOURCE EFFICIENCY AND YIELD OPTIMISATION



Improving material efficiency remains a key focus area across manufacturing operations.

- Optimisation of body and glaze formulations to improve yield
- Reduction of process losses and rejection rates through quality controls
- Improved handling and storage practices to minimise material wastage
- Alignment of production processes to enhance resource utilisation

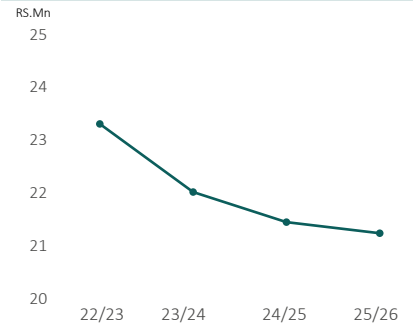
RECYCLING AND CIRCULAR MATERIAL USE



Lanka Tiles promotes circular economy practices through the reuse and recycling of materials.

- Recycling of unfired scrap and process waste back into production
- Reuse of squaring powder and polishing waste in manufacturing
- Utilisation of fired scrap as filler material for external applications
- Continuous efforts to reduce landfill waste through recycling initiative

Energy Consumption KWH



GRI 302

ENERGY MANAGEMENT

At Lanka Tiles, raw materials are a critical component of the manufacturing process, with key inputs including ball clay, feldspar, kaolin, dolomite, silica, and other minerals. The Group adopts a structured approach to material management to ensure efficient utilisation, minimise waste, and support sustainable sourcing practices.

Material consumption is closely monitored across production processes, with a focus on optimising yield and reducing losses. Operational controls are in place to ensure accurate batching, proper handling, and efficient use of materials, supported by continuous monitoring and process improvements.



HIGHLIGHTS



- LPG consumption reduced by to **444,580 kg** (in 2024/25 increased by 1.8Mn kg) reflecting improved thermal efficiency
- Electricity consumption declined to **207,773Kwh**, driven by process optimisation
- Diesel usage reduced to **59,054 litres**, supporting lower fuel intensity
- Increased energy recovery, with heat recovery systems improving efficiency across operations

ENERGY EFFICIENCY AND OPTIMISATION



Lanka Tiles continues to implement initiatives to improve energy efficiency across operations.

- Optimisation of kiln and dryer operations to reduce fuel consumption
- Implementation of process improvements to enhance thermal efficiency
- Reduction in idle energy usage through operational controls
- Continuous monitoring of energy performance indicators

Approach to Water Management

Energy consumption is monitored and managed through coordinated efforts across engineering, maintenance, and production functions.

- Daily monitoring of electricity and fuel consumption through meters and usage logs
- Tracking of energy intensity relative to production output (per m² of tiles)
- Regular management reviews to assess performance and identify improvement opportunities
- Preventive maintenance of equipment to ensure optimal energy efficiency

ENERGY CONSUMPTION BY TYPE

Type	Unit (000)	2025/26	2024/25
Non-renewable			
Diesel	Litre	265,596	324,650
LPG	Kg	9,034,330	9,478,910
Purchased electricity from CEB	KWh	21,214,811	21,422,584

NATURAL CAPITAL

ENERGY EFFICIENCY AND OPTIMISATION



Lanka Tiles has focused on recovering and utilising waste energy to improve overall efficiency.

- Implementation of waste heat recovery systems to capture and reuse energy from flue gases
- Increased utilisation of recovered heat energy within production processes
- Ongoing evaluation of technologies to enhance energy recovery and efficiency

TRANSITION TOWARDS SUSTAINABLE ENERGY



The Group continues to explore opportunities to reduce reliance on fossil fuels and transition towards cleaner energy sources.

- Evaluation of renewable energy options such as solar power
- Continuous reduction of LPG and diesel consumption through efficiency improvements
- Focus on reducing overall carbon footprint through energy optimisation initiatives

Water Discharge by Destination (Mn Litres)

Type	2025/26	2024/25	%
Recycled By Effacement Plant	70.3	14.7	(378)
Total	70.3	14.7	(378)



HIGHLIGHTS

- Water recycling increased to **53%** (2024/25: 11%), enhancing circular water use
- Total water withdrawal reduced to **12,964 m³**, reflecting improved efficiency
- Water intensity improved to **0.029 m³/m²**, indicating lower consumption per unit of output
- 100% compliant wastewater discharge, with no significant non-compliance incidents reported

WATER MANAGEMENT

Water is a critical resource in the manufacturing processes of Lanka Tiles, particularly in body preparation, glazing, and cleaning operations. The Group adopts a structured approach to water management, focusing on efficient usage, recycling, and regulatory compliance.

Approach to Water Management

Water consumption is monitored through metering systems installed across key operational points, with regular tracking and analysis carried out by the maintenance and production teams.

- Measurement of water usage through flow meters across operations
- Monthly monitoring of consumption and water intensity
- Leak detection and preventive maintenance practices
- Mapping of water usage across production processes



Water withdrawal by source (Mn Litres)

Type	2025/26	2024/25	%
Ground water	5.9	18.9	68
Municipal water	11.2	9.2	(22)
Surface water	101	81	(25)
Produced Water	14	22.7	38
Total	132.8	131.9	(0.68)

WATER EFFICIENCY AND CONSERVATION

Lanka Tiles continues to implement initiatives to reduce freshwater consumption and improve efficiency.

- Significant reduction in total water withdrawal during the year
- Continuous improvement in water intensity per unit of production
- Process optimisation to reduce water usage in manufacturing
- Awareness initiatives to promote responsible water use across operations

WATER RECYCLING AND CIRCULAR USE

Lanka Tiles actively promotes circular water use within our operations.

- Recycling of treated wastewater through Effluent Treatment Plant (ETP) systems
- Reuse of water in production processes such as body preparation and polishing
- Increase in water recycling rate to 53%, reflecting improved efficiency
- Continuous expansion of recycling capacity to minimise freshwater dependency

WATER DISCHARGE AND COMPLIANCE

The Group ensures that all wastewater is treated and discharged in compliance with regulatory standards.

- Effluent treated through controlled wastewater treatment systems
- Regular laboratory testing and environmental monitoring
- No significant non-compliance incidents reported during the year
- Compliance with Central Environmental Authority (CEA) discharge regulations

WATER STEWARDSHIP

Lanka Tiles recognises water as a shared resource and engages with stakeholders to promote responsible water use.

- Operations located outside high water-stress areas
- Collaboration with regulatory authorities and local stakeholders
- Implementation of sustainable water management practices aligned with national policies

GRI 305

EMISSION MANAGEMENT

Emissions management is an emerging focus area for Lanka Tiles, given the energy-intensive nature of ceramic manufacturing processes. The Group recognises the importance of measuring and managing greenhouse gas (GHG) emissions and has initiated steps to establish a structured emissions monitoring framework.

Approach to Emission Management

During the year, Lanka Tiles commenced the process of measuring greenhouse gas emissions, covering both direct (Scope 1) and indirect (Scope 2) emissions.

- Measurement initiated in January 2026
- Use of recognised emission factors (e.g., fuel and electricity conversion factors)

- Data collection based on fuel consumption and electricity usage
- Alignment with internationally accepted methodologies



HIGHLIGHTS

- GHG emissions measurement initiated in 2026, covering Scope 1 and Scope 2 emissions
- Reduced fuel consumption, with LPG and diesel usage declining through efficiency improvements
- Waste heat recovery systems implemented, supporting lower emissions intensity
- Full compliance with emission standards, with monitoring systems in place for air quality and stack

Emission	2025/26	2024/25	%
Gross direct (Scope 1) GHG emissions tCO ₂ e	27,617	29,213	5
Energy indirect (Scope 2) GHG emissions tCO ₂ e	11,502	11,615	1
Energy indirect (Scope 3) GHG emissions tCO ₂ e			
Total Emissions offset and/ or reduced tCO ₂ e	1,219	1231	1
Emission intensity (Scope 1 & 2) per revenue Rs Mn			

EMISSION REDUCTION INITIATIVES

The Company continues to implement initiatives that indirectly contribute to emissions reduction.

- Installation of waste heat recovery systems to reduce fuel consumption
- Optimisation of kiln and production processes to improve energy efficiency
- Reduction in LPG and diesel consumption through operational improvements
- Preventive maintenance to ensure efficient equipment performance

AIR EMISSIONS AND ENVIRONMENTAL CONTROLS

Lanka Tiles maintains systems to control and monitor air emissions from operations.

- Installation and maintenance of dust collectors and filtration systems
- Monitoring of stack emissions to ensure compliance with regulatory standards
- Implementation of engineering controls to minimise air pollutants
- Regular maintenance of equipment to prevent excess emissions

NATURAL CAPITAL

GRI 306

WASTE MANAGEMENT

Waste generation is an inherent aspect of the manufacturing operations of Lanka Tiles. The Group adopts a structured approach to waste management, focusing on waste reduction, recycling, and responsible disposal in line with regulatory requirements.

Approach to Water Management

Waste is monitored and managed across all stages of production, with defined processes for segregation, handling, and disposal.

- Daily monitoring of waste generation and tracking of waste streams
- Segregation of waste at source to enable recycling and safe disposal
- Engagement of licensed contractors for waste handling and disposal
- Continuous review of waste generation levels and corrective actions



HIGHLIGHTS

- Total waste reduced across key streams, including scrap tiles and ETP sludge
- Scrap tile waste reduced to **2,032 MT** (2024/25: 3,073 MT), reflecting improved process efficiency
- ETP sludge reduced to **2,661 MT** (2024/25: 3,659 MT), supporting better waste control
- Increased recycling and reuse, with waste materials repurposed within production and externally
- Increased energy recovery, with heat recovery systems improving efficiency across operations



WATER REDUCTION AND EFFICIENCY



The group continues to implement measures to minimise waste generation and improve process efficiency.

- Reduction in overall waste generation compared to the previous year
- Improved process control to reduce rejects and material losses
- Monitoring systems to identify root causes of excess waste and implement corrective actions
- Continuous improvement initiatives to reduce waste intensity

RECYCLING AND CIRCULAR USE



Lanka Tiles promotes circular economy practices through reuse and recycling initiatives.

- Reuse of unfired scrap and process waste within production
- Utilisation of scrap tiles as filler material in external applications
- Recycling of packaging materials through third-party contractors
- Reduction of landfill waste through increased recycling rates

WASTE DISPOSAL AND COMPLIANCE



The Company ensures responsible disposal of waste in compliance with environmental regulations.

- Disposal of waste through licensed and approved contractors
- Safe handling of ETP sludge and other process waste
- Adherence to national waste management regulations and policies
- No major environmental non-compliance incidents reported

OUTLOOK



Looking ahead, Lanka Tiles will continue to strengthen Group's natural capital management through a focused approach to resource efficiency, environmental stewardship, and regulatory compliance. Key priorities include advancing energy efficiency initiatives, expanding water recycling, reducing waste intensity, and enhancing emissions monitoring and reporting. The Company will also continue to explore renewable energy solutions and strengthen responsible sourcing practices across our supply chain. Through these efforts, Lanka Tiles aims to further reduce our environmental footprint while supporting sustainable and resilient long-term growth.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

Sustainability Reporting according to SLFRS S1 and S2 becomes mandatory for the top 100 public listed companies by market capitalisation for financial year's commencing on or after January 2025 and Lanka Tiles PLC has decided to comply with this requirement.

This supplement covers the following matters related to the disclosures required to comply with SLFRS S1 and S2:

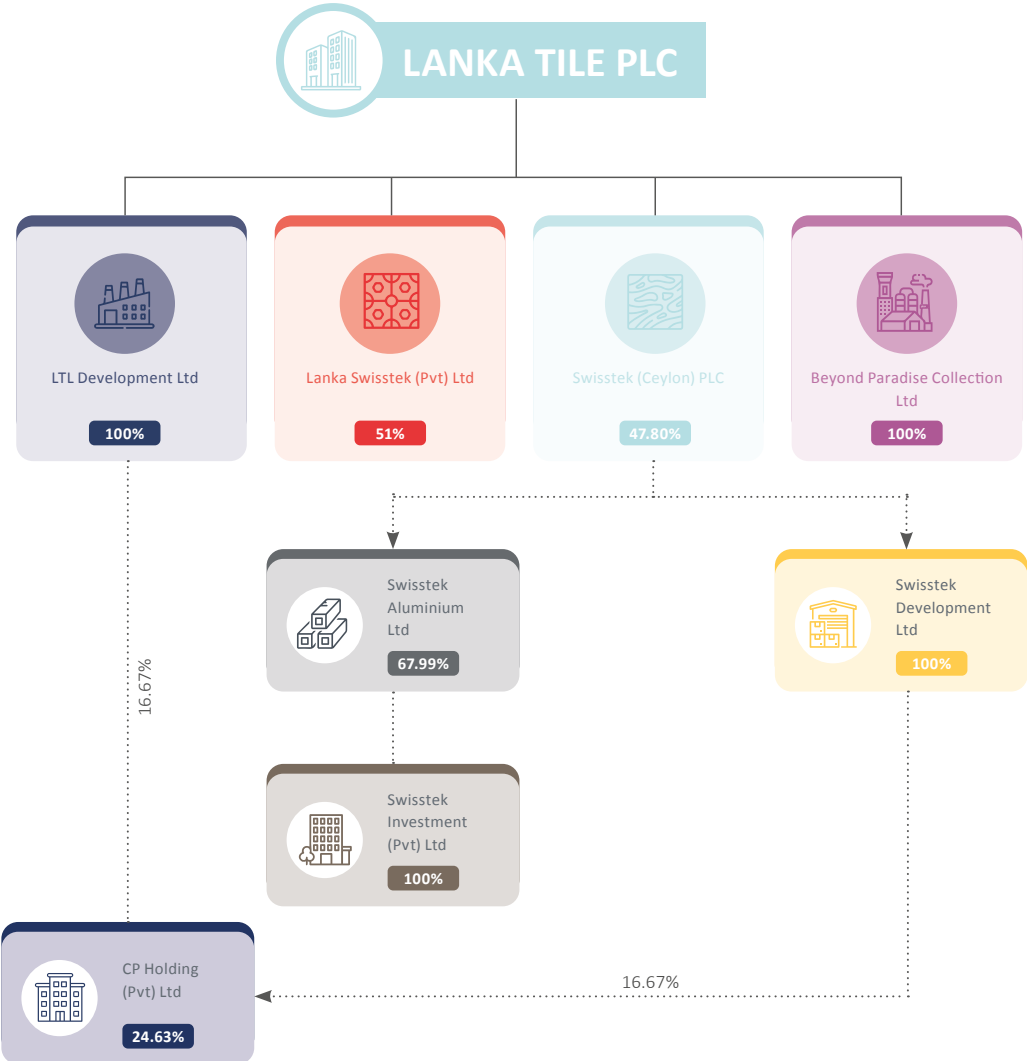


1 BASIS OF PREPARATION

This information supplements the information set out in About The Report on page 6.

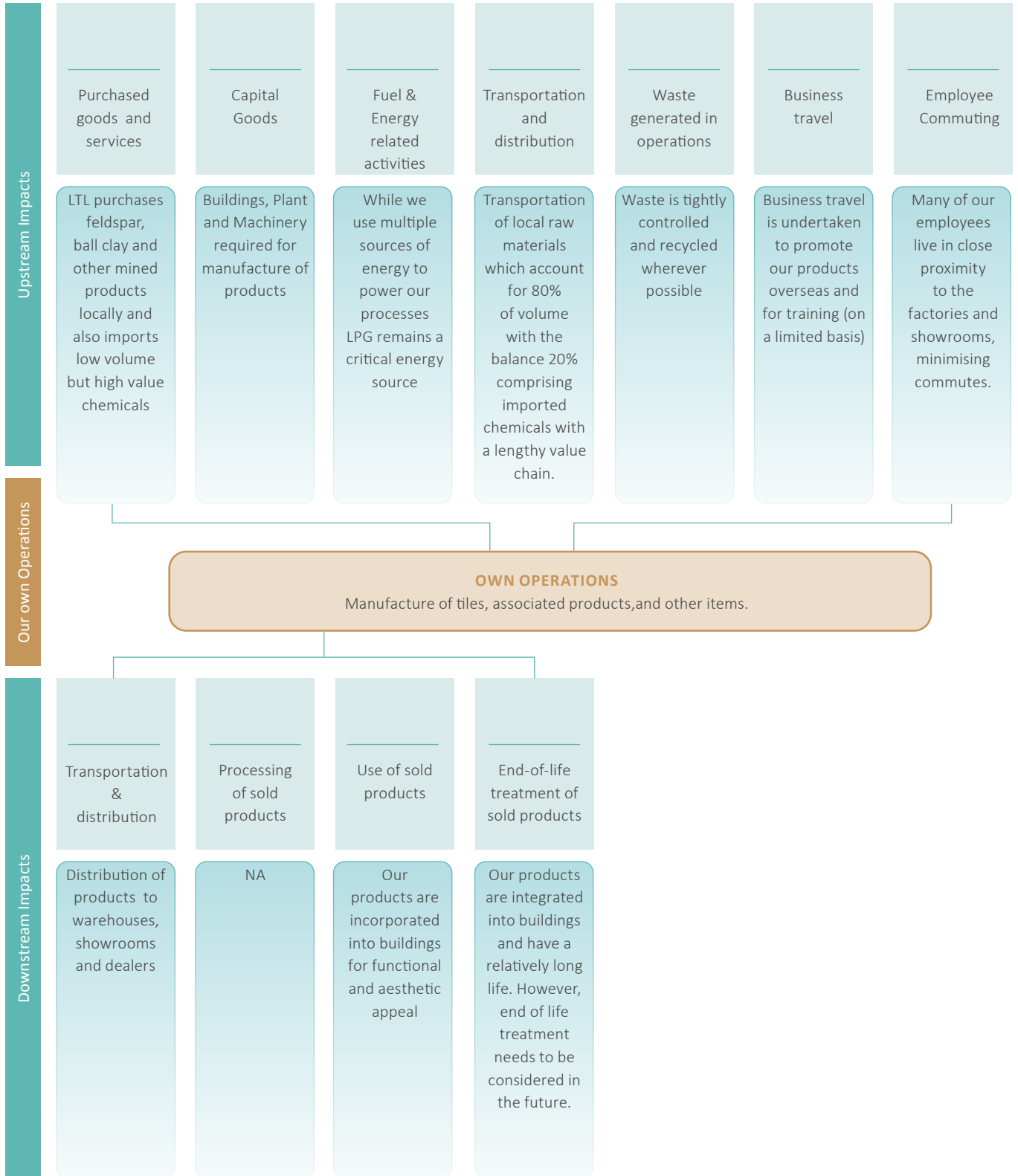
1.1 Reporting Entity, Organisation Boundary

This report covers the operations of Lanka Tiles PLC and its subsidiaries including all locations of operations in assessing the related risks and opportunities. It excludes equity accounted investees. The assessment also covered the value chains of Lanka Tiles PLC (LTL) and its subsidiary company locations as well as their respective value chains in analysing Climate-Related Risks and Opportunities (CRROs).



SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

1.2 Value Chain



1.3 Basis of Materiality

The Group’s risk matrix for climate-related risks and opportunities (CRROs) and sustainability related risks and opportunities (SRROs) have been established with Board approval at the group level. Risks classified under the High and Moderate risk categories are considered material, while risks classified under the Low-risk category are considered immaterial. Although low-risk CRROs are monitored on an ongoing basis through risk registry, they are not disclosed in this report due to their immateriality.

The ISO 31000:2018 Risk Management Guidelines have been utilised in the preparation of the risk matrix. Accordingly, the organisation has defined likelihood and impact criteria tailored to its operations, based on historical data, operational experience, and expert judgement



1.4 Risk Assessment Materiality Thresholds

The materiality thresholds applied within the risk management framework are set out below.



- Risks scoring equal or above 6 (out of 9) categorised as high risk
- Risks scoring between 3-5 (out of 9) categorised as moderate risk
- Risks scoring 2 or below (out of 9) are categorised as Low Risk, except where the severity score is Medium (2), in which case the risk shall be classified as Moderate Risk regardless of probability.

Severity scoring and probability scoring are measured based on the following criteria:

Probability Scoring		
Probability Range	Practical definition (how to judge it in real life)	Score
67% – 100%	Has already occurred internally or is expected to occur in most circumstances; strong historical trend, regulatory or contractual certainty, or clear drivers indicating occurrence.	3
34% – 66%	Has occurred before or could occur under certain conditions; some early indicators exist, but timing, scale, or occurrence depends on internal or external factors.	2
0% – 33%	Has not occurred historically and/or would occur only under unusual circumstances	1

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

Severity Scoring - Group			
Severity Level	Financial Impact	Ave: of Past Two FY (Mn)	Score
High	More than 5% of the net profit (Ave: of past two FY)	>100	3
Medium	Less than 5% but more than 1% of the net profit (Ave: of past two FY)	100-20	2
Low	Less than 1% of the net profit		
(Ave: of past two FY)	<20	1	

1.5 Functional Currency

The functional and presentation currency of the LTL Group is the Sri Lankan Rupee (LKR).

1.6 Sources of Guidance

The preparation of this report has been guided by the requirements of,

- Sri Lanka Financial Reporting Standard S1: General Requirements for Disclosure of Sustainability-related Financial Information (SLFRS S1)
- Sri Lanka Financial Reporting Standard S2: Climate-related Disclosures (SLFRS S2), with reference to the,
- Sustainability Accounting Standards Board (SASB) Standards

1.7 Reporting Period

This report covers the reporting period from 1 April 2025 to 31 March 2026.

1.8 Time Horizon

In identifying and assessing CRROs, LTL takes a holistic approach that considers potential impacts across its operations, value chain, and broader business environment. Accordingly, it defines short-, medium-, and long-term time horizons based on the nature, severity, and expected evolution of both transition and physical climate factors, as well as the strategic planning cycles of the companies.

Time horizon	Definition [no. of days/months/years]	Remarks
Short term	0 to 1 Years	The impacts of the identified risks and opportunities are expected to affect the business in next financial year.
Medium term	2 to 5 Years	The impacts of the identified risks and opportunities are expected to affect the business from the second to the fifth financial year.
Long term	More than 5 Years	The impacts of the identified risks and opportunities are expected to affect the business from the sixth financial year onwards.

1.9 Connected Information

Non-financial disclosures, including Governance, Strategy, Risk Management and Metrics & Targets are prepared at the Group level to ensure consistency and transparency across all reporting dimensions.

1.10 Transitional Relief

The Company has availed itself of the transitional reliefs permitted under SLFRS S1 and S2, as issued by CA Sri Lanka, in preparing this year's SLFRS sustainability-related financial disclosures.

