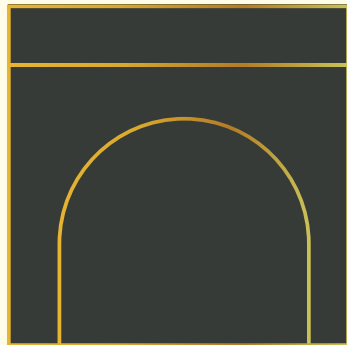
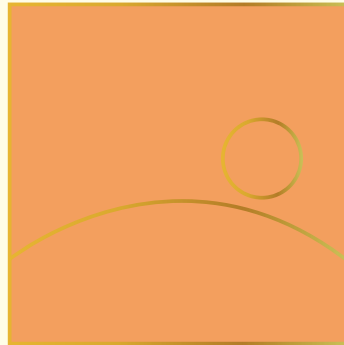
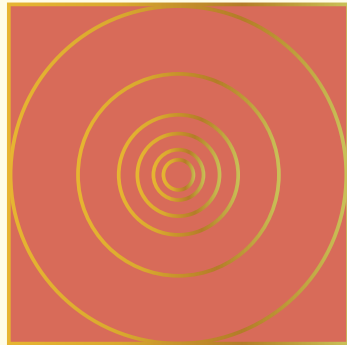


# PIONEERING COLLABORATIONS



LANKA TILES PLC  
Integrated Annual Report 2022/23

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# PIONEERING COLLABORATIONS

At Lanka Tiles, we celebrate the year under review in positivity, having fulfilled our company objectives successfully, cementing our brand as a leading tile manufacturer in the country. Having navigated through a challenging business climate, we have emerged strengthened, embracing our authentic collaborations with our partners; our valued tribe, who have given us courage and purpose to overcome all battles and lead us into fruitful and green territories.

Envisioning into the future, we journey forward optimistically, cultivating contemporary traditions of Sri Lanka into our brand experience, for the benefit of our valued stakeholders, for an energised tomorrow.

Because we believe in the power of pioneering collaborations.



Fine Living Redefined

## ABOUT US

### 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,  
Long standing relationships

#### About Lanka Tiles PLC

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



Fine Living Redefined

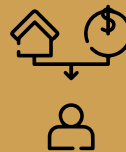
Registered Name: Lanka Tiles PLC  
Company Registration No: PQ 129  
[www.lankatiles.com](http://www.lankatiles.com)



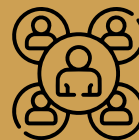
Quality



Trust



Sense of Heritage



Long Standing  
Relationship

# ABOUT THE REPORT

The 6th Integrated Annual Report of Lanka Tiles PLC delivers an in-depth overview of the Group's performance and value creation for the financial year ended 31st March 2023. The Group has consistently made investments in the best materials, cutting-edge technology, innovative thinking, and consumer trust, driving it to become the country's premier tile manufacturer and expand its business into international markets.

## REPORTING BOUNDARY

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

## REPORTING CYCLE:

### ANNUAL REPORTING PERIOD:

01st April 2022 to 31st March 2023

The most recent report was issued for: 01st April 2021 to 31st March 2022

The information related to the previous period has not been reinstated during this period unless otherwise stated. Other than the resignation of former chairman Mr.K.D.D.Perera on 10th June 2022, and the appointment of Ms. K A D B Perera to the Board on 19th October 2022 there were no significant changes in the organization type, structure, or ownership during the reporting period. In addition, no noteworthy changes were observed in the Company's supply chain.

## REPORTING FRAMEWORKS

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

### Regulatory

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

### Voluntary

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

### Annual Report 2022/23

#### Strategic focus and future orientation

The report specifies the company's strategy, its relevance to the value creation capability, and its application and impact on the capital. Refer the page 24.

#### Connectivity of information

The report content is interconnected to each report.

#### Stakeholder relationships

The report details the nature of the connections the company maintains with its stakeholders and the quality of engagement. Refer pages 29.

#### Materiality

Revealing the matters which substantially impact our potential to create value, the report depicts how the company has overcome material concerns through our strategies and resource allocation. Refer pages 26.

#### Conciseness

All the necessary and vital information is delivered concisely.

#### Reliability and completeness

An assurance on the financial and non-financial information has been provided by the external auditors, Messrs. Ernst & Young.

#### Consistency and comparability

Both financial and non-financial information for the concerned year and the comparable periods have been provided in the report.


## BOARD ACKNOWLEDGEMENT


The Annual report of Lanka Tiles PLC for the year ended 31st March 2023 has been prepared and reviewed by the Management of the Company who have recommended the same to the Group's Audit Committee and Board for their approval.

The Board acknowledges its responsibility to ensure the integrity of the Annual report which provides a balanced view of the performance of the Group, addressing all material issues that may have an impact on the Group's capacity to create value over the short term.

The Board is of the opinion that the Integrated Annual Report of Lanka Tiles PLC for the financial year ending 31st March 2023 is presented in accordance with the <IR> Framework 2023. The report was unanimously approved by the Board on 31st May 2023 and is signed on behalf by:

  
Chairman  
**A.M. Weerasinghe**

  
Audit Committee Chairman  
**J.D.N. Kekulawala**

  
Managing Director  
**J.A.P.M. Jayasekara**

For any inquiries, please contact,  
**Ms.S.U.Amarasinghe**  
General Manager (Finance)  
Email: sajeevani@lankatiles.com  
Telephone: 011 4526700

# OUR PRODUCT PORTFOLIO

## Majestica

Finest finished and largest sized porcelain tile collection



## Mosaics

Mosaic modern and competitive tile collection



## Essential +

Fine art tile collection



## Xilosophy

The wood tile collection



## Senses

Sense nature tile collection



## Concrete

Solid Concrete Tile Collection