- SLFRS S1 - Disclosure of information only on CRROs
- SLFRS S2.C3 - Disclosure of comparative information
- SLFRS S2.22 - Disclosures on Climate resilience

1.11 Significant Judgements, Uncertainties and Proportionality

Climate-related financial disclosures require professional judgement and estimation due to the forward-looking and evolving nature of the associated risks and opportunities. LTL has used reasonable and supportable information available at the reporting date to inform these judgements. Where relevant, the Company has also obtained input from individuals with appropriate knowledge, skills, and expertise, and has drawn on the experience and resources of its team to quantify the impacts of identified CRROs. The key areas involving professional judgement, measurement uncertainty, and forward-looking assumptions are outlined below.

1.12 Statement of Compliance

This report represents a complete set of sustainability-related financial disclosures for LTL group and its subsidiaries for the year ended 31st March 2026. The Group’s sustainability-related disclosures have been prepared in accordance with SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka.

2 GOVERNANCE

2.1 Board Oversight Role

The Board of Directors has overall oversight responsibility for sustainability-related and climate-related risks and opportunities in accordance with SLFRS S1 and SLFRS S2. To support the Board in discharging this responsibility, a Board Sustainability Committee has been established to oversee sustainability-related and climate-related matters on behalf of the Board.

2.2 The Board Sustainability Committee

The Board Sustainability Committee is responsible for providing strategic oversight, direction, and guidance on the Group’s sustainability agenda. This includes environmental, social, and governance (ESG) matters relevant to the sectors in which the Group operates—tiles, grouts, and aluminium.

2.2.1 Responsibilities of the Board Sustainability Committee

- Integrating sustainability into the Group’s core business and strategic planning.
- Overseeing the implementation of policies and practices that promote environmental responsibility, social impact, and ethical governance.
- Monitoring sustainability-related risks and opportunities (SRROs) across the Group’s operations and supply chains.



2.2.2 Skills and Competencies

The Board of Directors has participated in a dedicated sustainability-related training session to enhance understanding of SLFRS S1 and S2. In addition, the Executive Sustainability Committee and the implementation team have undergone intensive training on SLFRS S1 and S2 to

ensure effective identification, assessment, and management of sustainability- and climate-related risks and opportunities, and to support integration into the Company’s strategy and operations.

Overall, all members of the Company’s governance bodies possess adequate knowledge and understanding of SLFRS S1 and S2 to effectively oversee and guide the management of sustainability- and climate-related risks and opportunities. Further plans in places for capacity building programs across the group to support internal staff adopt in to strategic changes that Group suitability agenda would make within the group.

2.2.3 Information to Board and escalation of matters

The Board Sustainability Committee plays a central role in monitoring the implementation of SLFRS S1 and S2, with progress on the action plan presented quarterly. The Board Sustainability Committee approves strategies, and disclosures related to material CRROs and other sustainability matters, while escalating major policies to the board and other relevant committees ensuring accountability and transparency. The Board Sustainability Committee ensures that CRROs are properly integrated into business strategy and decision-making and makes recommendations to the Board on material CRROs and overall sustainability performance.

The Board of Directors receives updates and recommendations from the Board Sustainability Committee and exercises ultimate oversight on CRROs, ensuring alignment with the Company’s strategy, governance, and financial planning.

2.2.4 Oversight of CRROs

The Board Sustainability Committee (BSC) provides strategic oversight of CRROs on behalf of the Board. It reviews CRROs escalated by the Executive Sustainability Committee (ESC), validating risk classifications, mitigation measures, and opportunity capture strategies. Further, identified material CRROs and SRROs are

escalated to be included in the Enterprise Risk Management System which is under the governance of Audit Committee.

During the year, Board Sustainability Committee,

- Established the Executive Sustainability Committee
- Approved the Terms of Reference for the Executive Sustainability Committee
- Approved the time horizons and materiality thresholds for both the company and Group
- Reviewed and approved the Climate Related Risk and opportunities along with mitigation strategies

2.2.5 Monitor

The Board Sustainability Committee monitors the progress of the action items at each Board Sustainability Committee (BSC) meeting against the meeting minutes of the previous committee meeting and the established sustainability road map of the company.

2.2.6 Delegation to Management

The Board Sustainability Committee has delegated its management responsibility to the established Executive Sustainability Committee (ESC) which was established on 8th January 2026.

Executive Sustainability Committee (ESC) consists of Senior Management Members with managing director chairing the committee. Rest of the members were selected covering major functions of the company and they are,

The Executive Sustainability Committee is responsible for the day-to-day management of sustainability- and climate-related risks, opportunities, and related matters. It identifies, assesses, and monitors these risks, oversees the implementation of mitigation actions, and supports the integration of sustainability considerations into business processes and decision-making. The Committee also supports the Board Sustainability Committee through detailed

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

analysis, progress updates, and recommendations, while ensuring that material risks and opportunities are escalated for Board oversight and strategic action. The key responsibilities of the Executive Sustainability Committee are set out below.

ESG STRATEGY, GOVERNANCE & ALIGNMENT

Support the development and implementation of the Group's ESG and sustainability strategy, ensuring it is aligned with long-term business goals and integrated into operational processes, departmental activities, and the company culture. Assist in operationalising ESG frameworks, policies, and performance targets.

MANAGEMENT OF SUSTAINABILITY-RELATED RISKS & OPPORTUNITIES (SRROS)

Identify, assess, and escalate ESG and sustainability-related risks and opportunities within operations. Integrate these considerations into the Group's risk management processes and ensure that relevant skills and competencies are available within the management teams to address them effectively.

ENVIRONMENTAL & SOCIAL PERFORMANCE OVERSIGHT

Monitor operational performance across key environmental metrics (emissions, energy, waste, water) and social impact areas such as workplace health and safety, labour practices, and community engagement. Promote ethical business conduct, responsible supply chain practices, and good governance at the management level.

TARGET SETTING, MONITORING & PERFORMANCE EVALUATION

Assist in establishing operational sustainability and ESG targets, track progress at the departmental and project level, and ensure that relevant ESG performance metrics are incorporated into management reporting and performance evaluations.

REPORTING, ASSURANCE & STAKEHOLDER ENGAGEMENT

Coordinate the preparation of sustainability and ESG reports, disclosures, and internal dashboards. Support data collection and assurance processes and engage with key internal and external stakeholders to facilitate transparency, accountability, and continuous improvement in ESG performance.

2.2.7 Role of the Sustainability Implementation Team

The Sustainability Implementation Team is responsible for the day-to-day identification, assessment, and management of climate- and sustainability-related risks and opportunities (CRROs). The team collects relevant data, conducts risk analyses, and implements mitigation measures or opportunity strategies as appropriate. It also prepares regular reports and updates on CRROs for review by the Executive Sustainability Committee (ESC). The ESC reviews the CRROs identified by the Implementation Team, evaluates their materiality, likelihood, and potential impact, and determines the necessary actions, mitigation plans, and monitoring approaches. Material CRROs are escalated to the Board Sustainability Committee, while the Executive Sustainability Committee (ESC) monitors progress on action plans and ensures that sustainability considerations are effectively integrated into the Company's operational and financial planning. Implementations of this team gets reported up to board level.

2.3 Policies and procedures

The Company has established a framework for sustainability and ESG governance, which includes the Company ESG Policy, the Terms of Reference for the Board Sustainability Committee, and the Terms of Reference for the Executive Sustainability Committee. Further plans are in place to advance the existing ESG policies along with necessary capacity building for the sustainability implementation teams across the group.

3 STRATEGY

3.1.1 Global Context

The global risk environment is increasingly influenced by climate-related threats, with extreme weather, ecosystem degradation, and resource scarcity posing major risks to economic stability. Scientific evidence shows that human activity has already driven a significant rise in global temperatures, increasing the frequency and severity of climate-related disruptions. In response, the global transition to a low-carbon economy is gathering pace, supported by international commitments such as the Paris Agreement.

3.1.2 Sri Lankan Context

Sri Lanka is highly vulnerable to climate change due to its geographic and economic profile. More frequent floods, droughts, landslides, and rainfall variability continue to disrupt key sectors, particularly agriculture. At the same time, the national policy and regulatory landscape is evolving rapidly. The country's climate commitments are driving greater integration of climate risk into business strategy and planning. Regulatory developments, including the adoption of SLFRS S1 and S2, are also increasing the need for stronger climate-related disclosures, governance, and integration of transition risks into financial decision-making.





LTL has a network of showrooms located throughout the island and extreme weather events can damage the infrastructure. Manufacture of ceramic tiles and associated items such as grout and mortars rely on locally mined resources. The quality, availability and price of these inputs vary with the vagaries of weather as it affects the ability to mine as well as the moisture content in the mined products. As manufacture of tiles requires high temperatures, energy is a critical input, presenting the Group with opportunities to explore clean and affordable energy solutions.

3.1.3 Alignment to LTL's Strategy and Decision-Making

LTL integrates climate-related risks and opportunities (CRROs) into strategic planning and decision-making to strengthen long-term resilience and value creation. These considerations are embedded across governance, risk management, and operations. Climate factors are incorporated into annual planning and budgeting to align sustainability objectives with strategic priorities. They also inform investment and lending decisions, supporting stronger credit assessments and capital allocation. In addition, climate-related risks are being integrated into the enterprise risk management framework to enable consistent identification, assessment, and monitoring across the portfolio. Progress on climate-related targets and strategic initiatives is reviewed regularly by the Board and relevant sub-committees to ensure oversight and accountability.

Identified Climate-Related Risks and Opportunities

LTL has identified the following key CRROs using significant inputs from our own experience and The World Bank Group Country Climate & Development Report published in June 2025.

	Risk/Opportunity	Type of Risk	Description
	Extreme Weather Events - Asset integrity and operational continuity	Acute Physical Risk	Increased rainfall intensity, storms floods and landslides can damage buildings, storage areas, and equipment during disaster situations and disrupt the business operation
	Extreme Weather Events – Upstream supply chain disruptions	Acute Physical Risk	Floods and landslides at mining sites can adversely impact the quality of raw materials, Availability and transportation of key raw materials and packaging inputs. Climate-related policy responses to disaster events could result in supply-chain disruptions due to regulatory constraints, permitting delays, or changes in sourcing requirements.
	Extreme Weather Events – Workforce Availability and Productivity (Human Capital)	Acute Physical Risk	Limited employee mobility and availability, reducing workforce productivity
	Extreme Weather Events – Downstream distribution and market access (Outbound Logistics)	Acute Physical Risk	Damage to transport infrastructure can result in delayed deliveries and disrupted customer fulfilment

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

4 RISK IDENTIFICATION, ASSESSMENT & RESPONSE

This section outlines the Climate related risks that is material for the group and how the group expect to manage them.

4.1 Climate related risk analysis

CRRO 1.1: Extreme Weather Events – Asset integrity and operational continuity				
Description	Increased rainfall intensity, storms floods and landslides can damage buildings, storage areas, and equipment during disaster situations and disrupt the business operation			
Type of Risk	Acute Physical Risk			
Time Horizon	Short Term to Long term			
Current Effects on Business Model and Value Chain	The impact of Cyclone Dithwah had a significant impact on the operations of the Group in November/December 2025 as set out below:			
	Location	Impact	Notes # (Assumptions and justifications)	
	Ranala Factory	Impact was not material	1.1.1	
	Showrooms	10 showrooms have been impacted, however, the loss was not material. Lost Ave: 4 business days	1.1.2	
Warehouse Network	No material impact	1.1.3		
Anticipated Effects on Business Model and Value Chain	Risk Level			
		Short Term (Next FY)	Medium Term (2nd to 5th FY)	Long Term (6th FY Onwards)
	Ranala Factory	Low	Low	Low
	Showrooms	Low	Low	Moderate
Warehouse Network	Low	Low	Low	
Key Risk metrics	<ul style="list-style-type: none"> Number of production/ business days lost due to weather Cost of repairs for buildings Cost of repairs/replacement for equipment 			
Assumptions and Justifications	Note #	Assumptions & Justifications		
		The country experiences heavy rainfall and flood-related disasters approximately every 6-10 years (e.g., 2003, 2011, 2016, 202 5), with the magnitude and severity of impacts increasing over time		
	1.1.1	According to Sri Lanka's Nationally Determined Contributions (NDC) 3.0, the Ranala factory is located in Colombo District which is classified as low vulnerable to climate change. The access roads have been impacted due to the floods over the years, although the magnitude of the impact was not severe to disrupt the continuity of the business operation.		
	1.1.2	<p>A district-level climate vulnerability assessment of the Lanka Tiles showroom network, based on Sri Lanka's Nationally Determined Contributions (NDC) 3.0 and national climate vulnerability mapping, indicates that the majority of showrooms are located in relatively moderate to high-risk areas. Furthermore, 35% of the showrooms are situated in high-vulnerability regions, 30% in moderately vulnerable regions, and 35% in low-vulnerability regions.</p> <p>In the year 2025/26, Out of the 52 showrooms, 17 factory outlets and 27 Consignment Distributors in the network, six showrooms (Gampola, Chilaw, Kaduwela, Wattala, Anuradhapura, and Kurunegala), three factory outlets (Alawwa, Kandy, and Puttalam), and one distributor point in Kandy experienced the greatest adverse impact, disrupting daily operations.</p> <p>On average, a recovery period of four business days was required to resume normal operations, while some locations required up to ten business days.</p>		
1.1.3	All the warehouses are located in the Colombo district, which is low risk according to NDC 3.0. No impact was made during Dithwah			

CRRO 1.1: Extreme Weather Events – Asset integrity and operational continuity

Strategic Response & Mitigation	Time Horizon	Strategic Response & Mitigation
	Short Term	<ul style="list-style-type: none"> Implement critical flood/ landslide -mitigation measures at high-risk sites. Get Insurance cover for critical assets to re-establish the operations again without delay
	Medium Term	<ul style="list-style-type: none"> Retrofit existing facilities and embed resilience standards into all new developments.
	Long Term	<ul style="list-style-type: none"> Periodically reassess asset locations and revisit the strategy and mitigation actions

CRRO 1.2: Extreme Weather Events – Upstream supply chain disruptions (Procurement & Inbound Logistics)

Description Floods and landslides at mining sites can adversely impact the quality of raw materials, Availability and transportation of key raw materials and packaging inputs. Climate-related policy responses to disaster events could result in supply-chain disruptions due to regulatory constraints, permitting delays, or changes in sourcing requirements.

Type of Risk Acute Physical Risk

Time Horizon Short Term to Long term

Current Effects on Business Model and Value Chain Concentration of risks along the value chain and business model are as follows:

Location	Impact	Notes # (Assumptions and justifications)
Local Purchase (Clay & other RM)	No impact	1.2.1
Imports	No impact	

Anticipated Effects on Business Model and Value Chain

	Risk Level		
	Short Term (Next FY)	Medium Term (2nd to 5th FY)	Long Term (6th FY Onwards)
Local Purchases (Clay & Other RM)	Low	Moderate	Moderate
Imports	Low	Low	Low
Warehouse Network	Low	Low	Low

- Key Risk metrics**
- On-time delivery rate
 - Supplier risk rating

Assumptions and Justifications

Note #	Assumptions & Justifications
1.2.1	<p>In the short term, the National Building Research Organisation (NBRO) has imposed temporary restrictions on mining activities, requiring suppliers to obtain clearance prior to operations, which is likely to result in supply delays.</p> <p>Major ball clay mines are experiencing continuous flooding, which is expected to disrupt supply and adversely affect material quality in the long term. There are early indications that climate-related disasters, including landslides, may contribute to evolving mining policies with a greater focus on human habitat conservation.</p>

Strategic Response & Mitigation

Time Horizon	Strategic Response & Mitigation
Short Term	<ul style="list-style-type: none"> Implement critical flood/ landslide -mitigation measures at high-risk sites. Get Insurance cover for critical assets to re-establish the operations again without delay
Medium Term	<ul style="list-style-type: none"> Retrofit existing facilities and embed resilience standards into all new developments.
Long Term	<ul style="list-style-type: none"> Periodically reassess asset locations and revisit the strategy and mitigation actions

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

CRRO 1.3: Workforce availability and productivity (Human Capital)					
Description	Limited employee mobility and availability, reducing workforce productivity				
Type of Risk	Acute Physical Risk				
Time Horizon	Short Term to Long term				
Current Effects on Business Model and Value Chain	The impact of Cyclone Ditwah had a significant impact on the operations of the Group in November/December 2025 as set out below:				
	Location	Impact	Notes # (Assumptions and justifications)		
	Ranala Factory	No impact	1.3.1		
	Showrooms	10 showrooms were affected	1.3.2		
	Warehouse Network	No impact	1.3.3		
Anticipated Effects on Business Model and Value Chain			Risk Level		
			Short Term (Next FY)	Medium Term (2nd to 5th FY)	Long Term (6th FY Onwards)
	Ranala Factory		Low	Low	Low
	Showrooms		Low	Low	Low
	Warehouse Network		Low	Low	Low
Key Risk metrics	<ul style="list-style-type: none"> Number of production/delivery delays due to workforce shortages Number of flood-affected days in the region 				
Assumptions and Justifications	Note #	Assumptions & Justifications			
	1.3.1	<p>Factory processes are highly machine-intensive and therefore require a relatively limited number of employees for core manufacturing operations.</p> <p>As the majority of employees are sourced from surrounding areas, workforce attendance remains relatively stable even during adverse weather conditions.</p> <p>Factories are equipped with accommodation facilities for employees in critical roles, enabling the maintenance of adequate human capital during climate-related crises.</p>			
	1.3.2	<p>As the majority of employees are sourced from surrounding areas, workforce attendance remains relatively stable even during adverse weather conditions .</p> <p>During crisis situations, such as flooding, normal business operations may be disrupted, and full human capital availability cannot be assured. However, due to the company’s widely dispersed showroom network, end customers can continue to make purchases from other showrooms.</p>			
	1.3.3	<p>As the majority of employees are sourced from surrounding areas, workforce attendance remains relatively stable even during adverse weather conditions.</p> <p>Due to the Company’s strategically positioned warehouse network and its capacity to store large volumes of inventory, orders can be processed efficiently from any warehouse, with priority given to time-sensitive project customers.</p>			
Strategic Response & Mitigation	Time Horizon	Strategic Response & Mitigation			
	Short Term	<ul style="list-style-type: none"> Gradual shift towards resilience-oriented workforce planning, supported by Cross-skilling to maintain operations during extreme weather. Initiation of E- Commerce flatforms to increase the sale capacity. 			
	Long Term	<ul style="list-style-type: none"> Productivity improvements through automation to offset climate-related labour volatility. Expand digital sales channels and remote customer engagement to mitigate showroom accessibility disruptions. 			

CRRO 1.4: Extreme Weather Events – Downstream Distribution and Market Access (Outbound Logistics)				
Description	Damage to transport infrastructure can result in delayed deliveries and disrupted customer fulfilment			
Type of Risk	Acute Physical Risk			
Time Horizon	Short Term to Long term			
Current Effects on Business Model and Value Chain	The impact of Cyclone Ditwah had a significant impact on the operations of the Group in November/December 2025 as set out below:			
	Location	Impact	Notes # (Assumptions and justifications)	
	Warehouse Network	No impact	1. 4.1	
Anticipated Effects on Business Model and Value Chain				Risk Level
		Short Term (Next FY)	Medium Term (2nd to 5th FY)	Long Term (6th FY Onwards)
	Warehouse Network	Low	Low	Low
Key Risk metrics	Number of delivery delays due to limited accessibility			
Assumptions and Justifications	Note #	Assumptions & Justifications		
	1.4.1	Systems are in place to optimise delivery routes, even in the presence of climate-related impacts on transport infrastructure.		
Strategic Response & Mitigation	Time Horizon	Strategic Response & Mitigation		
	Short Term	<ul style="list-style-type: none"> Redesign distribution networks using climate-risk overlays. 		
	Long Term	<ul style="list-style-type: none"> Integrate climate resilience into all logistics strategies. 		

4.2 Climate Related Opportunity

CRRO 2: Transition to renewable energy				
Description	Utilise available roof space across company-owned properties to install rooftop solar systems, subject to site-wise feasibility assessments, in order to reduce dependence on grid electricity, increase renewable energy generation, lower Scope 2 emissions, mitigate transition risks associated with rising energy costs and carbon regulations, and achieve long-term cost savings.			
Time Horizon	Short Term to Long term			
Current Effects on Business Model and Value Chain	No impact			
Anticipated Effects on Business Model and Value Chain				Opportunity Level
		Short Term (Next FY)	Medium Term (2nd to 5th FY)	Long Term (6th FY Onwards)
	Factories	-	High	High
	Own Warehouse Facilities	-	High	High

Note: The severity thresholds defined in Section 1.4 of this report apply only to the risk matrix and are not considered in the opportunity analysis.



HUES OF INTEGRITY

At Lanka Tiles, governance is not simply a framework, it is the architecture that holds everything together. Through ethical leadership, disciplined oversight, and transparent decision-making, we reinforce the systems that support responsible growth and long-term resilience. These principles provide the stability needed to navigate evolving conditions with confidence, protecting the integrity of each product and the trust of those it serves.

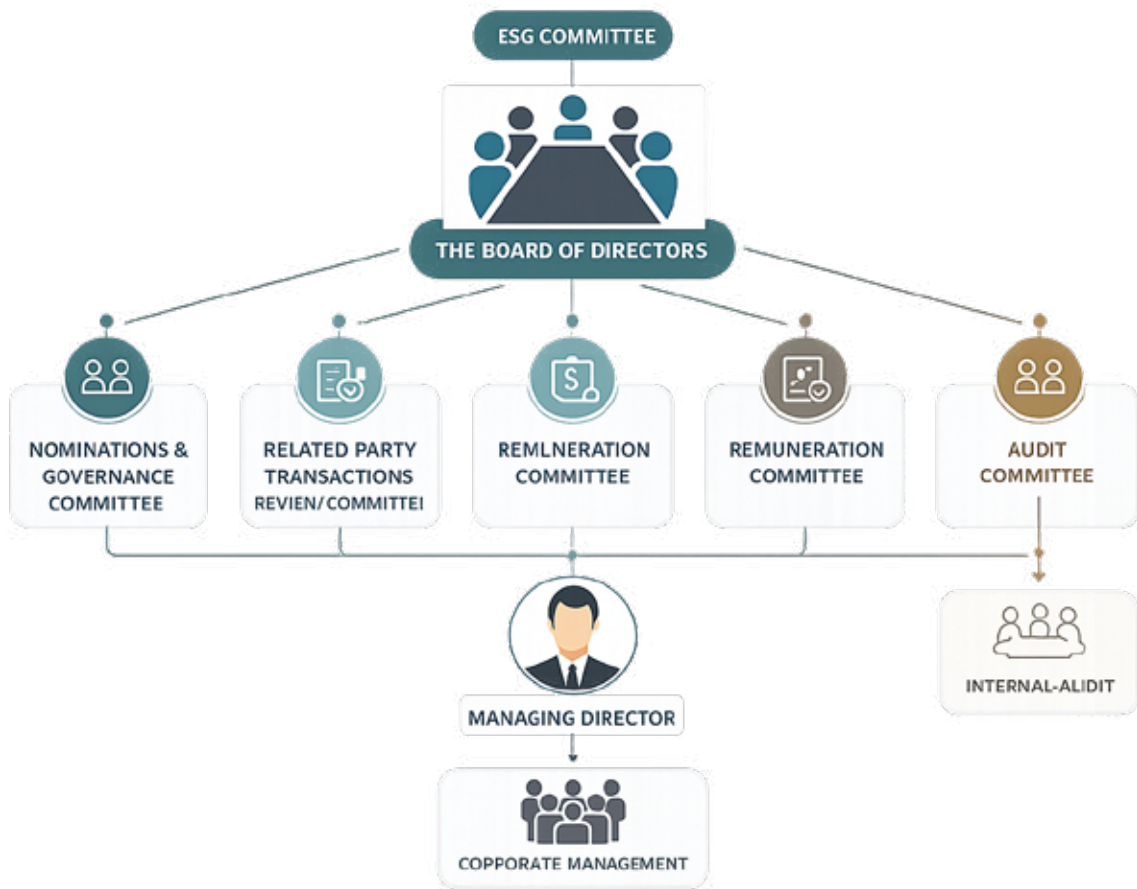
CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

Lanka Tiles PLC is committed to maintaining the highest standards of corporate governance, ethical conduct, accountability, and transparency in all aspects of our operations. The Company recognises strong governance practices as fundamental to protecting stakeholder interests, strengthening organisational resilience, and supporting sustainable long-term value creation.

The governance framework of Lanka Tiles is designed to ensure effective oversight, prudent risk management, regulatory compliance, and responsible decision-making across the organisation. The Board of Directors provides strategic direction and oversight while promoting a culture of integrity, accountability, and sustainability throughout the business.



BOARD COMPOSITION

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

Director	Status
1. Mr. Dhammika Perera	Chairman/Non-Executive Director Appointed on 31 Jul 2025
2. Mr. A M Weerasinghe	Co-Chairman/ Non-Executive Director Re-designated on 31 Jul 2025
3. Mr. Priyantha Talwatte	Managing Director
4. Mr. Haresh Somashantha	Executive Director
5. Dr. S Selliah	Non-Executive Director
6. Mr. T G Thoradeniya	Non-Executive Director
7. Ms. A M L Page	Non-Executive Director
8. Mr. J A N R Adhihetty	Independent Non-Executive Director
9. Mr. S R Jayaweera	Independent Non-Executive Director
10. Mr. J R Gunaratne	Independent Non-Executive Director
11. Ms. K A D B Perera	Non-Executive Director
12. Mr. R M M J Ratnayake	Independent Non-Executive Director
13. Mr. S H Amarasekera	Non-Executive Director Appointed on 30 Oct 2025

BOARD COMPOSITION

2

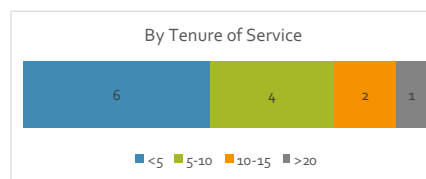
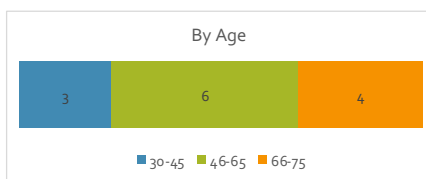
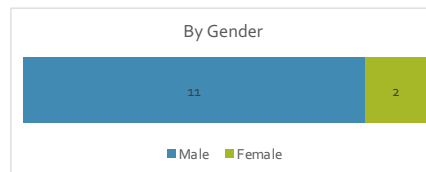
Executive Directors

7

Non - Executive Directors

4

Independent Non-Executive Directors



GOVERNANCE HIGHLIGHTS FOR 2025/26

- Appointment of the Chairperson
- Re-designation / appointment of directors
- Approval of interim dividend of Rs. 1.50 per share
- Annual Review of Policies and Terms of Reference
- Awareness sessions on key areas

SEGREGATION OF KEY ROLES

ROLE OF THE CHAIRMAN

- Leading the Board and the Shareholders' meetings
- Ensuring effective management of the operations of the Board
- Ensuring the Board engages in timely and constructive discussions of all key and relevant issues
- Establishing effective communication channels with shareholders and ensuring their views are effectively conveyed to the entire Board
- Ensuring adherence to good corporate practices

ROLE OF THE MANAGING DIRECTOR

- Developing, recommending, and implementing the Company's policies and strategies that reflect the long-term objectives and priorities approved by the Board
- Assuming full accountability to the Board for all aspects of the Company's operations and performance
- Maintaining a continuous dialogue with the Chairman and other Directors
- Representing the Company and managing the Company's day-to-day business
- Monitoring operational and financial results by closely following plans and budgets
- Establishing adequate operational, planning, and financial control systems

ROLE OF THE COMPANY SECRETARY

The Company Secretary plays a key role in ensuring the functions of the Board are conducted effectively and seamlessly. The key aspects of the role of the Board Secretary are,

- Supporting the Chairman, the Board, and the Sub-Committees by ensuring a proper flow of information
- Ensuring policies and procedures are followed
- Providing necessary advice and assistance to the Board and Directors in respect of their duties.
- Facilitating effective operation of the Board and Board Sub Committees
- Maintaining relationships between the Company, its Shareholders, and regulators, including assisting the Board in discharging its obligations to Shareholders

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

REGULATORY	VOLUNTARY STANDARDS, CODES & FRAMEWORKS	INTERNAL DOCUMENTS
<ul style="list-style-type: none"> Companies Act No.7 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 Listing Rules Requirements of the Colombo Stock Exchange The Shop and Office Employees Act No. 15 of 1954 Factories Ordinance No. 45 of 1942 Inland Revenue and other relevant acts 	<ul style="list-style-type: none"> Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017 Integrated Reporting Framework Global Reporting Initiative Standards Quality standard certifications obtained by companies 	<ul style="list-style-type: none"> Articles of Association Policy framework

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:

AUDIT COMMITTEE	<p>Comprises 3 independent directors of whom 02 are members of professional accounting bodies</p> <ul style="list-style-type: none"> Reviews the integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. Ensure compliance to legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. Assess the External Auditor’s independence and performance. Review adequacy and effectiveness of risk management <p>Refer page 132 for Audit Committee Report</p>
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REMUNERATION COMMITTEE	<p>Comprises 2 independent directors, and one non-executive director.</p> <p>The Committee assists the Board in determining:</p> <ul style="list-style-type: none"> Remuneration of non-executive directors Remuneration of executive directors and Key management personnel <p>Refer page 129 for Remuneration Committee Report</p>
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RELATED PARTY TRANSACTION REVIEW COMMITTEE	<p>Comprises of 2 independent directors and 1 non-executive director</p> <p>To ensure that all Related Party Transactions of the Group are reviewed in compliance with the CSE Listing Requirements and Comments/ observations of the Committee are communicated to the Board.</p> <p>Refer page 123 for Related Party Transactions Review Committee Report</p>
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NOMINATIONS & GOVERNANCE COMMITTEE

Comprises 2 independent directors and 1 non-executive director

- Assess the skills and experience needed on the Board to achieve the business goals of the Group
- Review and assess candidates to the Board for director appointments
- Conduct Board and Board Committee evaluations annually
- Ensure that the Board has in place a suitable framework of policies to facilitate day to day operations of the Group

Refer page 125 for the Nominations & Governance Committee Report.

APPOINTMENT, RE-ELECTION AND RETIREMENT

Directors are appointed by shareholders at the Annual General Meeting and each Director's election/ re- election is placed before the shareholders under a separate Agenda Item and voted on by the shareholders. 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 assessing the suitability of finding suitable candidates for such appointments. Directors may resign from their position at anytime by providing a written communication to the Chairman via the Company Secretary.

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, And are recommendations are made to the Board for final determination.

MEETINGS AND ATTENDANCE

12 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 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 in a timely manner.

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	Date of appointment	Attendance				
		Board Meetings	Nominations & Governance Committee	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. Dhammika Perera *	31 July 2025	04/08				
Mr. A M Weerasinghe	15 March 2017	12/12				
Mr. Priyantha Talwatte	01 April 2025	12/12				
Mr. Haresh Somashantha	25 April 2025	11/11				
Dr. S Selliah	29 January 2002	11/12			2/2	4/4
Mr. T G Thoradeniya	28 May 2013	0/12				
Ms. A M L Page	01 October 2013	08/12				
Mr. J A N R Adihetty	10 October 2018	11/12		4/4	2/2	
Mr. S R Jayaweera	09 October 2020	12/12	2/2	4/4		4/4
Mr. J R Gunaratne	15 March 2021	10/12	2/2		2/2	
Ms. K A D B Perera	19 October 2022	07/12	1/2			
Mr. R M M Ratnayake	01 January 2025	12/12		4/4		4/4
Mr. S H Amarasekera **	30 October 2025	05/05				

* appointed to the Board w.e.f. 31 July 2025

** appointed to the Board w.e.f. 30 October 2025

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.

Quarterly	Quarterly financial statements via the CSE website Press releases
Annually	Annual Report & Notice of meeting Made available on the websites of the Company and the CSE and Direct mailers to shareholders of Annual Report and Notice of Meeting Annual General Meeting Press release Dividends
Ad-hoc	Notices to CSE Press releases Circulars to shareholders on corporate actions as per Listing Rules.

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 by them to 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 days prior. Separate resolutions for each item allow individual voting. Voting procedures are shared in advance. Proxy made available votes are recorded and counted effectively. The Board will investigate and take necessary actions. 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	Corporate Governance Principle	How we Comply	Compliance Status
A. DIRECTORS			
A.1 The Board			
A. 1.1	Board Meetings	12 Board meetings were held. The Board may call for special meetings to be held as deemed necessary	
A1.2	Role of the Board	<ul style="list-style-type: none"> Focus in on developing strategies for business development and to provide guidance to the management. Sets the budget for the financial year and reviews progress at the monthly meetings. Approving of major capital expenditure Approving borrowings Ensures that effective internal control and risk management framework is in place 	
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 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 judgement in discharging their duties	
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept	

Reference to ICASL Code	Corporate Governance Principle	How we Comply	Compliance Status
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. 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 page 14-20	
A. 3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/concerns on matters.	
A. 4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	
A.5 Board Balance			
A.5.1/ A5.2/A.5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a)	Presence of Non-Executive Directors Independence of Non-Executive Directors	Please refer Board composition on page 115	
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.	
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 7.10.3(d)	Disclosure of Appointment of a New Director	Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non-Executive/ Executive Director.	

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How we Comply	Compliance Status
A.8	Re-election		
A.8.1 /A.8.2	Re-election	At each AGM one Non-Executive director presents himself/herself for re-election. Newly appointed directors are re-elected at the 1st AGM following their appointment	
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director.	
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	The Board 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 page 21-26	
A.11			
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.1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Directors' Remuneration on page 129 The Report of the Remuneration Committee on page 129 gives the composition of the Committee and a description of its activities during the year.	
B.1.2 7.10.5(a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors	
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 129	
B.1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman	
B.1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	
B.2	The Level & Makeup of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors while remaining within the industry standards and Annual performance approved	
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	
B.2.6	Executive share options		

Reference to ICASL Code	Corporate Governance Principle	How we Comply	Compliance Status
B.2.7	Designing schemes of performance-based remuneration	Refer the Report of the Remuneration Committee on page 129	
B.2.8/B.2.9	Early Termination of Directors	There is no compensation for early termination of non-executive directors.	
B.3	Disclosure of Remuneration		
B.3.1	Disclosure of Remuneration	Report of the Remuneration Committee on page 129	
7.10.5.(c)		Notes 27 in the financial statements on page 181	
Relations with Shareholders			
C.1	Constructive use of AGM and	Conduct of Meetings	
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 days as required by the Articles of Association and the Code.	
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are passed for each matter taken up at the AGM	
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	
C.2	Communications with shareholders		
C.2.1 to C.2.7	Communications with Shareholders	<p>The AGM and EGM (if any) are used as the method for communicating with the shareholders.</p> <p>All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE.</p> <p>The Company Secretaries/Registrars are the main contact people for the shareholders.</p> <p>All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/Subcommittee meetings.</p> <p>All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.</p>	
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	<p>There were no matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard.</p> <p>In the event there are Major Transactions, relevant disclosures and relevant shareholder approvals are obtained.</p>	
D. Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on page 115 - 120	

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How we Comply	Compliance Status
D.1.2	Interim and price sensitive reports to public and regulators	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>	
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Deputy Chairman & Managing Director and the Chief Financial Officer.	
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 115.	
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"> • Statement of Board responsibility for preparation of financial statements – page 121 • Statement from Auditors on their reporting responsibilities – page 137 • Statement on Internal Control – page 136 	
D.1.6	Management discussion & analysis	Refer annual report pages from 30 to 99 which provides a comprehensive management discussion and analysis of the Group's operations	
D.1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	
D.1.8	Related Party transactions	<p>Refer the following disclosures on Related Party Transactions:</p> <ul style="list-style-type: none"> • Relates party transactions Review Committee Report on page 123 • Annual Report of the Board of Directors on page 115-120 • Note 27 to the financial statements 	
D.2	Risk Management & Internal Control	The following reports provide details on compliance with these requirements:	
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	<ul style="list-style-type: none"> • Risk Report on page 41-44 • Risk & Internal Control on page 41-44 • Directors' Statement on Internal Controls on page 121 • Audit Committee Report on page 132 	
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		

Reference to ICASL Code	Corporate Governance Principle	How we Comply	Compliance Status
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive directors of which at least 2 must be independent	Audit Committee comprises 3 non-executive directors of whom 2 are independent. Refer Audit Committee on page 132.	
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarised in the Audit Committee Report on page 132.	
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 132.	
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer <ul style="list-style-type: none"> Related Party Transactions Review Committee on page 123 Report of the Related Party Transactions Review Committee on page 123 	
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on page 102-114.	
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 123.	
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 14 and The Board of Directors' Statement on Internal Controls on pages 41 to 44.	
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 102 and 114 together with its Annexes comply with this requirement.	
E. Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	
E.2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	
F. Other Investors			
F1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	
F.2.	Encouraging shareholder participation	Refer Shareholder Relations on page 195	
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		
G.3	Include cyber security in Board agenda	It is a regular agenda item for the Board meetings.	

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How we Comply	Compliance Status
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management		
G.5	Disclosures in Annual Report		
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 54 to page 88	
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 page 89-99. 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 page 102 to 114 provides information in this regard.	
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.	The Board Sustainability Committee was established on 8 January 2026 Adoption of SLFRS S1 and SLFRS S2	
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.		

SECTION 9 – CORPORATE GOVERNANCE

Rule Ref	Disclosure Requirement	Page Ref.
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules	
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	
9.2.3 (i)	List of policies in place as per Rule 9.2.1, with reference to website	
9.2.3 (ii)	Any changes to policies adopted	
9.4.2	(a) The policy on effective communication and relations with shareholders and investors (b) The contact person for such communication (c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders	
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-complied reasons for the same with proposed remedial action.	
9.6.3	Report of SID demonstrating the effectiveness of duties	
9.6.4	Rationale for appointing SID	
9.7.5	(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken	
9.8.5	Names of Directors determined to be 'independent'	
9.10.4	Directors details <ul style="list-style-type: none"> - name, qualifications and brief profile - nature of his/her expertise in relevant functional areas - whether either the Director or Close Family Members has any material business relationships with other Directors - whether Executive, Non-Executive and/or independent Director - 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) - number of Board meetings attended - names of Board Committees in which the Director serves as Chairperson or a member - Attendance of board committee meetings - TOR and powers of SID 	
9.11.6	Nominations and Governance Committee Report <ul style="list-style-type: none"> - Signed by Chairperson - Names of chairperson and members with nature of directorship - Date of appointment to the committee - Availability of documented policy and processes when nominating Directors - Requirement of re-election at regular intervals at least once in 3 years - Board diversity - Effective implementation of policies and processes relating to appointment and reappointment of Directors - Details of directors re-appointed - Board Committees served Date of first appointment Date of last re-appointment - Directorships or Chairpersonships and other principal commitments, present and held over the preceding three years - Any relationships – close family member, more 10% shareholding - Performance of periodic evaluation of board - Process adopted to inform independent directors of major issues. - Induction / orientation programs for new directors on corporate governance, Listing Rules, securities market regulations or negative statement - Annual update for all directors on corporate governance, Listing Rules, securities market regulations or negative statement - Compliance with independence criteria - Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions 	

CORPORATE GOVERNANCE

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

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

Chairman

Managing Director

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Lanka Tiles PLC is pleased to present herewith the Annual Report together with the audited consolidated Financial statements of the Company and its subsidiaries (collectively referred to as 'the Group') for the year ended 31st March 2026 as set out on pages 136 to 189.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

FORMATION

Lanka Tiles PLC 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 are located at No.215, Nawala Road, Narahenpita, Colombo 05.

The Company was incorporated 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". Subsequently, the status of the Company was changed to a public company, named "Lanka Tiles Limited".

The shares of the Company were listed on the Colombo Stock Exchange on 1st June 1986. Pursuant to the provisions of the Companies Act No. 7 of 2007, the Company was re-registered on 19th March 2008 and its name was changed to "Lanka Tiles PLC" under Registration No. PQ 129

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.

The principal activities of the subsidiaries are given in Note 5.1 to the Financial Statements on page 163

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 139 to 89.

SUMMARISED FINANCIAL RESULTS

Year ended 31st March	2026 Rs. '000	2025 Rs. '000
Revenue	12,699,787	13,130,450
Total Comprehensive Income for the Year	1,185,247	1,050,232

INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 136-138.

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 143-154.

Which are consistent with those of the previous period, unless otherwise stated.

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.

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 24 to 26.

Executive Directors

Mr. L P B Talwate - Managing Director
Mr. H Somashantha – Executive Director

Non - Executive Directors

Mr. Dhammika Perera – Chairman (Appointed on 31st July 2025)
Mr. A M Weerasinghe - Co-Chairman (Re-designated on 31st July 2025)
Dr. S Selliah
Ms. A M L Page
Mr. T G Thoradeniya
Ms. K A D B Perera
Mr. S H Amarasekera- (Appointed on 30th October 2025)

Independent Non - Executive Directors

Mr. J A N R Adhihetty
Mr. S R Jayaweera
Mr. J R Gunaratne
Mr. R M M J Ratnayake

Resignations of Board Members

Mr. S M Liyanage, Non Executive Director resigned on the 25th of April 2025

Appointments of Board Members

Mr. Haresh Somashantha was appointed as an Executive Director on 25th April 2025.

Mr. Dhammika Perera was appointed as a Non-Executive Director and as the Chairman of the Board of Directors with effect from 31st July 2025.

Consequently, Mr. A M Weerasinghe was re-designated as the Co-Chairman with effect from 31st July 2025.

Mr. S H Amarasekera was appointed as a Non-Executive Director with effect from 30th October 2025

Retirement by Rotation and Re-Election of Directors

Mr. A M Weerasinghe, Mr J R Gunaratne and Ms K A D B Perera retire by rotation in terms of Articles 102 and 103 of the Articles of Association and being eligible, consequent to review by the Nominations and Governance Committee, are recommended by the Board for re-election by the shareholders.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Recommendation for re-election of Directors who were appointed since the last Annual General Meeting

Mr Dhammika Perera and Mr. S H Amarasekera, were appointed to the Board in terms of Article 109 of the Articles of Association of the Company since the last Annual General Meeting, Consequent to review by the Nominations and Governance Committee they are recommended by the Board for re-election by the shareholders.

DIRECTORS OF THE SUBSIDIARY COMPANIES

Beyond Paradise Collection Ltd

Mr. M H Jamaldeen
Mr. K D H Perera
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 21.05.2025
Mr. A M Weerasinghe
Mr. J K A Sirinatha
Dr. S Selliah
Mr. K D G Gunaratne
Mr. C U Weerawardena
Mr. R M M J Ratnayake
Mr. B D S Mendi
Mr. A S Mahendra - Resigned w.e.f.31.10.2025
Mr. I.G I M Ilukkumbura – appointed w.e.f. 29.01.2026

C P Holding (Pvt) Ltd

Mr. A M Weerasinghe
Mr. L P B Talwatte - Appointed w.e.f. 1.4.2025

Fit and Proper Assessment of Directors

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the Financial Year under review and as at the date of such Declarations. These Declarations were placed before the Nominations and Governance Committee, and upon review by the Nominations and Governance Committee, where no member participated in decisions relating to his/her continuation, were then presented to the Board.

The Board determined that all Directors satisfy the fit and proper assessment criteria stipulated in the Listing Rules and qualify to continue as Directors in their respective capacities, subject to those who retire by rotation and /or appointed since the last Annual General Meeting being re-elected by the shareholders at the forthcoming Annual General Meeting.

INDEPENDENCE OF DIRECTORS

The Board, based on the Declarations submitted by the Independent Directors declaring his/her independence against the criteria specified in the Listing Rules and such other information available to the Board that could reasonably be constructed to have a bearing on the independence of such Directors, determined that the four (4) Independent Directors, namely Mr. J A N R Adhihetty, Mr. S R Jayaweera, Mr. J R Gunaratne and Mr. R M M J Ratnayake meet the criteria for Independence and are 'Independent' in terms of the Listing Rules.

POLICY ON RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a process for effective communication and relations with shareholders and investors. Accordingly, the shareholders have access to the Company as set out in the Corporate Governance Report ["Stakeholder Engagement"] on page 34 of this Report.

OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

The Board, based on the recommendations of the Nominations and Governance Committee, and considering the time allocation required of the Directors for Board related matters of

the Company decided that a Director of the Company shall not hold more than Eleven (11) directorships in Listed Companies.

POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS

The Company has in terms of the above Policy, acted in compliance with the requirements set out in Rule 9.5.1 of the Listing Rules.

ADDITIONAL DISCLOSURES PERTAINING TO DIRECTORS

(i) Material Interests in Contracts involving the Company

The Directors have declared all material interests in contracts involving the Company in terms of the Companies Act and the Articles of the Association of the Company and have acted as prescribed therein, and where relevant have refrained from voting on matters in which they were materially interested.

(ii) Material Business Relationships with each other

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

(iii) Other Directorships held by the Directors

Other Directorships held by Directors are disclosed on pages 24 to 26.

(iv) Review of Internal Controls

The Directors have, through the Audit Committee, conducted a review of the Internal controls covering financial, operational and compliance control and risk management and thereby obtained reasonable assurance of their effectiveness and successful adherence therewith.

(v) Applicable Laws Rules and Regulations

The Directors have made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of the changes, particularly to Listing Rules and applicable capital market provisions.

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 meet the criteria for Independence.

INTERESTS REGISTER

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007. General Notices by Directors of their Related Parties and Specific Declarations are recorded in the Interests Register.

The relevant interests of Directors in the shares of the Company as at 31st March 2026 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 to the Financial Statements on page 182.

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' SHAREHOLDING

	No. of Shareholding as at	
	31.03.2026	31.03.2025
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	-	-
Mr. L P B Talwatte	-	-
Mr. Haresh Somashantha	-	-
Dr. S Selliah	200,000	200,000
Mr. T G Thoradeniya	-	-
Ms. A M L Page	12,500	12,500
Mr. J A N R Adhihetty	-	-
Mr. S R Jayaweera	-	-
Mr. Jitendra R Gunaratne	-	-
Ms. K A D B Perera	-	-
Mr. R M M J Ratnayake	-	-
Mr. S H Amarasekera	-	-

STATED CAPITAL

The Stated Capital of the Company is Rs. 900,967,696/- represented by 265,252,050 shares (2025 - Rs. 900,967,696/- represented by 265,252,050 shares)

SHAREHOLDERS

There were 6,514 shareholders registered as at 31st March 2026 (5,793 shareholders as at 31st March 2025). The details of distribution are given on pages 195 to 197 of this Report.

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share 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 195 to 197 under Share holders 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 2026, 891 persons were in employment (890 persons as at 31st March 2025).

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

RESERVES

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 168.

CAPITAL EXPENDITURE

The total capital expenditure during the year amounted to Rs. 451.9 Mn on property, plant and equipment compared to Rs. 720.0 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. 10.4 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. 8,240.6 Mn (2025 – Rs. 8,536 Mn.)

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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

Location	No. of Buildings as at 31.03.2026	Extent of land	Valuation	
			31.03.2026 (Rs.)	31.03.2025 (Rs.)
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.

DIVIDENDS

An interim dividend of Rs.1.50 per share for the year ended 31st March 2026 was declared on 03rd March 2026 by the Directors. The Dividend was paid to the Shareholders in accordance with the timelines set out in the Listing Rules.

A final dividend of Rs. 0.20 per share has been recommended by the Board of Directors for the Financial Year ended 31st March 2026 on 22nd May 2026. The resolution will be put forth to the shareholders at the Annual General Meeting for their approval.

SUBSTANTIAL SHAREHOLDINGS

Lanka Walltiles PLC which holds 68.22% of the issued shares representing the Stated Capital of the Company. Lanka Walltiles PLC is a subsidiary of Royal Ceramics Lanka PLC which is a subsidiary of Vallibel One PLC.

Accordingly, Vallibel One PLC is the ultimate Parent of this Company.

INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2026 are given in Notes 05 and 06 to the Financial Statements on pages 163 to 164.

DONATIONS

The Company has not made any donations during the year under review. (For 2025 - Rs. 699,929/-)

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 Review on page 41-44.

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 102 to 114 explains the measures adopted by the Company during the year.

The Board of Directors confirms that the Company has complied with Section 9 of the

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

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 Rule 9.14 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2026.

Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and Nominations and Governance Committee function as Board Sub-Committees, in compliance with the Listing Rules of the Colombo Stock Exchange.

They comprise Directors who possess the requisite qualifications and experience, and the composition of the said Committees is as follows.

-Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director

-Independent Non-Executive Director
-Non-Executive Director
- Independent Non-Executive Director

-Independent Non-Executive Director
-Independent Non-Executive Director
-Non-Executive Director

Independent Non-Executive Director
-Independent Non-Executive Director
-Non-Executive Director

Additionally, a Sustainability Committee was formed by the Board on 27th November 2025 and following, the said Committee comprises the following:

ESG Committee

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

Policies in terms of Rule 9.2 of the Listing Rules

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

- 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
- Policy on Risk management and Internal controls
- Policy on Relations with Shareholders and Investors
- Policy on Environmental, Social and Governance Sustainability
- Policy on Control and Management of Company Assets and Shareholder Investments
- Policy on Corporate Disclosures
- Policy on Whistleblowing
- Policy on Anti-Bribery and Corruption

These Policies were subject to review by the relevant Sub Committees and there were no material changes to the Policies during the year.

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

EVENTS AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting to be held on 30 June 2026, the Board of Directors has, by circular resolution, recommended a final dividend of Rs. 0.20 per share for the year ended 31 March 2026.

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

COMMUNICATION WITH SHAREHOLDERS

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 following officer for any communication with shareholders/ investors.

Mr. Thilanka Sampath

General Manager - Finance

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.

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. 3,620,871/- (2025 – Rs. 3,434,932/-) is payable by the Company to the Auditors for the year under review comprising Rs. 1,666,666/- as audit fees and Rs. 1,954,205/- for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 27th May 2026 recommended that they be reappointed 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

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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 177.

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

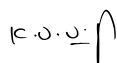
The "Special Business" set out as Item 2 of the Notice of Annual General Meeting contains amendments to certain Articles of the Articles of Association of the Company, as recommended by the Directors, to be adopted by way of a Special Resolution. The salient amendments proposed are :

- (a) To align the Articles relating to registration of joint holders, with the applicable provisions of the Listing Rules.
- (b) To align with the provisions of Listing Rules vis-à-vis compliance with CSE and CDS Rules.

ANNUAL GENERAL MEETING

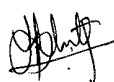
The Notice of the Forty Second (42nd) Annual General Meeting appears on page 211.

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



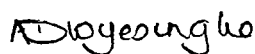
Dhammika Perera

Chairman



Priyantha Talwatte

Managing Director



P W Corporate Secretarial (Pvt) Ltd

Secretaries

29 May 2026

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 of Sri Lanka and Sri Lanka Accounting Standards (SLFRS/LKAS), so as to give a true and fair view of the financial position of the Company as at the reporting date and of its financial performance and cash flows for the period then ended.

In preparing these financial statements, the Directors are required to ensure that:

- Appropriate accounting policies have been selected and applied consistently
- Reasonable and prudent judgments and estimates have been made.
- All applicable Sri Lanka Accounting Standards have been followed and any material departures have been disclosed and explained.
- The financial statements have been prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

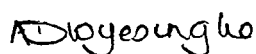
The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act No. 07 of 2007.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing the financial statements for the year ended 31st March 2026.

By order of the Board

LANKA TILES PLC



P W Corporate Secretarial (Pvt) Ltd

Secretaries

29th May 2026

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 present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Our internal 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.

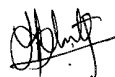
It is also declared and confirmed that the Company has complied with and ensured compliance by the auditors with the guidelines for the audit of Listed Companies.

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

29 May 2026

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) 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

COMPOSITION OF THE COMMITTEE

The Committee comprises three two Independent Non-Executive Directors (one of whom is the Chairman of the Committee) and a Non-Executive Director, in compliance with Rule 9.14.2 of the Listing Rules.

The Committee was last reconstituted on 1st January 2025 in compliance with Section 9.14 of the Listing Rules.

As of March 31, 2026 and the date of this Report the composition of the Committee is as follows:

The current committee members are as follows.

Mr. S R Jayaweera (Chairman) Independent Non-Executive Director (Appointed 01.01.2025)

Dr. S Selliah - Non-Executive Director (Appointed 01.01.2025)

Mr. R M M J Ratnayake - Independent Non-Executive Director (Appointed 01.01.2025)

Brief profiles of the members appear on pages 24 to 26 of this Report.

The Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, serves as the Secretaries to the Committee.

The Managing Director, Director Finance and the General Manager (Finance) attend meetings by invitation.

MEETINGS

The Committee held four meetings during the year and the attendance of the members at the meetings are as follows.

Name of Member	Attendance
Mr S R Jayaweera (Chairman)	4/4
Dr. S Selliah	4/4
Mr. R M M J Ratnayake	4/4

RESPONSIBILITIES OF THE COMMITTEE

The RPTRC of the Company is primarily responsible to conduct an independent review, approval and oversight of related party transactions of Lanka Tiles PLC and to establish processes to ensure that the Company complies with the relevant provisions of the Listing Rules, with the objective that the interests of the shareholders as a whole are taken into account when entering into related party transactions.

FUNCTIONS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The following are key responsibilities as set out in the Terms of Reference for RPTRC have been discharged by the Committee during the year under review :

- that the Company complies with the Rules on Related Party Transactions set out in the Listing Rules.
- Subject to the exemptions in the Listing Rules, review in advance, all proposed related party transactions or ensure compliance with the said requirement for prior approval, based on guidelines established for recurrent related party transactions.
- Perform other activities arising from the Terms of Reference as requested by the Board
- hold meetings every quarter and report to the Board on the Committee's activities
- Share information with the Audit Committee as necessary and appropriate, where such information is relevant to the Audit Committee.
- Review the Terms of Reference at least

annually and recommend amendments to the said TOR to the Board as and when determined to be appropriate by the Committee.

PROCEDURES FOR REPORTING RELATED PARTY TRANSACTIONS

The General Manager – Finance is responsible for reporting to the Committee through the Managing Director, for review by the Committee and approval of the Board (where applicable), related party transaction proposed to be entered into other than those falling under the exempted related party transactions in the Listing Rules.

Moreover, on a quarterly basis, the General Manager – Finance through the Managing Director, is required to report to the Committee the related party transactions entered into by the Company during the quarter under review.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2025/26, 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 financial year with an aggregate value that exceeded the lower of 10% of the equity or 5% of the total assets.

Further, there were no Recurrent related party transactions carried out during the financial year ended 31st March 2026, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of all transactions conducted were on commercial term and were no more favourable to the related parties than those generally available to non-related parties.

The details of related party transactions entered into during the year, are given in Note 27 to the Financial Statements, on pages 182 to 183 of this Annual Report.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE 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 115 to 120 of this Annual Report.



S R Jayaweera

Chairman - Related Party Transactions Review
Committee

29 May 2026

NOMINATION AND GOVERNANCE COMMITTEE REPORT

The Nominations and Governance Committee (NGC) of Lanka Walltiles PLC was established on 01st October 2024 by the Board of Directors in line with the Listing Rules of the Colombo Stock Exchange on Corporate Governance.

COMPOSITION

The Committee comprises two Independent Directors (one of whom is the Chairman) and one Non-Executive Director in conformity with rule 9.11.4 of the Listing Rules.

The Committee was last reconstructed on 1st January 2025, in compliance with Rule 9.11 of the Listing Rules.

As of March 31, 2026, and the date of this Report, the composition of the Committee is as follows:

Name of Member	Date of appointment to the Committee	Nature of Directorship
Mr. J R Gunaratne (Chairman)	01.10.2024	Independent Non-Executive Director
Mr S R Jayaweera	01.01.2025	Independent Non-Executive Director
Ms K A D B Perera	01.01.2025	Non-Executive Director

Brief profiles of the members appear on pages 24 to 26 of this Report.

The Company Secretaries, P W Corporate Secretarial (Pvt) Ltd function as the Secretaries to the Committee.

MEETINGS

The NGC had two (2) meetings during the financial year under review. The attendance of the members at these meetings is set out in the table below:

Name of Member	Attendance
Mr. J R Gunaratne (Chairman)	2/2
Mr S R Jayaweera	2/2
Ms K A D B Perera	1/2

The recommendations / decisions of the Committee were also carried out via circular resolutions during the year under review.

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.

POLICY AND PROCESSES FOR DIRECTORS' NOMINATIONS

The Company has established a documented policy and defined processes for the nomination of Directors.

These processes include :

- Overseeing the identification, assessment, selection, and nomination of suitable candidates to be appointed as Directors to fill any vacancy on the Board, howsoever created and/or as additional Directors based on the business requirements of the Company;
- Assessing the skills, knowledge, experience, expertise, diversity, and levels of independence necessary that will best complement the effectiveness of the Board;
- Ensuring that the Directors nominees accord with the fit and proper criteria under Rule 9.7.3 of the Listing Rules and obtaining a declaration to that effect from the candidate and;
- Where a Director nominee is to be appointed as an Independent Director, identifying any potential conflicts of interest and assessing the independence of the candidate, and overseeing that he / she satisfies the criteria for independence as per Rule 9.8.5 of the Listing Rules and obtaining a duly completed declaration to that effect from the said party.
- Based on the assessment as aforesaid making recommendations to the Board on appointment of new Directors.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third of the Directors shall retire from office provided that Directors appointed to the office of Managing or Joint Managing Director shall not while holding that office be subject to retirement by rotation or be taken into account in determining the Directors to retire in each year.

INFORMATION ON DIRECTORS' RE-ELECTION / RE-APPOINTMENT

As required by the Listing Rules, the table below sets out the details of the Directors who were re-elected / re-appointed at the 41st Annual General Meeting held on 30th June 2025, and the details of those Directors who are recommended for re-election at the forthcoming Annual General Meeting, in accordance with the provisions of the Articles of Association of the Company and the Companies Act No. 7 of 2007

42nd Annual General Meeting to be held on 30th June 2026

Name of Director	Board Committees served on	Date of First appointment as a Director	Date of last re-election / re-appointment as a Director	Directorships or Chairpersonship and other principal commitments both present and those held over the preceding three years in other Listed entities	Any relationship including close family relationships between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Listed Entity
Re-election in terms of Articles 102 and 103 of the Articles of Association of the Company					
Mr. A M Weerasinghe	-	15.03.2017	30.06.2023	Refer profile on page 24	None
Mr. J R Gunaratne	NGC RC	15.03.2021	30.06.2023	Refer profile on page 25	None
Ms. K A D B Perera	NGC	19.10.2022	30.06.2023	Refer profile on page 26	She is the daughter of Mr Dhammika Perera, the Chairman of the Board of Directors who is the majority shareholder of Vallibel One PLC, the ultimate holding company of Lanka Tiles PLC.
Re-election of Directors appointed since the last Annual General Meeting in terms of Article 109 of the Articles of Association of the Company					
Mr. Dhammika Perera	-	31.07.2025	N/A	Refer profile on page 24	He is the father of Ms Brindhiini Perera, Non-Executive Director
Mr. S H Amarasekera	-	30.10.2025	N/A	Refer profile on page 26	None

41st Annual General Meeting held on 30th June 2025

Name of Director	Board Committees served on	Date of First appointment as a Director	Date of last re-election / re-appointment as a Director	Directorships or Chairpersonship and other principal commitments both present and those held over the preceding three years in other Listed entities	Any relationship including close family relationships between the candidate and the Directors, the Listed Entity or its shareholders holding more than 10% of the shares of the Listed Entity
Re-election in terms of Articles 103 and 104 of the Articles of Association of the Company					
Mr. T G Thoradeniya	-	28.05.2013	30.06.2021	Refer profile on page 25	None
Mr. S R Jayaweera	AC RPTRC NGC	09.10.2020	30.6.2023	Refer profile on page 25	None
Re-election of Directors appointed since last Annual General Meeting in terms of Article 109 of the Articles of Association of the Company					
Mrs L P B Talwatte	-	01.04.2025	N/A	Refer profile on page 24	None
Mr. Haresh Somashantha	-	25.04.2025	N/A	Refer profile on page 24	None
Mr. R M M J Ratnayake	AC RPTRC NGC	01.01.2025	N/A	Refer profile on page 26	None

AC	Audit Committee
RPTRC	Related Party Transactions Review Committee
RC	Remuneration Committee
NGC	Nominations and Governance Committee

BOARD DIVERSITY

Board diversity is considered an essential factor in ensuring the Board's effective performance. In that context, the Company is committed to maintaining a diverse Board across the following dimensions that align with its strategic goals and governance standards.

Experience : The Board comprises Directors with broad and relevant experience across a range of disciplines aligned with the Company's business needs. Collectively, the Board brings expertise in entrepreneurship, finance, audit and risk management, real estate, advisory, mergers and acquisitions, transactional analysis, asset management, marketing, governance, and legal matters.

Skills : The Board possesses skills that are essential to drive the business of the Company including communication skills, leadership skills, decision making skills, organisational skills and skills to embody the vision of organisation. Many Directors are

experienced entrepreneurs, professionals and business leaders and make significant contribution towards the strategic direction of the Company and its subsidiaries with their diverse skills and attributes.

Age : There is a distribution amongst different age groups, ranging from 25 years to 68 years.

Gender: The Board reflects gender diversity, with two female Directors serving on it.

EFFECTIVE IMPLEMENTATION OF POLICIES AND PROCESSES FOR APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The effectiveness of the policies and processes relating to the appointment and re-appointment of Directors is demonstrated by the following:

- The NGC reviewed the criteria for fitness and propriety, independence and other compliance requirements for individual Directors at the time of their initial appointments to the Board and

through annual review. Such a review also covered the general disclosure of interests, declarations and other information provided by Director nominees and by individual Directors in accordance with the Listing Rules, Companies Act and the Company's Articles of Association.

- Director nominees are subject to reviews of their past performance.
- A process has been established for Board evaluations, including attendance, qualifications and experience, engagement and effective contribution as a Board member, to ensure that each Director continues to add value to the Company to achieve its objectives, before the NGC recommends the re-election / re-appointment of a Director.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

PERIODIC EVALUATIONS ON THE PERFORMANCE OF THE BOARD AND THE EXECUTIVE DIRECTORS.

As per the Rules on Corporate Governance embodied in the Listing Rules and the Policy on Corporate Governance, Nomination and Re-election adopted by the Company with effect from 1st October 2024, periodic evaluations of the performance of the Board of Directors, Sub Committees and the Executive Directors of the Company have been carried out, through a scheme of self-assessment undertaken by each Director. The NGC has reviewed the results of such assessment and reported its findings on the matter to the Board.

PROCESS ON THE FLOW OF INFORMATION TO INDEPENDENT DIRECTORS ON MAJOR ISSUES

The Company ensures that Independent Directors are informed through a structured communication framework, including regular Board and Committee meetings, with detailed agenda and relevant documents shared in advance. Directors receive periodic updates on key financial, operational and strategic matters, with direct access to the Senior Management and the Company Secretaries to seek clarifications on matters falling under the purview of the Board.

Special briefings are provided to the Directors through the Managing Director and/or the Company Secretaries in dealing with important matters.

BRIEFINGS TO NEWLY APPOINTED DIRECTORS AND ANNUAL UPDATES TO THE BOARD

Briefings are provided to newly appointed Directors, covering operations, governance, regulations, strategic objectives, financial performance and key policies.

Updates are also provided to the Board on corporate governance, regulatory developments and relevant laws, ensuring compliance, effective risk management, and alignment with legislative amendments to protect shareholder interests.

DETERMINATION OF INDEPENDENCE OF INDEPENDENT DIRECTORS

The NGC confirms that the four Independent Directors who serve on the Board of the Company at the date of this Report meet the criteria for independence as stipulated in Rule 9.8.3 of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS STIPULATED UNDER THE LISTING RULES

The NGC confirms that the Company has complied with the Corporate Governance Requirements stipulated in the Listing Rules.



J R Gunaratne

Chairman
Nominations and Governance Committee

29 May 2026

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of the Company was formed by the Board effective 1st October 2024 in line with Listing Rules of the Colombo Stock Exchange on Corporate Governance.

COMPOSITION

The Committee comprises two Independent Directors (one of whom is the Chairman) and one Non-Executive Director in conformity with Rule 9.12.6 of the Listing Rules.

The Committee was last reconstituted on 1st January 2025 in compliance with Rule 9.12 of the Listing Rules.

As of March 31, 2026, and the date of this Report, the composition of the Committee:

Name of Member	Date of appointment to the Committee	Nature of Directorship
Mr. J A N R Adhihetty (Chairman)	01.01.2025	Independent Non-Executive Director
Mr. J R Gunaratne	01.01.2025	Independent Non-Executive Director
Dr. S Selliah	01.10.2024	Non-Executive Director

Brief profiles of the members appear on pages 24 to 26 of this Report

The Managing Director attends the Committee meetings by invitation, if and when the Committee requires his presence.

The Company Secretaries, P W Corporate Secretarial (Pvt) Ltd function as the Secretaries of the Committee.

MEETINGS

The Remuneration Committee met twice during the year.

The attendance of the members at the meetings is as follows

Name of Member	Attendance
Mr. J A N R Adhihetty (Chairman)	2/2
Mr. J R Gunaratne	2/2
Dr. S Selliah	2/2

Functions performed by the Remuneration Committee

- Evaluating and recommending to the Board, the remuneration payable to the Board, Managing Director, Executive Directors and the Key Management Personnel of the Company, based on which the Board to makes the final determination.

- Ensuring that the Board complies with the Companies Act in relation to Directors remuneration, 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 in line with future potential.

- Making recommendations under the Policy on Remuneration, on the remuneration framework that enables the Company to attract and retain a high quality and responsive staff in its operations and carry it out inter alia with reference to appropriate market rates where they are relevant, and benchmarking specific categories where required.

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

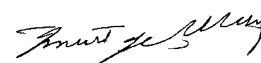
REMUNERATION POLICY

The Company's remuneration policy aims to attract, motivate and retain a highly qualified and experienced staff 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 DIRECTORS' REMUNERATION

The aggregate amount of remuneration paid to the Executive and Non-Executive Directors for the last financial year is disclosed in Note 27 of the Financial Statements on page 182 of the Annual Report under key management remuneration.



J A N R Adhihetty

Chairman of the Remuneration Committee

29 May 2026

BOARD SUSTAINABILITY COMMITTEE REPORT

The Board Sustainability Committee (“the Committee”) was established on 27th November 2025 as part of the Company’s commitment to strengthening sustainability governance and embedding environmental, social, and governance (ESG) considerations into strategic decision-making. The Committee was formed in line with corporate governance best practices to provide strategic oversight, direction, and guidance on the Company’s sustainability agenda and to support the effective management of sustainability-related risks and opportunities.

Further, an Executive Sustainability Committee was established on the same date to support the Board Sustainability Committee by facilitating the operational implementation of sustainability initiatives across the Company. The Executive Sustainability Committee comprises senior management representatives from key functional areas including finance, production, IT, supply chain, internal audit, human resources, and sales, ensuring a coordinated and cross-functional approach to sustainability matters.

PURPOSE OF THE COMMITTEE

The Committee is responsible for overseeing the integration of sustainability into the Company’s core business and strategic planning processes. In fulfilling its mandate, the Committee provides guidance on environmental stewardship, social responsibility, ethical governance, and sustainability-related risks and opportunities.

The Committee’s key responsibilities include reviewing sustainability strategies and policies, monitoring ESG-related risks and opportunities across operations and supply chains, promoting responsible environmental and social practices, and ensuring transparency and compliance in sustainability reporting in line with applicable regulatory requirements and emerging reporting standards.

COMPOSITION OF THE COMMITTEE

The composition of the Board Sustainability Committee during the year under review was as follows:

Name of the Member	Date of Appointment to the Committee	Nature of Directorship
Mr. R.M.M.J. Ratnayake	08 January 2026	Chairman – Independent Non-Executive Director
Mr. J.A.N.R. Adhihetty	08 January 2026	Independent Non-Executive Director
Mr. S.R. Jayaweera	08 January 2026	Independent Non-Executive Director

Brief profiles of the members appear on pages 24 to 26 of this Annual Report.

The Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, serve as the Secretaries to the Committee.

MEETINGS

The Committee has convened two meetings during the financial year under review. Attendance of members at Committee meetings is set out below:

Members	Attendance
Mr. R.M.M.J. Ratnayake	2/2
Mr. J.A.N.R. Adhihetty	2/2
Mr. S.R. Jayaweera	2/2

Board Sustainability Committee Mandate

The Committee is entrusted with providing strategic oversight, direction, and guidance on the Company’s sustainability agenda, encompassing environmental, social, and governance (ESG) matters relevant to the sectors in which the Group operates.

In carrying out its responsibilities, the Committee focuses on:

- Integrating sustainability considerations into the Company’s core business strategy and long-term planning;
- Overseeing the implementation of policies and practices that promote environmental responsibility, social impact, and ethical governance;
- Monitoring sustainability-related risks and opportunities across the Company’s operations and supply chain;
- Reviewing sustainability strategies and ensuring appropriate responses to sustainability-related risks and opportunities;
- Promoting environmental stewardship through monitoring resource utilisation, emissions, waste management, and regulatory compliance;
- Overseeing employee wellbeing, health and safety, workforce development, and community engagement initiatives;
- Strengthening ethical governance, responsible sourcing, transparency, and accountability across the Company; and
- Reviewing sustainability and climate-related disclosures to ensure compliance with applicable reporting frameworks and regulatory requirements, including SLFRS S1 and SLFRS S2.

ACTIVITIES DURING 2025/26

Following its establishment, the Committee held its inaugural meeting on 29 January 2026, marking the commencement of its formal oversight responsibilities. During the meeting, the Committee formally adopted the Terms of Reference of the Board Sustainability Committee, as approved by the Board.

During the year, the Committee established the Executive Sustainability Committee, comprising cross-functional senior

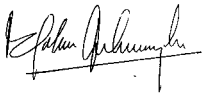
management representatives, and approved its Terms of Reference to support the effective implementation of the Company's sustainability agenda and to facilitate timely reporting to the Board Sustainability Committee.

In line with the requirements of SLFRS S1 and SLFRS S2, the Committee reviewed and approved the materiality thresholds and time horizons at both Company and Group levels to strengthen the Company's sustainability reporting framework.

Adopting a climate-first approach, the Company identified and disclosed climate-related risks and opportunities together with corresponding mitigation strategies and resource allocation plans. These were reviewed and approved by the Committee and represent a significant milestone in the Company's sustainability journey.

The Committee also played a key role in embedding ESG considerations into the Company's strategic and operational decision-making processes, while providing strategic guidance for the successful implementation of sustainability-related initiatives and reporting requirements.

The Committee remained fully functional throughout the year and continued to support the Board in strengthening sustainability governance and enhancing long-term value creation for stakeholders.



R.M.M.J. Ratnayake

Chairman – Board Sustainability Committee

29th May 2026

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is comprised of three Independent Non- Executive Directors, namely;

Mr. R M M J Ratnayake - Chairman - Independent Non - Executive Director

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

Mr. S R Jayaweera - Committee Member - Independent Non - Executive

The Managing Director, Director Finance, General Manager – Finance and Senior Manager – Audit & Risk 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 and business management to deliberate Audit Committee matters and recommend necessary action to be taken.

MEETINGS

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

Mr. R M M J Ratnayake – 4/4

Mr. J A N R Adhihetty - 4/4

Mr. S R Jayaweera - 4/4

FUNCTIONS PERFORMED BY THE AUDIT COMMITTEE

- a. The Committee reviewed the provisional financial statements that were published for financial year 2025/26 and the audited financial statements of financial year 2025/26. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- b. The Committee reviewed the internal audit function. The internal audit function is carried out by M/s. BDO Partners, RTA Sri Lanka, Bakertilly and BRD Silva. The Internal audits are done on a process based audit framework to improve process performance and control. The Internal Audit Plan was also reviewed and approved by the Committee and follow up actions were monitored regularly.
- c. The Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
- d. The 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.
- e. 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.
- f. 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.

- g. 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.
- h. 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 is reviewed annually.

COMPLIANCE

Representations and assurances were obtained from M/s. Ernst & Young , Chartered Accountants and the management team on the entity's 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 emphasised 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

29 May 2026



Reception

HUES OF VALUE

At Lanka Tiles, every result reflects deliberate decision-making, rigorous oversight, and an unwavering commitment to accuracy and accountability. Through precise execution, careful resource management, and disciplined financial measurement, we continue to strengthen our performance and sustain the transparency that underpins confidence across the Company and among our stakeholders.



FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

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 of 31 March 2026, the statement of profit or loss and other 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 of 31 March 2026, 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 judgment, 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 our 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
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<p>Revenue from Contracts with Customers</p> <p>The Group derived its revenue of Rs. 12.70 Bn as disclosed in Notes 2.3.14 & 17 to the financial statements</p> <p>Revenue was a key audit matter due to the materiality of the reported balance.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Tested the relevant key controls relating to the sale of goods. Our procedures included testing the general IT control environment and the relevant key IT application controls relating to the IT systems relevant to revenue. Performed analytical procedures to understand and assess the reasonableness of the reported revenue. Tested revenue transactions by reviewing sales orders, sales invoices, shipping documents, delivery notes and other relevant supporting documents. Our procedures included testing revenue cut-off at the Year-ended date to determine whether transactions are recorded in the proper period and to the proper accounts and testing journal entries recognised to revenue. <p>We also assessed the adequacy of the disclosures made in notes 2.3.14 & 17 to the financial statements.</p>
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Key audit matter	How our audit addressed the Key Audit Matter
Existence and carrying value of Inventories	
<p>As at 31 March 2026, the carrying value of inventories amounted to Rs. 6,882 Mn net of a provision of Rs. 361 Mn for slowing-moving inventory as disclosed in note 7, 2.3.5 and 2.2.2 (b) 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"> Materiality of the reported amount, which represents 32% of the Group's total assets. Inventories being held at multiple locations. Judgements applied by the management in determining the provision for slow-moving inventory on account of ageing, as disclosed in Note 2.2.2.(b) to the financial Statements. 	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> 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. 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. Tested whether inventory was stated at the lower of cost and net realisable value, by comparing cost with subsequent selling prices. 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. <p>We also assessed the adequacy of the disclosures made in notes 7, 2.3.5 and 2.2.2 (b) to the financial statements.</p>

Other information included in the Group's 2025/26 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 judgment 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.

INDEPENDENT AUDITOR'S REPORT

- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2440.



29 May 2026
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulalimani FCA FCMA, Ms. L K H L Futsaka FCA, Ms. P V K N Sajjewanil FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Dissanayake FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhiveli B.Com (Sp)

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	GROUP		COMPANY	
		2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	8,240,640	8,536,159	8,240,640	8,424,027
Investment Properties	3.8	491,996	484,857	-	-
Intangible assets	4	84,068	80,343	80,877	76,922
Investments in subsidiaries	5	-	-	321,084	387,701
Investments in associates	6	1,911,995	1,536,197	1,832,594	1,458,345
Right of use assets	3.9	68,049	16,178	68,049	16,178
		10,796,748	10,653,734	10,543,244	10,363,173
Current assets					
Inventories	7	6,882,497	8,116,155	6,882,497	8,041,732
Trade and other receivables	8	1,360,422	1,087,636	1,360,422	1,040,340
Amounts due from related parties	9	1,613,417	670,274	1,620,978	688,438
Cash and balances with banks	25	301,640	398,379	301,640	392,803
		10,157,976	10,272,444	10,165,537	10,163,313
Assets Held for Sale	31	277,606	-	58,271	-
Total assets		21,232,330	20,926,178	20,767,052	20,526,486
EQUITY AND LIABILITIES					
Stated capital	10	900,968	900,968	900,968	900,968
Reserves	11	2,092,276	2,085,914	2,092,276	2,092,276
Reserves of a disposal group held for sale	31	(5,609)	-	-	-
Retained earnings		13,119,588	12,410,124	13,013,535	12,290,480
Equity attributable to equity holders of the parent		16,107,223	15,397,006	16,006,779	15,283,724
Non controlling interest		(21,101)	7,848	-	-
Total equity		16,086,122	15,404,854	16,006,779	15,283,724
Non-current liabilities					
Deferred tax liabilities	13	1,726,973	1,737,089	1,657,246	1,669,504
Retirement benefit liability	14	252,204	293,550	252,204	293,550
		1,979,177	2,030,639	1,909,450	1,963,054
Current liabilities					
Trade and other payables	15	1,302,882	1,327,860	1,302,436	1,294,495
Contract liability	15.2	164,792	129,902	164,792	129,902
Income tax liabilities		127,701	67,440	127,701	67,440
Amounts due to related parties	16	135,982	156,082	135,982	114,948
Interest bearing liabilities	12	1,119,912	1,809,401	1,119,912	1,672,923
		2,851,269	3,490,685	2,850,823	3,279,708
Liabilities directly associated with the assets held for sale	31	315,762	-	-	-
Total equity and liabilities		21,232,330	20,926,178	20,767,052	20,526,486

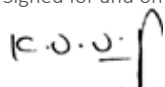
I certify that, these Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.



Haresh Somashantha
Director Finance

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,



Dhammika Perera
Chairman



Priyantha Talwatte
Managing Director

The accounting policies and notes on pages 143 to 189 form an integral part of the financial statements.

The figures in brackets indicate deductions.

29 May 2026
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March	Note	GROUP		COMPANY	
		2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Continuing operations					
Revenue from contracts with customers	17	12,699,787	13,130,450	12,699,787	13,130,450
Cost of Sales		(8,466,376)	(8,832,732)	(8,466,376)	(8,832,732)
Gross Profit		4,233,411	4,297,718	4,233,411	4,297,718
Other Income / (Expenses)	18	84,794	47,693	68,109	43,510
Distribution Expenses		(2,272,510)	(1,903,153)	(2,272,510)	(1,903,153)
Administrative Expenses		(1,135,631)	(1,018,913)	(1,135,356)	(1,015,984)
Finance Cost	19	(112,805)	(163,392)	(112,805)	(163,392)
Finance Income	20	109,713	101,285	109,713	101,285
Share of Net Profit of Associate		494,688	410,293	493,638	406,759
Profit Before Tax from Continuing Operations	21	1,401,660	1,771,531	1,384,200	1,766,743
Income Tax Expense	22	(190,635)	(593,929)	(188,493)	(593,929)
Profit for the Year from Continuing Operations		1,211,025	1,177,602	1,195,707	1,172,814
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	31	(59,080)	(94,517)	-	-
Profit for the Year		1,151,945	1,083,085	1,195,707	1,172,814
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Actuarial Gain/ (Loss) on Retirement Benefit Liability	14	52,444	(33,566)	52,444	(33,566)
Deferred tax on components of other comprehensive income	22	(15,733)	10,070	(15,733)	10,070
Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods		36,711	(23,496)	36,711	(23,496)
Net Other Comprehensive Income may be reclassified to profit or loss in subsequent periods (net of tax):					
Share of other comprehensive income of associates investment		(4,885)	(2,697)	(5,384)	(3,695)
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		(4,885)	(2,697)	(5,384)	(3,695)
Net Other Comprehensive Income/(Loss) from Discontinued Operation		1,476	(6,660)	-	-
Other Comprehensive Income/(loss) for the Year, net of tax		33,302	(32,853)	31,327	(27,191)
Total Comprehensive Income for the Year, net of tax		1,185,247	1,050,232	1,227,034	1,145,623
Profit attributable to :					
Equity holders of the parent		1,180,894	1,127,937	1,195,707	1,172,814
Non controlling interest		(28,949)	(44,852)	-	-
Profit for the year		1,151,945	1,083,085	1,195,707	1,172,814
Total comprehensive income attributable to :					
Equity holders of the parent		1,213,473	1,098,347	1,227,034	1,145,623
Non controlling interest		(28,226)	(48,115)	-	-
Total Comprehensive Income for the Year		1,185,247	1,050,232	1,227,034	1,145,623
Basic Earnings per share (Rs.)	23	4.45	4.25	4.51	4.42
Basic Earnings per share From Continued operation (Rs.)	23	4.57	4.44	4.51	4.42

The accounting policies and notes on pages 143 to 189 form an integral part of the financial statements.

The figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

As at 31st March	Stated capital	Revaluation reserve	Amalgamation reserve	Exchange translation reserve	Reserve of disposal group held for sale	Retained Earnings	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP								
Balance as at 1st April 2024	900,968	1,632,125	460,151	(2,966)	-	11,944,984	55,963	14,991,225
Profit for the Year	-	-	-	-	-	1,127,937	(44,852)	1,083,085
Other Comprehensive Income	-	-	-	(3,396)	-	(26,193)	(3,263)	(32,853)
Total Comprehensive Income				(3,396)	-	1,101,744	(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	(6,362)	-	12,410,124	7,848	15,404,854
Balance as at 1st April 2025	900,968	1,632,125	460,151	(6,362)	-	12,410,124	7,848	15,404,854
Profit for the Year	-	-	-	-	-	1,180,894	(28,949)	1,151,945
Other Comprehensive Income	-	-	-	753	-	32,549	-	33,302
Total Comprehensive Income	-	-	-	753	-	1,213,443	(28,949)	1,185,247
Discontinued operations	-	-	-	5,609	(5,609)	-	-	-
Dividends								
Final 2024/25 (Rs.0.40 Per share)	-	-	-	-	-	(106,101)	-	(106,101)
1st Interim 2025/26 (Rs.1.50 per share)	-	-	-	-	-	(397,878)	-	(397,878)
	-	-	-	-	-	(503,979)	-	(503,979)
Balance as at 31 March 2026	900,968	1,632,125	460,151	-	(5,609)	13,119,588	(21,101)	16,086,122
COMPANY								
As at 31st March				Stated capital	Revaluation reserve	Amalgamation reserve	Retained Earnings	Total
				Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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
Balance as at 1st April 2025				900,968	1,632,125	460,151	12,290,480	15,283,724
Profit for the Year				-	-	-	1,195,707	1,195,707
Other Comprehensive Income				-	-	-	31,327	31,327
Total Comprehensive Income				-	-	-	1,227,034	1,227,034
Dividends								
Final 2024/25 (Rs.0.40 Per share)				-	-	-	(106,101)	(106,101)
1st Interim 2025/26 (Rs.1.50 per share)				-	-	-	(397,878)	(397,878)
				-	-	-	(503,979)	(503,979)
Balance as at 31st March 2026				900,968	1,632,125	460,151	13,013,535	16,006,779

The accounting policies and notes on pages 143 to 189 form an integral part of the financial statements.

The figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the Year ended 31st March	Note	GROUP		COMPANY	
		2026	2025	2026	2025
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit Before Tax from Continuing Operations		1,401,660	1,771,531	1,384,200	1,766,743
Profit/(loss) before tax from discontinued operations		(59,080)	(94,517)	-	-
Profit before Income tax		1,342,580	1,677,014	1,384,200	1,766,743
Adjustments for					
Depreciation & amortisation	21	636,323	601,930	606,727	584,408
Amortisation of Right of use Lease Assets	3.9	16,778	32,627	16,778	32,627
Profit/ (loss) on sale of property, plant & equipment	18	13,355	(75)	13,355	(75)
Interest income	20	(109,713)	(101,285)	(109,713)	(101,285)
Finance costs		150,140	164,153	135,794	157,516
Provision for retirement benefit obligations	14	55,871	47,582	55,871	47,582
Profit share of results of associate		(494,688)	(410,293)	(493,638)	(406,759)
Allowance/ (reversal) for obsolete and slow moving inventories	7.1	83,525	(26,156)	83,525	(26,156)
Allowance for impairment of trade receivable	8.1	16,235	17,000	16,235	17,000
Write-off of Trade Receivables		149,497	-	149,497	-
Fair value in investment property	3.8	(7,139)	-	-	-
Impairment of Investment in Subsidiaries	31.2	-	-	8,346	-
Foreign exchange (gain)/ loss		(27,604)	(6,884)	(27,604)	(6,884)
Interest expense on lease liability		4,614	5,875	4,614	5,875
Operating profit/(loss) before working capital changes		1,829,774	2,001,488	1,843,987	2,070,592
Working capital adjustments:					
(Increase)/ decrease in inventories		1,024,194	(675,937)	1,075,710	(612,308)
(Increase)/ decrease in trade and other receivables		(350,059)	373,381	(336,317)	390,889
(Increase) /decrease in due from related parties		(1,092,640)	225,258	(1,082,035)	212,680
Increase/ (decrease) in due to related parties		58,869	23,894	21,034	(16,963)
Increase /(decrease) in trade and other payables		107,299	(227,897)	70,435	(254,238)
Cash generated from/(used in) operations		1,577,437	1,720,187	1,592,814	1,790,652
Interest received		109,713	101,285	109,713	101,285
Finance costs paid		(150,140)	(164,154)	(135,794)	(157,516)
Retirement benefit plan costs paid	14	(44,773)	(13,391)	(44,773)	(13,391)
Income tax paid		(156,225)	(920,005)	(156,225)	(920,005)
Net cash flows from/(used in) operating activities		1,336,012	723,922	1,365,735	801,025
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment and intangible assets		(451,970)	(720,074)	(448,827)	(664,918)
Proceeds from sale of property, plant & equipment		8,177	75	8,177	75
Dividend Received		114,005	80,638	114,005	80,638
Net cash flows from/(used in) investing activities		(329,788)	(639,361)	(326,645)	(584,205)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained	12.2	6,619,649	7,286,838	6,590,549	7,215,225
Repayment of interest bearing borrowings	12.1 / 12.2	(6,937,216)	(6,861,848)	(6,937,216)	(6,861,848)
Repayment of Lease liability		(40,138)	(56,139)	(40,138)	(56,139)
Dividends paid- on Ordinary Shares	24	(503,979)	(636,604)	(503,979)	(636,604)
Net cash flows from/(used in) financing activities		(861,684)	(267,753)	(890,784)	(339,366)
Net increase/(decrease) in Cash and balances with banks		144,540	(183,191)	148,305	(122,546)
Foreign exchange difference arising on translation of foreign operation		4,296	(6,660)	-	-
Cash and balances with banks at the beginning of the year	25	(160,671)	29,180	(101,381)	21,165
Cash and balances with banks at the end of the year	25	(11,835)	(160,671)	46,924	(101,381)

The accounting policies and the notes on pages 143 to 189 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 A D Dhammika Perera.

1.4 Date of authorisation for issue

The Financial Statement of Lanka Tiles PLC and its Subsidiaries for year ended 31 March 2026 was authorised for issue in accordance with a resolution of the Board of Directors on 29 May 2026.

2. SUMMARY OF 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 31 March 2026, 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 1 April 2025.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2.1.6 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2026.

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

2.1.6.1 Subsidiaries

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the

Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Companies in the Group, the Group holdings in its subsidiary are given in Note 5.1 to the financial statements.

2.1.7 Equity accounted investees (Investment in associates)

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the group has significant influence. Under the 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 amortised 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 recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of changes in Equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

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

2.1.8 Non-current assets held for trade and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. Costs to sale are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to distribute will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

- A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 31. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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 recognised in the financial statements.

a) Useful life-time of the Property, Plant and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgements of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty (Note 3).

2.2.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

a) Defined benefit plans

The cost of defined benefit plan- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 14 for the assumptions used and the sensitivity thereon.

b) Provision for Slow moving inventories

A provision for slow moving inventories is recognised based on the best estimates available to management on their future usability/ sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 7.1).

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 recognised in other comprehensive income and statement of profit and loss respectively. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarised in the Note 3.5 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,

NOTES TO THE FINANCIAL STATEMENTS

customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

e) Impairment of Non-Financial Assets

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

2.3 SUMMARY OF 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 summarised 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 the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

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

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

2.3.3 Taxation

Current taxes

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

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations. Current income tax relating to items recognised

directly in equity statement is recognised in equity and not in the statement of comprehensive income.

Deferred taxation

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

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

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

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

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

Sales tax

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

Social Security Contribution Levy

Social security contribution levy (SSCL) 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 recognised in statement of comprehensive income using the effective interest method.

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

2.3.5 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost 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

NOTES TO THE FINANCIAL STATEMENTS

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 amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent Measurement

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

a) Financial assets at amortised cost

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when

the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, amounts due from related parties, short term investments, long term receivables and Cash and balances with banks.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full.

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises 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 recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

Derecognition

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

2.3.7 Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Depreciation is calculated on a straight line basis over the useful life of the assets. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost 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 recognised in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

2.3.8 Intangible assets

Basis of recognition

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The 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 amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and related expenditure is reflected in the Statement of profit or loss in the year in which expenditure is incurred.

Useful economic lives, amortisation and impairment

NOTES TO THE FINANCIAL STATEMENTS

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

The estimated useful life of assets are as follows:

Accounting Software 05-15 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 right, then the asset in 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 recognises 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 recognised over the lease term on the same basis rental

income. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Right-of-use assets

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

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

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Note 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 recognised 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 recognised if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

Subsequent measurement

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

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

2.3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects

some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of total comprehensive income net of any reimbursement.

2.3.12 Retirement benefit obligations

(a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The 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 recognised in profit or loss and actuarial gain or loss is recognised 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 2026.

Funding Arrangements

The Gratuity liability is not externally funded.

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

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

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

2.3.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an

NOTES TO THE FINANCIAL STATEMENTS

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

2.3.14 Revenue recognition

Revenue from contracts with customers

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

Sale of goods - tiles and associated items

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognise the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

(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 recognised 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 contact liability is the obligation to transfer goods to a customer for which the Group has received consideration from the customer. if a customer pays consideration before the Group transfers goods to the customers, a contract liability is recognised when the payment is due. contract liabilities are recognised as revenue when the Group performs under the contracts.

Other Sources of Revenue

(a) Interest

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of total comprehensive income.

(b) Dividends

Dividend income is recognised when the shareholders' right to receive payment is established.

(c) Rental income

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

(d) Other income

Other income is recognised on an accrual basis.

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

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

2.4 Cash & Balances with Banks

Cash and balances with banks 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 balances with banks 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 and balances with banks. Bank overdrafts are disclosed under interest bearing liabilities in the statement of financial position.

2.5 Standards Issued but not Effective as at 31 March 2026

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

SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organised and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

SLFRS 19 Subsidiaries without public accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles.

The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 1 January 2027. Early application is permitted

The potential impact of SLFRS 19 is currently being identified and evaluated.

NOTES TO THE FINANCIAL STATEMENTS

Classification and Measurement of Financial Instruments - Amendments to SLFRS 9 and SLFRS 7

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability-linked terms and nature-dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted.

The impact of these amendments is currently being identified and evaluated.

3 PROPERTY, PLANT & EQUIPMENT

3.1 Property, Plant & Equipment

GROUP

Gross Carrying Amounts	Balance as at 01.04.2025 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Assets held for sale Rs.'000	Exchange Difference Rs.'000	Balance as at 31.03.2026 Rs.'000
At Cost						
Plant and Machinery	7,495,049	285,618	(49,054)	(67,894)	(1,699)	7,662,020
Water Supply, Electricity Distribution Scheme	515,633	23,632	(6,958)	(8,601)	(212)	523,494
Tools, Implements, Furniture & Fittings and Electrical Appliances	870,821	194,454	(1,770)	(8,786)	(208)	1,054,511
Transport & Communication Equipment	255,799	851	(37,985)	-	-	218,665
	9,137,302	504,555	(95,767)	(85,281)	(2,119)	9,458,690
At Valuation						
In the Course of Construction	Balance as at 01.04.2025 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Assets held for sale Rs.'000	Exchange Difference Rs.'000	Balance as at 31.03.2026 Rs.'000
Freehold Land	1,689,652	-	-	-	-	1,689,652
Buildings	2,293,106	54,447	-	(44,237)	(1,141)	2,302,175
	3,982,758	54,447	-	(44,237)	(1,141)	3,991,827
In the Course of Construction						
Capital Work In Progress Building & Others	309,600	542,345	(659,867)	-	-	192,078
Total	13,429,660	1,101,347	(755,634)	(129,518)	(3,260)	13,642,595

NOTES TO THE FINANCIAL STATEMENTS

3 PROPERTY, PLANT & EQUIPMENT (Contd.)

Depreciation	Balance as at 01.04.2025 Rs.'000	Addition Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Assets held for sale Rs.'000	Exchange Difference Rs.'000	Balance as at 31.03.2026 Rs.'000
At Cost						
Buildings	81,349	92,369	-	(19,126)	(133)	154,459
Plant and Machinery	3,666,820	411,385	(49,054)	(19,564)	(230)	4,009,357
Water Supply, Electricity Distribution Scheme	345,322	19,992	(3,872)	(2,946)	(27)	358,469
Tools, Implements, Furniture & Fittings and Electrical Appliances	656,422	93,077	(1,293)	(4,792)	(51)	743,363
Transport & Communication Equipment	143,588	12,735	(20,016)	-	-	136,307
Total	4,893,501	629,558	(74,235)	(46,428)	(441)	5,401,955

3.2 Net Book Value of Assets

	2026 Rs.'000	2025 Rs.'000
At Valuation		
Freehold Land	1,689,652	1,689,652
Buildings	2,147,716	2,211,757
At Cost		
Plant and Machinery	3,652,663	3,828,229
Water Supply, Electricity Distribution Scheme	165,025	170,311
Tools, Implements, Furniture & Fittings and Electrical Appliances	311,148	214,399
Transport & Communication Equipment	82,358	112,211
	8,048,562	8,226,559
Capital Work in Progress	192,078	309,600
Total	8,240,640	8,536,159

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

As at 31st March	2026		2025	
	Cost Rs.'000	Net Book Value Rs.'000	Cost Rs.'000	Net Book Value Rs.'000
Land	560,619	560,619	560,619	560,619
Building	1,794,991	1,315,770	1,740,543	1,342,640

3.3 Property, Plant & Equipment

COMPANY

Gross Carrying Amounts

	Balance as at 01.04.2025 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Balance as at 31.03.2026 Rs.'000
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At Cost

Plant and Machinery	7,427,471	283,603	(49,054)	7,662,020
Water Supply, Electricity Distribution Scheme	507,228	23,224	(6,958)	523,494
Tools, Implements, Furniture & Fittings and Electrical Appliances	862,548	193,733	(1,770)	1,054,511
Transport & Communication Equipment	255,799	851	(37,985)	218,665
	9,053,046	501,411	(95,767)	9,458,690

At Valuation

Freehold Land	1,689,652	-	-	1,689,652
Buildings	2,247,728	54,447	-	2,302,175
	3,937,380	54,447	-	3,991,827

	Balance as at 01.04.2025 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Balance as at 31.03.2026 Rs.'000
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In the Course of Construction

At Cost

Capital Work In Progress Building & Others	309,600	542,345	(659,867)	192,078
	309,600	542,345	(659,867)	192,078
Total	13,300,026	1,098,203	(755,634)	13,642,595

Depreciation

	Balance as at 01.04.2025 Rs.'000	Addition Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Balance as at 31.03.2026 Rs.'000
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At Cost

Buildings	76,079	78,380	-	154,459
Plant and Machinery	3,657,683	400,728	(49,054)	4,009,357
Water Supply, Electricity Distribution Scheme	344,247	18,094	(3,872)	358,469
Tools, Implements, Furniture & Fittings and Electrical Appliances	654,402	90,254	(1,293)	743,363
Transport & Communication Equipment	143,588	12,735	(20,016)	136,307
Total	4,875,999	600,191	(74,235)	5,401,955

NOTES TO THE FINANCIAL STATEMENTS

3.4 Net Book Value of Assets

	2026 Rs.'000	2025 Rs.'000
At Valuation		
Freehold Land	1,689,652	1,689,652
Buildings	2,147,716	2,171,649
At Cost		
Plant and Machinery	3,652,663	3,769,788
Water Supply, Electricity Distribution Scheme	165,025	162,981
Tools, Implements, Furniture & Fittings and Electrical Appliances	311,148	208,146
Transport & Communication Equipment	82,358	112,211
	8,048,562	8,114,427
Capital Work in Progress	192,078	309,600
Total	8,240,640	8,424,027

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

	2026		2025	
	Cost Rs.'000	Net Book Value Rs.'000	Cost Rs.'000	Net Book Value Rs.'000
Land	560,619	560,619	560,619	560,619
Building	1,749,613	1,289,650	1,695,165	1,302,531

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,

- 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).

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
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, Samurdhi 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, Samurdhi 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 15,000/- 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 PROPERTY, PLANT & EQUIPMENT (Contd.)

3.6 During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs.452 Mn (2024/25- Rs.720 Mn). Cash payments amounting to Rs. 452 Mn (2024/25- 720 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. 449 Mn (2024/25- Rs.665 Mn). Cash payments amounting to Rs. 449 Mn (2024/25- Rs.665 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.7 Property, plant and equipment of the Group / Company include fully depreciated assets in use as 31st March 2026, the cost of which amounted to the Group / Company Rs. 2,487.8 Mn (2024/25- Rs.2.151.8 Mn).

The Useful lives of the assets are estimated as follows	2026	2025
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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
As at 01st April	484,857	484,857	-	-
Net fair value gain recognised in profit or (loss)	7,139	-	-	-
As at 31st March	491,996	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 2025/26 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 2026	KPMG Real Estate & Valuation Services (Private) Limited	Market based evidence	Rs. 8,150,000/- per Acre	398,224
	Building	981.sq.ft	31 March 2026	KPMG Real Estate & Valuation Services (Private) Limited	Contractor's method	Rs.5,500/- per sq.ft	5,500
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

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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Amounts recognised 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	(8,112)	(2,773)	-	-
	(6,912)	(1,573)	-	-

3.9 Right of use assets

Right of Use Assets/ Lease Liabilities- Group / Company

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

	GROUP/COMPANY	
	Building Rs.'000	Total Rs.'000
Right of Use Asset		
As at 1 April 2025	16,178	16,178
Additions	68,649	68,649
Less: Amortisation Expense	(16,778)	(16,778)
As at 31 March 2026	68,049	68,049
Lease Liability		
As at 1 April 2025	7,071	7,071
Additions	68,649	68,649
Interest Expense	4,614	4,614
Less: Payments	(40,138)	(40,138)
As at 31 March 2026	40,196	40,196

NOTES TO THE FINANCIAL STATEMENTS

3.9 Right of use assets (Contd.)

The following are the amounts recognised in profit or loss:

	GROUP/COMPANY	
	2026 Rs.'000	2025 Rs.'000
Amortisation expense of right-of-use assets	16,778	32,627
Interest expense on lease liabilities	4,614	5,875
Expense relating to short-term leases (included in selling & distribution expenses)	40,139	31,201
Total amount recognised in profit or loss	61,531	69,703

	GROUP/COMPANY	
	2026 Rs.'000	2025 Rs.'000
Payable as follows :		
Payable within One Year	40,196	7,071
Lease Liabilities as at 31st March	40,196	7,071

4 INTANGIBLE ASSETS

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Balance as at 1st April	80,343	85,244	76,922	85,244
Additions	10,490	3,441	10,490	-
Amortisation charge	(6,765)	(8,342)	(6,535)	(8,322)
Balance as at 31st March	84,068	80,343	80,877	76,922
As at 31st March				
Cost	120,652	110,162	117,211	106,721
Accumulated amortisation	(36,584)	(29,819)	(36,334)	(29,799)
Net book amount	84,068	80,343	80,877	76,922

5 INVESTMENTS IN SUBSIDIARIES

COMPANY

	2026	2026	2025	2025
	Market Value/ Directors' Valuation	Cost	Market Value/ Directors' Valuation	Cost
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
a) Non-quoted				
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
Total Non-quoted Investments in Subsidiaries	321,084	387,701	387,701	387,701

*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 2026 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
	2026	2025				
Beyond Paradise Collection Limited	100	100	M/s. Ernst & Young	Property holding company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
Lanka Swisstek (Pvt) Ltd	51	51	M/s. Prakash Bhansali & Associates	Aluminium Fabrication and Distribution of Tiles in India	No 196 A1, Bommasandra Industrial Area, Bangalore	India
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 Investees)

COMPANY

	Holding Percentage		Carrying Value	
	2026	2025	2026 Rs.'000	2025 Rs.'000
Quoted Investment				
Swisstek (Ceylon) PLC	47.80	47.80	1,832,594	1,458,345
As at 31st March	47.80	47.80	1,832,594	1,458,345

GROUP

	Holding Percentage		Carrying Value	
	2026	2025	2026 Rs.'000	2025 Rs.'000
Quoted Investment				
Swisstek (Ceylon) PLC	47.80	47.80	1,832,594	1,458,345
Non-quoted Investment				
CP Holdings (Pvt) Ltd	24.63	24.63	79,401	77,852
As at 31st March			1,911,995	1,536,197

As at 31st March	2026 Rs.'000	2025 Rs.'000
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Movement in Associate - Swisstek (Ceylon) PLC

As at 01st April	1,458,345	1,135,919
Share of results of associates	493,638	406,759
Dividends	(114,005)	(80,638)
Share of Other Comprehensive Income	(5,384)	(3,695)
As at 31st March	1,832,594	1,458,345

Movement in Associate - CP Holdings (Pvt) Ltd

As at 01st April	77,852	73,319
Share of results of associates	1,050	3,534
Share of Other Comprehensive Income	499	999
As at 31st March	79,401	77,852

The Company holds 47.8% (2024/25 - 47.8%) ownership interest in Swisstek (Ceylon) PLC. The principal activities of Swisstek (Ceylon) PLC are manufacturing and selling of Tile Grout and Tile Mortar. Its subsidiary Swisstek Aluminium Limited manufacture and sells aluminium extrusions.

The market value of quoted associate investment as at date of last traded is Rs. 3,343,105,618.50/- (2025- Rs. 3,048,846,940).

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

Swisstek (Ceylon) PLC

Summarised Statement of financial position As at 31st March	2026 Rs.'000	2025 Rs.'000
Current Assets		
Cash and balances with banks	611,614	452,446
Other current assets	9,608,127	8,171,394
Total current assets	10,219,741	8,623,840
Non current assets	4,540,869	4,426,549
Current liabilities	7,772,607	6,149,527
Non current liabilities	2,389,783	3,233,943
Net Assets	4,598,220	3,666,919

Summarised Statement of comprehensive income	2026 Rs.'000	2025 Rs.'000
Revenue	16,884,030	15,268,675
Gross profit	4,288,735	3,434,591
Profit for the year		
Profit attributable to owners of the company for the year	1,032,716	850,961
Other comprehensive income attributable to owners of the company	(11,264)	(7,731)
% Interest held	47.8	47.8
Share of profit	493,638	406,759
Share of other comprehensive income	(5,384)	(3,695)

CP Holdings (pvt) Ltd

Summarised Statement of financial position As at 31st March	2026 Rs.'000	2025 Rs.'000
Current Assets		
Cash and balances with banks	28,932	28,990
Other current assets	1,404	1,841
Total current assets	30,336	30,831
Non current assets	429,877	422,929
Current liabilities	1,989	2,214
Non current liabilities	29,050	25,825
Net Assets	429,174	425,721

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN ASSOCIATES (EQUITY ACCOUNTED INVESTEES (Contd.))

Summarised Statement of comprehensive income	2026	2025
	Rs.'000	Rs.'000
Revenue	15,732	14,038
Gross profit	4,965	5,324
Profit for the year		
Profit attributable to owners of the company for the year	4,261	14,348
Other comprehensive income attributable to owners of the company	2,027	4,055
% Interest held	24.6	24.6
Share of profit	1,050	3,534
Share of other comprehensive income	499	999

6.1 Details of those companies in which Lanka Tiles PLC, held as Associates as at 31st March 2026 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. 118A, Nawala Road, Narahenpita, Colombo 05, Sri Lanka	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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Raw materials	2,589,029	2,889,151	2,589,029	2,889,151
Work in progress	62,551	130,221	62,551	130,221
Finished goods	4,502,061	4,970,509	4,502,061	4,970,509
Trading Stocks	89,534	403,427	89,534	329,004
Provision for slow moving stocks (Note 7.1)	(360,678)	(277,153)	(360,678)	(277,153)
Total	6,882,497	8,116,155	6,882,497	8,041,732

7.1 Provision for slow moving stocks

As at 31st March	GROUP/COMPANY	
	2026 Rs.'000	2025 Rs.'000
Provision as at 01st April	277,153	303,309
Charge / Reverse during the year	83,525	(26,156)
Provision as at 31st March	360,678	277,153

8 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2026	2025	2026	2025
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade debtors- Other	903,177	742,581	903,177	695,285
Less: Allowances for doubtful debts (Note 8.1)	(70,520)	(54,285)	(70,520)	(54,285)
	832,657	688,296	832,657	641,000
Advance and prepayments	527,765	399,340	527,765	399,340
Total	1,360,422	1,087,636	1,360,422	1,040,340

	GROUP/COMPANY	
	2026	2025
	Rs.'000	Rs.'000
Allowances for doubtful debts		
Opening Balance as at 1st April	54,285	37,285
Provided during the year	16,235	17,000
Closing balance as at 31st March	70,520	54,285

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

Group	Neither past due nor impaired Rs.'000'	Past due but not impaired				Total Rs.'000
		< 3 Months Rs. '000	3- 12 Months Rs. '000	> 1 Year Rs. '000	Impaired Rs. '000	
		2026	591,722	67,483	69,345	
2025	366,131	127,363	123,732	71,070	54,285	742,581

Company	Neither past due nor impaired Rs.'000'	Past due but not impaired				Total Rs.'000
		< 3 Months Rs. '000	3- 12 Months Rs. '000	> 1 Year Rs. '000	Impaired Rs. '000	
		2026	591,722	67,483	69,345	
2025	318,835	127,363	123,732	71,070	54,285	695,285

NOTES TO THE FINANCIAL STATEMENTS

9 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	GROUP		COMPANY	
		2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Lanka Walltiles PLC	Parent Company	1,478,636	404,209	1,482,683	404,209
Beyond Paradise Collection Ltd	Subsidiary company	-	-	1,040	1,003
Vallibel Plantation	Affiliated Company	19,244	-	19,244	-
Swisstek Aluminium Ltd	Affiliated Company	4,554	24,853	4,554	24,853
Royal Ceramics Lanka PLC	Affiliated Company	3,545	-	3,545	-
LWL Development (Pvt) Ltd	Affiliated Company	4,720	5,108	6,766	5,108
LTL Development Ltd	Subsidiary company	-	-	452	433
Lanka Swisstek Private Ltd	Subsidiary company	6,919	-	6,919	16,728
Lanka Tiles USA Inc	Affiliated Company	95,799	101,841	95,775	101,841
Valley View Ceramics LLC	Affiliated Company	-	134,263	-	134,263
Total		1,613,417	670,274	1,620,978	688,438

10 STATED CAPITAL - GROUP / COMPANY

10.1 Issued & fully paid

	2026		2025	
	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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Revaluation reserve (Note 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)	-	-
Total	2,092,276	2,085,914	2,092,276	2,092,276

11.1 Revaluation reserve

On: Property Plant & Equipment

	GROUP/COMPANY	
	2026 Rs.'000	2025 Rs.'000
As at 01st April	1,632,125	1,632,125
Revaluation of freehold land and building net of deferred tax	-	-
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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Non Current				
Long term loans (Note 12.1)	-	-	-	-
Lease liability (Note 3.9)	-	-	-	-
Total	-	-	-	-
Current				
Long term loans (Note 12.1)	-	166,667	-	166,667
Lease liability (Note 3.9)	40,196	7,071	40,196	7,071
Short term loans (Note 12.2)	825,000	1,076,613	825,000	1,005,000
Bank overdrafts (Note 25)	254,716	559,050	254,716	494,185
Total	1,119,912	1,809,401	1,119,912	1,672,923
Total interest bearing liabilities	1,119,912	1,809,401	1,119,912	1,672,923

12.1 Long term loans

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
As at 01st April	166,667	418,290	166,667	418,290
Repayments	(166,667)	(251,623)	(166,667)	(251,623)
As at 31st March	-	166,667	-	166,667
Amount payable within 12 months	-	166,667	-	166,667
Total	-	166,667	-	166,667

NOTES TO THE FINANCIAL STATEMENTS

12 INTEREST BEARING LIABILITIES (Contd.)

12.2 Short term loans

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
As at 01st April	1,076,613	400,000	1,005,000	400,000
Loans obtained	6,619,649	7,286,838	6,590,549	7,215,225
Repayments	(6,770,549)	(6,610,225)	(6,770,549)	(6,610,225)
Loans attributable to discontinued operations	(100,713)	-	-	-
As at 31st March	825,000	1,076,613	825,000	1,005,000

12.3 Details of long term loans of the Group / Company

Financial Institution	Repayment terms	Principal Rs.'000	Interest Rate	Security	Annual repayment Rs.'000	Balance as at 2026 Rs.'000	Balance as at 2025 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		-	166,667
Company Total - Lanka Tiles PLC						-	166,667

12 INTEREST BEARING LIABILITIES (Contd.)

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	
	2026	2025	2026	2025
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	832,657	688,296	832,657	688,296
Amounts Due From Related Parties	1,613,417	670,274	1,613,417	670,274
Cash and balances with banks	301,640	398,379	301,640	398,379
Total	2,747,714	1,756,949	2,747,714	1,756,949
Financial Liabilities				
Trade and Other Payables	615,047	846,320	615,047	846,320
Contract Liability	164,792	129,902	164,792	129,902
Amounts due to related parties	135,982	156,082	135,982	156,082
Loans and Borrowings- Current	1,119,912	1,809,401	1,119,912	1,809,401
Total	2,035,733	2,941,705	2,035,733	2,941,705

Company

As at 31st March	Carrying Amount		Fair value	
	2026	2025	2026	2025
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade and Other Receivables	832,657	641,000	832,657	641,000
Amounts Due From Related Parties	1,620,978	688,438	1,620,978	688,438
Cash and balances with banks	301,640	392,803	301,640	392,803
Total	2,755,275	1,722,241	2,755,275	1,722,241
Financial Liabilities				
Trade and Other Payables	614,601	812,955	614,601	812,955
Contract Liability	164,792	129,902	164,792	129,902
Amounts due to related parties	135,982	114,948	135,982	114,948
Loans and Borrowings- Current	1,119,912	1,672,923	1,119,912	1,672,923
Total	2,035,287	2,730,728	2,035,287	2,730,728

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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
As at 01st April	1,737,089	1,559,625	1,669,504	1,492,040
Income/ (expense) arising during the year				
- Arising on During the Year Movement	(25,849)	187,534	(27,991)	187,534
Deferred tax release on components of other comprehensive income				
- Arising on During the Year Movement	15,733	(10,070)	15,733	(10,070)
As at 31st March	1,726,973	1,737,089	1,657,246	1,669,504
13.1 Statement of Financial Position				
Deferred Tax Liability				
Capital Allowances	1,155,658	1,136,574	1,085,932	1,068,990
Revaluation surplus	559,256	559,256	559,256	559,256
Undistributed Associate Profits	193,840	232,844	193,840	232,844
Retirement Benefit Liability	(75,661)	(88,065)	(75,661)	(88,065)
Lease Liability	8,357	2,732	8,357	2,732
Provision	(93,279)	(89,967)	(93,279)	(89,967)
Allowances for Doubtful Debts	(21,198)	(16,286)	(21,198)	(16,286)
	1,726,973	1,737,089	1,657,246	1,669,504
13.2 Statement of Comprehensive Income				
Deferred income tax reported in income statement				
Capital Allowances	19,084	27,941	16,942	27,941
Retirement Benefit Liability	(3,330)	(10,256)	(3,330)	(10,256)
Lease Liability	5,625	5,290	5,625	5,290
Provision	(3,312)	7,343	(3,312)	7,343
Provision for Undistributed Associate Retained Earnings	(39,004)	162,316	(39,004)	162,316
Allowances for Doubtful Debts	(4,912)	(5,100)	(4,912)	(5,100)
Deferred taxation charge/(reversal)	(25,849)	187,534	(27,991)	187,534
Deferred income tax reported in other comprehensive income				
Retirement Benefit Liability / (Asset)	15,733	(10,070)	15,733	(10,070)
Income/ (expense) arising during the year	15,733	(10,070)	15,733	(10,070)

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	
	2026 Rs.'000	2025 Rs.'000
As at 01 st April	293,550	225,793
Current service cost	32,290	19,140
Net interest on the net defined benefit liability	23,581	28,442
	55,871	47,582
Net Actuarial Gain / loss for the year	(52,444)	33,566
Payments made during the Year	(44,773)	(13,391)
	(97,217)	20,175
As at 31 st March	252,204	293,550

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	
	2026 Rs.'000	2025 Rs.'000
Discount Rate Sensitivity		
Impact on one percentage decrease (-1%) in the discount rate	(16,588)	(23,294)
A one percentage increase (+1%) in the discount rate	14,723	20,377
Salary Escalation Rate Sensitivity		
A one percentage decrease (-1%) in the salary/wage increment rate	15,601	21,027
A one percentage increase (+1%) in the salary/wage increment rate	(17,276)	(23,583)

Group / Company

Distribution of Present value of define benefit obligation

As at 31 March 2026	Less than a year	Between 1-2 years	Between 2-5 years	Over year 5	Total
Defined Benefit Obligation					
As at 31 March 2026	45,626	33,784	59,816	112,978	252,204
As at 31 March 2025	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 2026 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

NOTES TO THE FINANCIAL STATEMENTS

14 RETIREMENT BENEFIT LIABILITY (Contd.)

The principal assumptions underlying the valuation are as follows;

As at 31st March	GROUP / COMPANY	
	2026 Rs.'000	2025 Rs.'000
Discount rate (per annum)	10.00%	11.00%
Salary scale (per annum)- Executives	10.00%	15.00%
- Non Executives	10.00%	12.50%
Retirement Age	60 Years	60 Years
Staff Turnover ratio	9% up to 54 years, thereafter 0%	8% up to 54 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	9.00	8.00

15 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Trade creditors - other	440,053	648,307	614,601	620,774
- related parties (Note 15.1)	174,994	198,013	-	192,181
	615,047	846,320	614,601	812,955
Sundry creditors including accrued expenses	687,835	481,540	687,835	481,540
Total	1,302,882	1,327,860	1,302,436	1,294,495

15.1 Trade creditors - related parties

		GROUP		COMPANY	
		2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Company	Relationship				
Swisstek Ceylon PLC	Associate Company	-	192,181	-	192,181
Lanka Walltiles PLC	Parent Company	174,994	5,832	-	-
		174,994	198,013	-	192,181

15.2 Contract Liabilities

As at 31st March	GROUP / COMPANY	
	2026 Rs.'000	2025 Rs.'000
	164,792	129,902

The contract liability primarily relates to the advance consideration received from customers for Supply of Floor Tiles. This will be recognised 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 2025 was fully recognised in the financial year 2025/26.

16 AMOUNTS DUE TO RELATED PARTIES

Current	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Company				
Relationship				
Lanka Ceramic PLC	41,683	18,643	41,683	18,643
Royal Ceramics Lanka PLC	-	2,709	-	2,709
Swisstek Ceylon PLC	7,120	10,937	7,120	10,937
Uni Dil Packaging Limited	13,107	14,157	13,107	14,157
Uni Dil Packaging Solutions Ltd	2,746	-	2,746	-
Swisstek Aluminium Limited	-	35,302	-	-
Vallibel One PLC	71,326	68,502	71,326	68,502
Lanka Walltiles PLC	-	5,832	-	-
	135,982	156,082	135,982	114,948

17 REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31st March	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Sale of tiles & associated items				
Export sales	412,407	481,989	412,407	481,989
Local sales	12,287,380	12,648,461	12,287,380	12,648,461
	12,699,787	13,130,450	12,699,787	13,130,450
Turnover net of tax	12,699,787	13,130,450	12,699,787	13,130,450

17.1 Contract balances

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Trade receivables (Note 08)	1,360,422	1,087,636	1,360,422	1,040,340
Contract liability (Note 15.2)	164,792	129,902	164,792	129,902
	1,525,214	1,217,538	1,525,214	1,170,242

NOTES TO THE FINANCIAL STATEMENTS

18 OTHER INCOME / (EXPENSES)

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Disposal gain/(Loss) on property, plant and equipment	(13,355)	75	(13,355)	75
Sundry income	70,616	37,373	53,931	33,190
Rental income- Related parties	27,533	10,245	27,533	10,245
	84,794	47,693	68,109	43,510

19 FINANCE COST

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Interest expense on overdrafts	19,508	35,052	19,508	35,052
Interest expense on bank loans	116,287	122,465	116,287	122,465
Finance charges on lease liabilities	4,614	5,875	4,614	5,875
Exchange (Gain)/Loss	(27,604)	-	(27,604)	-
	112,805	163,392	112,805	163,392

20 FINANCE INCOME

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Interest income	109,713	101,285	109,713	101,285
	109,713	101,285	109,713	101,285

21 PROFIT BEFORE TAX

Is stated after Charging / (Crediting)

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Included in cost of sales				
Depreciation And Amortisation Cost	516,558	469,021	516,558	469,021
Defined Benefit Plan Costs- Gratuity	32,963	32,580	32,963	32,580
Defined Contribution Plan Costs- EPF & ETF	51,936	46,591	51,753	46,208
Other Staff Cost	955,351	923,068	953,020	923,055
Included in administration expenses				
Depreciation And Amortisation Cost	48,934	66,150	19,336	48,629
Defined Benefit Plan Costs- Gratuity	11,763	9,472	11,763	9,472
Defined Contribution Plan Costs- EPF & ETF	17,317	13,438	16,986	12,882
Other Staff Cost	195,542	210,304	194,472	189,663
Audit Fee	2,200	1,560	1,711	1,528
Non Audit Fee	4,353	4,338	4,353	4,338
Technical Fee	226,526	216,576	226,526	216,576
Inventory Written Off And Allowances	28,893	(26,156)	28,893	(26,156)
Social Security Contribution Levy (SSCL)	261,050	261,895	261,050	261,895
Included in distribution cost				
Depreciation And Amortisation Cost	70,831	66,758	70,831	66,758
Defined Benefit Plan Costs- Gratuity	11,145	5,529	11,145	5,529
Defined Contribution Plan Costs- EPF & ETF	16,635	11,136	16,523	10,909
Other Staff Cost	178,249	153,122	175,593	145,879
Allowance For Doubtful Debts	16,235	17,000	16,235	17,000

22 INCOME TAX EXPENSES

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

Year ended 31st March	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
(a) Current income tax				
Current income tax charge	257,288	404,105	257,288	404,105
Under/(over) provision of current taxes in respect of prior years	(40,804)	2,290	(40,804)	2,290
	216,484	406,395	216,484	406,395
(b) Deferred income tax				
Deferred taxation charge/(reversal)	(25,849)	187,534	(27,991)	187,534
Income tax expense reported in the Income statement	190,635	593,929	188,493	593,929

NOTES TO THE FINANCIAL STATEMENTS

22 INCOME TAX EXPENSES (Contd.)

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

Year ended 31st March	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Accounting profit before income tax	1,401,660	1,771,531	1,384,200	1,766,743
Share of Net Profit of Associate	(494,688)	(410,293)	(493,638)	(406,759)
Non deductible expenses	745,363	802,259	745,363	802,259
Deductible expenses	(794,708)	(816,481)	(778,298)	(815,227)
Total Statutory Income	857,627	1,347,016	857,627	1,347,016
Net Taxable profit	857,627	1,347,016	857,627	1,347,016
Taxable Profit	857,627	1,347,016	857,627	1,347,016
Net Taxable profit	857,627	1,347,016	857,627	1,347,016
Current income tax expense				
Taxation - 30%	257,288	404,104	257,288	404,104
	257,288	404,104	257,288	404,104
Deferred income tax reported in income statement				
Capital Allowances	19,084	27,941	16,942	27,941
Retirement Benefit Liability	(3,330)	(10,256)	(3,330)	(10,256)
Lease Liability	5,625	5,290	5,625	5,290
Provision for Obsolete and Slow Moving, Consumables and Spares	(3,312)	7,343	(3,312)	7,343
Provision for Undistributed Associate Retained Earnings	(39,004)	162,316	(39,004)	162,316
Allowances for Doubtful Debts	(4,912)	(5,100)	(4,912)	(5,100)
Deferred taxation charge/(reversal)	(25,849)	187,534	(27,991)	187,534
Deferred income tax reported in other comprehensive income				
Retirement Benefit Liability	15,733	(10,070)	15,733	(10,070)
	15,733	(10,070)	15,733	(10,070)
Effective Income Tax Rate	18.36%	24.10%	18.59%	22.87%

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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Amounts used as the numerator:				
Profit Attributable to the equity holders of the Parent.				
From Continuing Operations.	1,211,025	1,177,602	1,195,707	1,172,814
From Discontinuing Operation Operations.	(30,132)	(49,665)	-	-
Net Profit for the Year Attributable to the Equity Holders of the Parent.	1,180,893	1,127,937	1,195,707	1,172,814
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	265,252	265,252	265,252	265,252
Basic Earnings per share (Rs.)	4.45	4.25	4.51	4.42
Basic Earnings per share From Continued operation (Rs.)	4.57	4.44	4.51	4.42

24 DIVIDENDS PAID

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Declared and paid during the year				
Equity dividends on ordinary shares :				
Final 2024/25 (Rs.0.40 Per share)	106,101	185,676	106,101	185,676
1st Interim 2025/26 (Rs.1.50 per share)	397,878	450,928	397,878	450,928
	503,979	636,604	503,979	636,604
Dividend Payout Ratio(%)	42%	59%	42%	54%

NOTES TO THE FINANCIAL STATEMENTS

25. CASH AND BALANCES WITH BANKS

Components of Cash and balances with banks

	GROUP		COMPANY	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Favourable Cash and balances with banks				
Cash & bank balances	301,640	398,379	301,640	392,803
Short Term Deposits				
Cash at banks attributable to discontinued operations	7,537	-	-	-
	309,177	398,379	301,640	392,803
Unfavourable cash and balances with banks				
Bank overdrafts (Note 12)	(254,716)	(559,050)	(254,716)	(494,185)
Bank overdrafts attributable to discontinued operations	(66,296)	-	-	-
	(11,835)	(160,671)	46,924	(101,381)
Total Cash and balances with banks for the purpose of cash flow statement	(11,835)	(160,671)	46,924	(101,381)

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.

Lender	Facility	Limit- Rs.	Security
Sampath Bank PLC	Import demand loans-Sub Limit	250,000,000	Loan Agreements
	Overdraft	200,000,000	Rs. 270 Mn security Stock at 542/3, Samurdhi Mawatha, Biyagama and Rs. 280Mn Hypothecation Bond
Commercial Bank Ceylon PLC	Import demand loans-Sub Limit	150,000,000	Loan Agreements
	Overdraft	100,000,000	Board Resolution
Seylan Bank PLC	Import demand loans-Sub Limit	200,000,000	Loan Agreements
	Overdraft	10,000,000	Mortgage over Rs.310 Mn Stock & Book Debt Located at Lanka Tiles PLC, No 542/3, Samurdhi Mawatha, Biyagama (Rs.214Mn) Factory Stock, St James Estate Jalthara, Ranala. (Rs.96Mn)
DFCC Bank PLC	Import demand loans-Sub Limit	550,000,000	Loan Agreements
	Overdraft	50,000,000	Board Resolution
Bank of Ceylon	Import demand loans-Sub Limit	200,000,000	Loan Agreements
	Over Draft	150,000,000	Rs. 100 Mn on Glaze and Packing Material Stock at Factory Premises, St James Estate, Jalthara, Ranala
HSBC	Overdraft	50,000,000	Board Resolution

Lender	Facility	Limit- Rs.	Security
HNB	Import demand loans- Sub Limit	800,000,000	Loan Agreements
	Overdraft	100,000,000	Overdraft Agreements
Union Bank of Colombo PLC	Import demand loans- Sub Limit	400,000,000	Loan Agreements
	Overdraft	100,000,000	Bond over stocks for 550Mn located at Lanka Tiles Factory St. James Estates, Jalthara, Ranala.

27 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

27.1 COMPANY

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2026	2025	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sale of Tiles/ (Sales returns)	174,994	-	17,496	99,827	192,490	99,827
Purchases	(45,298)	(19,651)	(652,467)	753,864	(697,765)	734,213
Sale of raw materials & spares	111,404	485,279	280	(297,348)	111,684	187,931
Settlements/(Recoveries) by the Company	830,868	887,161	770,568	(725,719)	1,601,436	161,442
Rent received/(paid)	(5,363)	656	(23,645)	18,138	(29,008)	18,794
Expenses apportioned	753,755	(1,453,919)	41,504	33,368	795,259	(1,420,551)
Commission on sales	-	-	(55,296)	59,588	(55,296)	59,586
Expenses incurred and transferred	(504,234)	(85,693)	(43,575)	41,577	(547,809)	(44,116)
Technical Fees	(240,476)	(230,362)	(26,827)	26,146	(267,303)	(204,216)

NOTES TO THE FINANCIAL STATEMENTS

27 RELATED PARTY DISCLOSURES (Contd.)

The above subsidiaries and affiliates include following companies;

Company

- Royal Ceramics Lanka PLC
- Unidil Packaging (Pvt) Limited
- Swisstek Aluminium 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 Ceramic 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.

Related party rent is arranged at market price within the related companies

27.2 Group - Related Party Transactions

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2026	2025	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sale of Tiles/ (Sales returns)	174,994	5,832	17,496	235,824	192,490	241,656
Purchases	(45,298)	(19,651)	(652,467)	710,140	(697,766)	690,489
Sale of raw materials & spares	111,404	485,279	280	(297,348)	111,684	187,931
Settlements/(Recoveries) by the Company	171,382	887,161	760,542	(725,719)	931,923	161,442
Rent received/(paid)	(5,363)	656	(23,645)	18,138	(29,008)	18,794
Expenses apportioned	753,755	(1,453,919)	41,287	26,925	795,042	(1,426,994)
Commission on sales	-	-	(55,296)	59,588	(55,296)	59,588
Expenses incurred and transferred	(504,234)	(85,693)	32,103	41,577	(472,131)	(44,116)
Technical Fees	(240,476)	(230,362)	(26,827)	26,146	(267,303)	(204,216)

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	
	2026	2025
	Rs.'000	Rs.'000
Short Term Employment Benefits	37,219	64,986
	37,219	64,986

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. 36,623,176.20/- 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.

NOTES TO THE FINANCIAL STATEMENTS

28.2 Contingencies

The contingent liability of Lanka Tiles PLC as at 31 March 2026 relates to the following tax matters:

Corporate Income Tax assessments relating to the Years of Assessment 2012/13 to 2022/23. These matters are currently under appeal, including proceedings before the Court of Appeal, Tax Appeals Commission and administrative review by the Inland Revenue Department. The value of the assessment currently in dispute amounts to Rs.430 Mn as at 31st March 2026.

Having discussed with legal and tax experts and based on the information 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 to be held on 30 June 2026, the Board of Directors has, by circular resolution, recommended a final dividend of Rs. 0.20 per share for the year ended 31 March 2026.

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

30. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

(i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

(ii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Foreign currency exchange risk

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

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

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

Foreign currency sensitivity

	Change in	Change in profit before tax		Change in profit before tax	
		Group		Company	
		Appreciation	Depreciation	Appreciation	Depreciation
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
2026	5.0%	7,358	(7,358)	7,358	(7,358)
	10.0%	14,715	(14,715)	14,715	(14,715)
	15.0%	22,073	(22,073)	22,073	(22,073)
	20.0%	29,430	(29,430)	29,430	(29,430)
	25.0%	36,788	(36,788)	36,788	(36,788)
	30.0%	44,146	(44,146)	44,146	(44,146)
2025	5.0%	16,156	(16,156)	16,153	(16,153)
	10.0%	32,311	(32,311)	32,306	(32,306)
	15.0%	48,467	(48,467)	48,459	(48,459)
	20.0%	64,623	(64,623)	64,612	(64,612)
	25.0%	80,778	(80,778)	80,765	(80,765)
	30.0%	96,934	(96,934)	96,918	(96,918)

Cash flow and fair value interest rate risk

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

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

Interest rate sensitivity

	Change in	Change in profit before tax		Change in profit before tax	
		Group		Company	
		Increase	Decrease	Increase	Decrease
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
2026	0.5%	679	(679)	679	(679)
	1.0%	1,358	(1,358)	1,358	(1,358)
	1.5%	2,037	(2,037)	2,037	(2,037)
	2.0%	2,716	(2,716)	2,716	(2,716)
	2.5%	3,395	(3,395)	3,395	(3,395)
	5.0%	6,790	(6,790)	6,790	(6,790)
2025	0.5%	9,210	(9,210)	8,517	(8,517)
	1.0%	18,420	(18,420)	17,034	(17,034)
	1.5%	27,630	(27,630)	25,551	(25,551)
	2.0%	36,840	(36,840)	34,068	(34,068)
	2.5%	46,050	(46,050)	42,585	(42,585)
	5.0%	92,101	(92,101)	85,171	(85,171)

NOTES TO THE FINANCIAL STATEMENTS

Credit risk

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

The group places its Cash and Balances with Banks 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 balances with banks 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.

The Board together with the Management is focused on minimising the Liquidity risk and ensuring long term business continuity by critically analysing cash flow management in order to preserving and increasing liquidity.

Group

At 31st March 2026	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
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Rs ('000)

Interest Bearing Loans and Borrowings	1,079,717	-	-	-	-
Lease Liability on Right of Use Assets	40,196	-	-	-	-
Trade and other payables	1,467,674	-	-	-	-
Amounts due to related parties	135,982	-	-	-	-

At 31 March 2025	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
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Rs ('000)

Interest Bearing Loans and Borrowings	1,698,163	104,167	-	-	-
Lease Liability on Right of Use Assets	7,071	-	-	-	-
Trade and other payables	1,457,762	-	-	-	-
Amounts due to related parties	156,082	-	-	-	-

30. FINANCIAL RISK MANAGEMENT (Contd.)

Company

At 31st March 2026	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
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Rs ('000)					
Interest Bearing Loans and Borrowings	1,528,561	-	-	-	-
Lease Liability on Right of Use Assets	40,196	-	-	-	-
Trade and other payables	1,467,228	-	-	-	-
Amounts due to related parties	135,982	-	-	-	-

At 31 March 2025	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
------------------	-----------------------	-----------------------------------	---------------------------------	---------------------------------	--------------

Rs ('000)					
Interest Bearing Loans and Borrowings	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	-	-	-	-

Capital management risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity plus 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	
	2026 Rs.'000	2025 Rs.'000	2026 Rs.'000	2025 Rs.'000
Borrowings	1,119,912	1,809,401	1,119,912	1,672,923
Total equity	16,086,122	15,404,854	16,006,779	15,283,724
Gearing ratio	7%	12%	7%	11%

NOTES TO THE FINANCIAL STATEMENTS

31 DISCONTINUED OPERATIONS

31.1 Group

On 25th November 2025, the Board of Directors of Lanka Tiles PLC decided to dispose of Lanka Swisstek (Pvt) Ltd, a 51% owned subsidiary. The disposal is expected to be completed within one year from the reporting date. Accordingly, as at 31 March 2026, Lanka Swisstek (Pvt) Ltd has been classified as a disposal group held for sale and as a discontinued operation. Lanka Swisstek (Pvt) Ltd represented the entirety of the Group's India operations up to 31 March 2026. Following its classification as a discontinued operation, its results are no longer included in the segment reporting note.

The results of the discontinued operations, which have been included in the profit for the year, were as follows.

	2026 Rs.'000	2025 Rs.'000
Revenue	207,623	37,609
Cost of Sales	(123,954)	(41,245)
Gross Profit	83,669	(3,636)
Other income	1,908	1,511
Distribution costs	(10,521)	(8,468)
Administrative expenses	(119,790)	(77,287)
Profit from operating activities	(44,734)	(87,879)
Finance cost	(14,346)	(6,637)
Finance income	-	-
Profit before tax	(59,080)	(94,517)
Income tax (expenses) / reversal	-	-
Profit/(Loss) for the year	(59,080)	(94,517)

The major classes of assets and liabilities of Lanka Swisstek Pvt Ltd classified as held for sale as at 31 March 2026 are, as follows:

	Note	Rs.'000
Assets		
Property, plant and equipment	3.1	83,091
Inventories		125,940
Trade and other receivable		57,253
Other current assets		3,785
Cash and balances with banks	24	7,537
Assets held for sale		277,606
Liabilities		
Trade and other payables		(29,090)
Other current liability		(40,694)
Due to related companies		(78,970)
Short term borrowings	12	(100,713)
Bank overdraft	12	(66,296)
Liabilities directly associated with assets held for sale		(315,762)
Net assets directly associated with disposal group		(38,156)
Reserve of disposal group classified as held for sale		(5,609)

31 DISCONTINUED OPERATIONS (Contd.)

The net cash flows incurred by Lanka Swisstek Pvt Ltd are, as follows:

	2026 Rs. '000	2025 Rs. '000
Operating	(28,531)	(85,304)
Investing	(3,145)	(55,199)
Financing	30,900	71,613
Net cash (outflow)/inflow	(776)	(68,890)

31.2 Company

The recoverable value of the investment in Lanka Swisstek Private Limited held by the company has been assessed at Rs. 58.27 Mn.

	Rs.'000
Investment Balance in Swisstek (Pvt) Ltd as at 01.04.2025	66,617
Impairment of Investment	(8,346)
Recoverable Value of the Investment Classified as Assets Held for Sale.	58,271



HUES OF CONTINUITY

At Lanka Tiles, our supplementary information reflects a commitment to depth and detail, reinforcing the transparency, accountability, and long-term continuity that responsible reporting demands. Through thoughtful disclosure, clear governance frameworks, and supporting information carefully structured for clarity, the Company provides its stakeholders with a fuller understanding of our operations, direction, and commitment to integrity.



SUPPLEMENTARY INFORMATION



FIVE YEAR SUMMARY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	2022	2023	2024	2025	2026
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP					
Continuing operations					
Revenue	14,591,620	18,684,042	16,131,536	13,130,450	12,699,787
Operating profit	4,545,765	5,297,540	4,122,376	1,423,345	910,064
Finance income/(costs)	85,890	253,811	16,874	(62,107)	(3,093)
Share of results of associate	405,353	(266,466)	(30,516)	410,293	494,688
Profit before income tax	5,037,008	5,284,885	4,108,734	1,771,531	1,401,660
Income tax expense	(926,692)	(1,597,083)	(1,201,863)	(593,929)	(190,635)
Profit for the year	4,110,316	3,687,802	2,906,870	1,177,602	1,211,025
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	-	-	-	(94,517)	(59,080)
Profit for the Year	4,110,316	3,687,802	2,906,870	1,083,085	1,151,945
Profit attributable to the equity holders of the Company	4,110,139	3,687,589	2,912,277	1,127,937	1,180,894
Dividends	(1,856,763)	(2,228,116)	(1,618,037)	(636,604)	(503,979)
Retained profit for the year	2,253,376	1,459,473	1,294,240	491,333	676,915
Earnings per share- basic (Rs)	15.50	14	10.98	4.25	4.45
Year ended 31st March					
	2022	2023	2024	2025	2026
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
COMPANY					
Revenue	14,591,620	18,684,042	16,130,887	13,130,450	12,699,787
Operating profit	4,546,130	5,296,875	4,135,511	1,422,092	893,654
Finance income/(costs)	85,890	253,811	16,402	(62,107)	(3,093)
Share of results of associate	402,764	(271,424)	(34,326)	406,759	493,638
Profit before income tax	5,034,784	5,279,262	4,117,587	1,766,744	1,384,200
Income tax expense	(913,924)	(1,583,154)	(1,201,863)	(593,929)	(188,493)
Profit for the year	4,120,860	3,696,108	2,915,724	1,172,814	1,195,707
Profit attributable to the equity holders of the Company	4,120,860	3,696,108	2,915,724	1,172,814	1,195,707
Dividends	(1,856,763)	(2,228,116)	(1,618,037)	(636,604)	(503,979)
Retained profit for the year	2,264,097	1,467,992	1,297,687	536,210	691,728
Earnings per share- basic (Rs)	15.54	13.93	10.98	4.42	4.51

FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

As at 31st March	2022	2023	2024	2025	2026
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	6,471,179	7,001,724	8,413,115	8,536,159	8,240,640
Investment Properties	483,091	484,857	484,857	484,857	491,996
Intangible assets	8,970	92,155	85,244	80,343	84,068
Investments in subsidiaries	-	-	-	-	-
Investments in associates	1,563,428	1,144,458	1,209,239	1,536,197	1,911,995
Right of use assets	65,378	19,510	48,805	16,178	68,049
	8,592,046	8,742,704	10,241,260	10,653,734	10,796,748
Current assets					
Inventories	2,473,794	5,036,886	7,414,063	8,116,155	6,882,497
Trade and other receivables	910,523	2,410,052	1,478,014	1,087,636	1,360,422
Amounts due from related parties	14,109	1,626,266	895,532	670,274	1,613,417
Cash and balances with banks	4,936,501	810,691	306,811	398,379	301,640
	8,334,927	9,883,895	10,094,420	10,272,444	10,157,975
Assets Held for Sale	-	-	-	-	277,606
Total assets	16,926,973	18,626,599	20,335,680	20,926,178	21,232,330
EQUITY					
Capital and reserves					
Stated capital	900,968	900,968	900,968	900,968	900,968
Reserves	1,577,493	1,466,331	2,089,310	2,085,914	2,092,276
Reserves of a disposal group held for sale	-	-	-	-	(5,609)
Retained earnings	9,740,862	10,554,962	11,944,984	12,410,124	13,119,588
Equity Attributable to Equity Holders of The Parent	12,219,323	12,922,261	14,935,262	15,397,006	16,107,222
Non controlling interest	8,095	9,922	55,963	7,848	(21,101)
Total equity	12,227,418	12,932,183	14,991,225	15,404,854	16,086,121
LIABILITIES					
Non-current liabilities					
Borrowings	705,420	434,405	188,290	-	-
Deferred income tax liabilities	907,441	1,329,517	1,559,625	1,737,089	1,726,973
Defined benefit obligations	158,999	199,753	225,793	293,550	252,204
	1,771,860	1,963,675	1,973,708	2,030,639	1,979,177
Current liabilities					
Trade and other payables	1,548,896	1,868,004	1,598,332	1,327,860	1,302,882
Contract liability	90,233	101,826	94,211	129,902	164,792
Income tax liabilities	293,822	310,577	581,051	67,440	127,701
Amounts due to related parties	232,352	134,451	132,188	156,082	135,982
Interest bearing liabilities	762,392	1,315,883	964,965	1,809,401	1,119,912
	2,927,695	3,730,741	3,370,747	3,490,685	2,851,269
Liabilities directly associated with the assets held for sale	-	-	-	-	315,762
Total equity and liabilities	16,926,973	18,626,599	20,335,680	20,926,178	21,232,330

FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

As at 31st March Company	2022 Rs.'000	2023 Rs.'000	2024 Rs.'000	2025 Rs.'000	2026 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	6,471,179	7,001,724	8,335,196	8,424,027	8,240,640
Investment Properties	-	-	-	-	-
Intangible assets	8,970	92,155	85,244	76,922	80,877
Investments in subsidiaries	270,242	327,326	387,701	387,701	321,084
Investments in associates	1,501,249	1,076,445	1,135,917	1,458,345	1,832,594
Right of use assets	65,378	19,510	48,805	16,178	68,049
	8,317,018	8,517,160	9,992,863	10,363,173	10,543,244
Current assets					
Inventories	2,473,794	5,036,886	7,403,268	8,041,732	6,882,497
Trade and other receivables	910,523	2,410,052	1,448,229	1,040,340	1,360,422
Amounts due from related parties	65,168	1,618,889	901,118	688,438	1,620,978
Cash and balances with banks	4,919,853	790,371	298,794	392,803	301,640
	8,369,338	9,856,198	10,051,409	10,163,313	10,165,537
Assets Held for Sale	-	-	-	-	58,271
Total assets	16,686,356	18,373,358	20,044,272	20,526,486	20,767,052
EQUITY					
Capital and reserves					
Stated capital	900,968	900,968	900,968	900,968	900,968
Reserves	1,575,310	1,462,469	2,092,276	2,092,276	2,092,276
Reserves of a disposal group held for sale	-	-	-	-	-
Retained earnings	9,567,744	10,389,489	11,781,461	12,290,480	13,013,535
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12,044,022	12,752,926	14,774,705	15,283,724	16,006,779
Non controlling interest	-	-	-	-	-
Total equity	12,044,022	12,752,926	14,774,705	15,283,724	16,006,779
LIABILITIES					
Non-current liabilities					
Borrowings	705,420	434,405	188,290	-	-
Deferred income tax liabilities	853,796	1,261,933	1,492,040	1,669,504	1,657,246
Defined benefit obligations	158,999	199,753	225,793	293,550	252,204
	1,718,215	1,896,091	1,906,123	1,963,054	1,909,450
Current liabilities					
Trade and other payables	1,548,770	1,867,325	1,591,306	1,294,495	1,302,436
Contract liability	90,233	101,826	94,211	129,902	164,792
Income tax liabilities	293,822	310,577	581,051	67,440	127,701
Amounts due to related parties	228,902	128,730	131,911	114,948	135,982
Interest bearing liabilities	762,392	1,315,883	964,965	1,672,923	1,119,912
	2,924,119	3,724,341	3,363,444	3,279,708	2,850,823
Total equity and liabilities	16,686,356	18,373,358	20,044,272	20,526,486	20,767,052

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2026

Size of shareholdings Number	No of Holders	No of Shares	Holdings %
1 - 1,000	4,108	1,094,558	0.4126
1,001 - 10,000	1,825	6,771,020	2.5527
10,001 - 100,000	507	14,304,164	5.3927
100,001 - 1,000,000	64	17,417,223	6.5663
Over - 1,000,000	10	225,665,085	85.0757
Total	6,514	265,252,050	100.0000

CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	Holdings %
Individuals	6,215	32,248,556	12.1576
Institutions	249	231,188,912	87.1583
Foreign Individuals	47	409,509	0.1544
Foreign Institutions	3	1,405,073	0.5297
Total	6,514	265,252,050	100.0000

25 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2026

NAME	31.03.2026		31.03.2025	
	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 Employees Trust Fund Board	3,041,601	1.147	3,041,601	1.147
5 Sri Lanka Insurance Corporation Ltd-Life Fund	2,656,922	1.002	3,256,922	1.228
6 Mr. A.A. Page	2,169,695	0.818	2,169,695	0.818
7 Mrs. S. Vasudevan & Mr. S.vasudevan	1,625,000	0.613	2,100,993	0.792
8 Mr. D.N.P. Rathnayake	1,209,770	0.456	-	-
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	1,109,700	0.418
11 Emfi Capital Limited	971,073	0.366	-	-
12 Hatton National Bank PLC-Senfin Dividend Fund	669,957	0.253	-	-
13 Sampath Bank PLC/Aruna Enterprises Pvt Ltd.	642,500	0.242	642,500	0.242
14 Mrs. A.A. Merchant	625,000	0.236	625,000	0.236
15 Mr. D.R. Ponnampereuma	550,080	0.207	398,822	0.15
16 NDB Wealth Management Ltd / Hanif Yusoof	539,867	0.204	500,000	0.188
17 Ranavav Holdings (Private) Limited Account No. 04	520,000	0.196	500,000	0.188
18 Deutsche Bank AG as Trustee to Assetline Income Plus Growth Fund	500,000	0.188	-	-
19 Mr. S.A.C. Keerthisinghe & Mrs. D.M.J.S. Dissanayaka	412,000	0.155	412,000	0.155
20 Mr. N. Samarasuriya	409,998	0.155	409,998	0.155
21 Mrs. F.S. Shafei & Mr. S.A. Mohamed Basheer	400,000	0.151	396,473	0.149
22 Senkadagala Finance PLC	394,818	0.149	-	-
23 Sri Lanka Insurance Corporation Ltd-General Fund	394,347	0.149	554,347	0.209
24 Sezeka Limited	380,000	0.143	380,000	0.143
25 Mr. J.D. Bandaranayake & Dr. (Mrs.) V. Bandaranayake, Miss I. Bandaranayake	378,575	0.143	378,575	0.143
Sub Total	233,453,300	88.013	230,729,023	86.985
Others	31,798,750	11.987	34,523,027	13.015
Total	265,252,050	100.000	265,252,050	100.000

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2026

	No of Shares as of 31.03.2026	%
Mr A M Weerasinghe	-	-
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 R Jayaweera	-	-
Mr. J R Gunaratne	-	-
Ms K A D Brindhiini Perera	-	-
Mr R M M J Ratnayake	-	-
Mr. L P B Talwatte	-	-
Mr. H. Somashantha	-	-
Mr. K A D D Perera	-	-
Mr. S H Amarasekera	-	-

SHARE PRICE FOR THE YEAR

Market price per share	As at 31/03/2026		As at 31/03/2025	
Highest during the year	Rs.	58.00 (28-07-2025)	Rs.	59.80 (30-12-2024)
Lowest during the year	Rs.	42.20 (23-03-2026)	Rs.	45.10 (06-09-2024)
As at end of the year (closing price)	Rs.	45.70 (31-03-2026)	Rs.	50.70 (28-03-2025)
As at end of the year (last traded price)	Rs.	45.50 (31-03-2026)	Rs.	50.70 (28-03-2025)
Number of Transactions during the year		21,880		19,789
Number of Shares traded during the year		24,297,195		24,633,701
Value of shares traded during the year (Rs.)		1,290,595,157.90		1,330,922,488.10

PUBLIC HOLDINGS

- The Percentage of shares held by the Public as at 31st March 2026 – 28.2292%
- No of public shareholders representing the above percentage – 6,507
- The float adjusted market capitalisation as at 31st March 2026 is Rs. 3,421,950,420.50

The Float adjusted market capitalisation 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	2022		2023		2024		2025		2026	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
Sales	14,591,620		18,684,042		16,130,887		13,130,450		12,699,787	
Other income	94,420		52,382		34,572		43,510		68,109	
Less: Cost of materials & services	(7,270,691)		(9,884,905)		(8,299,458)		(8,119,241)		(8,271,361)	
Value added	7,415,349		8,851,519		7,866,001		5,054,719		4,496,536	
Distribution of Value Added										
Employees as remuneration & welfare	1,315,973	17.75	1,783,242	20.15	1,076,689	13.69	1,376,177	27.23	1,464,218	32.56
Government as taxes	1,890,390	25.49	2,954,467	33.38	3,712,840	47.20	2,261,698	44.74	1,582,198	35.19
Lenders of capital as interest	88,126	1.19	256,402	2.90	160,748	2.04	163,392	3.23	140,408	3.12
Shareholders as dividends	1,856,764	25.04	1,989,401	22.48	1,618,037	20.57	636,604	12.59	503,979	11.21
Retained in the business as										
- Depreciation/deferred tax	572,123	7.72	510,955	5.77	502,378	6.39	584,408	11.56	606,727	13.49
- Profits	1,691,973	22.82	1,357,052	15.33	795,309	10.11	32,440	0.64	199,005	4.43
Total	7,415,349	100.00	8,851,519	100.00	7,866,001	100.00	5,054,719	100.00	4,496,536	100.00

GRI INDEX

Statement of use	Lanka Tiles PLC has reported in accordance with the GRI Standards for the period 1st April 2025 to 31st March 2026
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	There is no applicable sector standard.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	4				
	2-2 Entities included in the organisation'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	132				
	2-6 Activities, value chain and other business relationships	34				
	2-7 Employees	67				
	2-8 Workers who are not employees	68				
	2-10 Nomination and selection of the highest governance body	102				
	2-11 Chair of the highest governance body	102				
	2-12 Role of the highest governance body in overseeing the management of impacts	104				
	2-13 Delegation of responsibility for managing impacts	109				
	2-14 Role of the highest governance body in sustainability reporting	14				
	2-15 Conflicts of interest	102				
	2-16 Communication of critical concerns	24				
	2-17 Collective knowledge of the highest governance body	24				
	2-18 Evaluation of the performance of the highest governance body	14				

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-19 Remuneration policies	132				
	2-20 Process to determine remuneration	132				
	2-21 Annual total compensation ratio	199				
	2-22 Statement on sustainable development strategy	30				
	2-23 Policy commitments	4 & 78				
	2-24 Embedding policy commitments	106-111				
	2-25 Processes to remediate negative impacts	106-111				
	2-26 Mechanisms for seeking advice and raising concerns	64				
	2-27 Compliance with laws and regulations	122				
	2-28 Membership associations	72				
	2-29 Approach to stakeholder engagement	34				
	2-30 Collective bargaining agreements	64				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	32-33				
	3-2 List of material topics	32-33				
Economic performance						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	38				
	201-2 Financial implications and other risks and opportunities due to climate change	45				
	201-3 Defined benefit plan obligations and other retirement plans	64-71				
	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	32-33				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		GRI 202-1	Not Applicable	Remuneration offered above minimum wage without considering gender.	
	202-2 Proportion of senior management hired from the local community		GRI 202-2	Not Applicable	All managers hired from local community.	
Indirect economic impacts						

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	60-63				
	203-2 Significant indirect economic impacts	45				
Procurement practices						
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	38				
Anti-corruption						
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	34				
	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 2025/26	
Tax						
GRI 207: Tax 2019	207-1 Approach to tax	177				
	207-2 Tax governance, control, and risk management	177				
	207-3 Stakeholder engagement and management of concerns related to tax	34-36				
	207-4 Country-by-country reporting		GRI 207-4	Not Applicable	Operating only locally	
Materials						
GRI 301: Materials 2016	301-1 Materials used by weight or volume	82-88				
	301-2 Recycled input materials used	82-88				
Energy						

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	82-88				
	302-2 Energy consumption outside of the organisation		GRI 302-2	Not Available	The group does not track this information at present.	
	302-3 Energy intensity	82-88				
	302-4 Reduction of energy consumption	82-88				
	302-5 Reductions in energy requirements of products and services	82-88				
Water and effluents						
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	82-88				
	303-2 Management of water discharge-related impacts	82-88				
	303-3 Water withdrawal	82-88				
	303-4 Water discharge	82-88				
	303-5 Water consumption	82-88				
Emissions						
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	82-88				
	305-2 Energy indirect (Scope 2) GHG emissions	82-88				
	305-3 Other indirect (Scope 3) GHG emissions	82-88				
	305-4 GHG emissions intensity	82-88				
	305-5 Reduction of GHG emissions	82-88				
	305-6 Emissions of ozone-depleting substances (ODS)		GRI 305-6	Not Available	The group does not track this information at present.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		GRI 305-7	Not Available	The group does not track this information at present.	
Waste						
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	82-88				
	306-2 Management of significant waste-related impacts	82-88				
	306-3 Waste generated	82-88				
	306-4 Waste diverted from disposal	82-88				
	306-5 Waste directed to disposal	82-88				
Employment						

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	64-71				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	64-71				
	401-3 Parental leave	64-71				
Occupational health and safety						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	64-71				
	403-2 Hazard identification, risk assessment, and incident investigation	64-71				
	403-3 Occupational health services	64-71				
	403-4 Worker participation, consultation, and communication on occupational health and safety	64-71				
	403-5 Worker training on occupational health and safety	64-71				
	403-6 Promotion of worker health	64-71				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	64-71				
	403-8 Workers covered by an occupational health and safety management system	64-71				
		403-9 Work-related injuries	64-71			
403-10 Work-related ill health		64-71				
Training and education						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	64-71				
	404-2 Programs for upgrading employee skills and transition assistance programs	64-71				
	404-3 Percentage of employees receiving regular performance and career development reviews	64-71				
Diversity and equal opportunity						

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	64-71				
	405-2 Ratio of basic salary and remuneration of women to men	64-71				
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 2025/26	
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 2025/26	
Local communities						
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	72-76				
	413-2 Operations with significant actual and potential negative impacts on local communities	72-76				
Supplier social assessment						
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	64-71				
	414-2 Negative social impacts in the supply chain and actions taken		GRI 414- 2	Not Applicable	No such incidents during the FY 2025/26	
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	64-71				
	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 2025/26	

GRI INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	PAGE	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Marketing and labelling						
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	72				
	417-2 Incidents of non-compliance concerning product and service information and labelling		GRI 417-2	Not Applicable	No such incidents during the FY 2025/26	
	417-3 Incidents of non-compliance concerning marketing communications		GRI 417-3	Not Applicable	No such incidents during the FY 2025/26	
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 2025/26	

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty Second (42nd) Annual General Meeting of Lanka Tiles PLC will be held by electronic means on 30th June 2026 at 11.30 a.m centred at No. 20, R A De Mel Mawatha, Colombo 3 for the following purposes:

1. Ordinary Business

- (i) 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 2026 and the Report of the Auditors thereon.
- (ii) To declare a Final Dividend of Cents Twenty (Rs.0.20) per Ordinary share for the year ended 31st March 2026 as recommended by the Board of Directors.
- (iii) To re-elect Mr. Amarakoon Mudiyanseelage Weerasinghe, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
- (iv) To re-elect Mr. Jitendra Romesh Gunaratne, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
- (v) To re-elect Ms. Kulappu Arachchige Donna Brindhiini Perera, who retires by rotation in terms of Articles 102 and 103 of the Articles of Association, as a Director of the Company.
- (vi) To re-elect as a Director, Mr. Kulappu Arachchige Don Dhammika Perera, who was appointed to the Board since the last Annual General Meeting, in terms of Article 109 of the Articles of Association.
- (vii) To re-elect as a Director, Mr. Shiran Harsha Amarasekera, who was appointed to the Board since the last Annual General Meeting, in terms of Article 109 of the Articles of Association.
- (viii) To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
- (ix) To authorise the Directors to determine donations for the financial year ending 31st March 2027 and up to the date of the next Annual General Meeting.

2. Special Business

- (i) 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 substitution of the word "executors, administrators or heirs" in place of "executors or trustees" in line 2 of Article 15(iii) ;
- (2) by the inclusion of the words "or Executive Director" between the words "Officer" and "shall" in line 5 of Article 95 ;
- (3) by the inclusion of the words "or Chief Executive Officer or Executive Director" between the words "Director" and "shall" in line 6 of Article 102;
- (4) by the deletion of Article 144 in its entirety and the substitution therefore of the following new Article 144 ;

"CONTRACTS

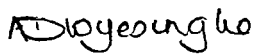
144. (1) A contract or other enforceable obligation may be entered into by the Company as follows:
- (a) an obligation which, if entered into by a natural person is required by law to be in writing signed by that person and be notarially attested, may be entered into on behalf of the Company in writing signed under the name of the Company by –
 - (i) two Directors of the Company, as authorised by a resolution of the Board and placing the Company Seal
 - (ii) any one Director and Secretary of the Company as authorised by a resolution of the Board and placing the Company Seal
 - (iii) any other person as authorised by a resolution of the Board
 - (iv) one or more Attorneys appointed by the Company, as set out in Article 135 hereof authorising to enter into such obligation,and be notarially executed;
 - b) an obligation which, if entered into by a natural person is required by law to be in writing and signed by that person, may be entered into on behalf of the Company in writing signed by two Directors of the Company, as authorised by a Resolution of the Board by placing the Company Seal or by any one Director and Secretary of the Company as authorised by a resolution of the Board by placing the Company Seal or by a person authorised by a resolution of the Board, or one or more Attorneys authorised to enter into such obligation.
 - (c) an obligation which if entered into by a natural person is not required by law to be in writing, may be entered into on behalf of the Company in writing or orally by a Director or a person authorised by a resolution of the Board
- (2) The provisions of Sub Article (1) of Article 144 shall apply to a contract or other obligation
- (a) whether or not that contract or obligation is entered into in Sri Lanka; and
 - (b) whether or not the law governing the contract or obligation is the law of Sri Lanka.
- (3) For the purpose of this Article, the Company may use a generally recognised abbreviation of any word in the name, unless it is misleading to do so."

NOTICE OF MEETING

(5) by the deletion of Article 182 in its entirety and the substitution therefore of the following new Article 182;

182. “Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository System, which shall be in force from time to time.”

By order of the Board
Lanka Tiles PLC



PW Corporate Secretarial (Pvt) Ltd
Secretaries

At Colombo
29 May 2026

Notes:

1. A shareholder is entitled to appoint a Proxy to attend, speak 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. 215, Nawala Road, Narahenpita, Colombo 05 by 11.30 a.m. on 28th June 2026.
5. Since the Meeting will be held via electronic means, shareholders who wish to participate in the AGM either by themselves or through their Proxies, are requested to forward the duly completed and signed Registration Form as per the Guidelines for Registration made available to the Shareholders on the Company/CSE Websites, to the Registrars of the Company, Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, 341/5, Kotte Road, Rajagiriya or e-mailed to agm_egm_registrars@cds.lk by 11.30 a.m. on 28th June 2026.

NOTES

NOTES

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. Kulappu Arachchige Don Dhammika Perera	or failing him*
Mr. Amarakoon Mudiyanseelage Weerasinghe	or failing him*
Mr. Lakshitha Priyantha Bandara Talwatte	or failing him*
Mr. Shiran Harsha Amarasekera	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. Haresh 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 Second (42nd) Annual General Meeting of the Company to be held on 30th June 2026 at 11.30 a.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
i) To declare a Final Dividend of Cents Twenty (Rs.0.20) per Ordinary share for the year ended 31st March 2026 as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
ii) To re-elect Mr. A M Weerasinghe as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iii) To re-elect Mr. J R Gunaratne as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iv) To re-elect Ms. K A D B Perera as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
v) To re-elect Mr. K A D D Perera as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
vi) To re-elect Mr. S H Amarasekera as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
vii) To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
viii) To authorise the Directors to determine donations for the year ending 31st March 2027 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

FORM OF PROXY

2 Special Business

i) To pass the Special Resolution as set out in item 2 (i) of the Notice of Meeting.

FOR

AGAINST

In witness my/our* hands this day of Two Thousand and Twenty Six.

.....
Signature of Shareholder/s

*Please delete what is inapplicable.

- Notes:
1. A proxy need not be a shareholder of the Company
 2. Instructions as to completion appear below

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. 215, Nawala Road, Narahenpita, Colombo 05 by 11.30 a.m. on 28th June 2026.
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. Dhammika Perera (Chairman) (Appointed 31st July 2025)
Mr. A M Weerasinghe (Co – Chairman)
Mr. L P B Talwatte- Managing Director
Mr. H Somashantha- Director Finance
Dr. S Selliah
Mr. T G Thoradeniya
Ms. A M L Page
Mr. J A N R Adhihetty
Mr. S R Jayaweera
Mr. J R Gunaratne
Ms. K A D B Perera
Mr. R M M J Rathnayake
Mr. S H Amarasekera

SECRETARIES

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

PARENT COMPANY

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

REGISTERED OFFICE

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

FACTORY

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

BANKERS

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

AUDITORS

EY
Chartered Accountants
No.109, Galle Road
Colombo 03

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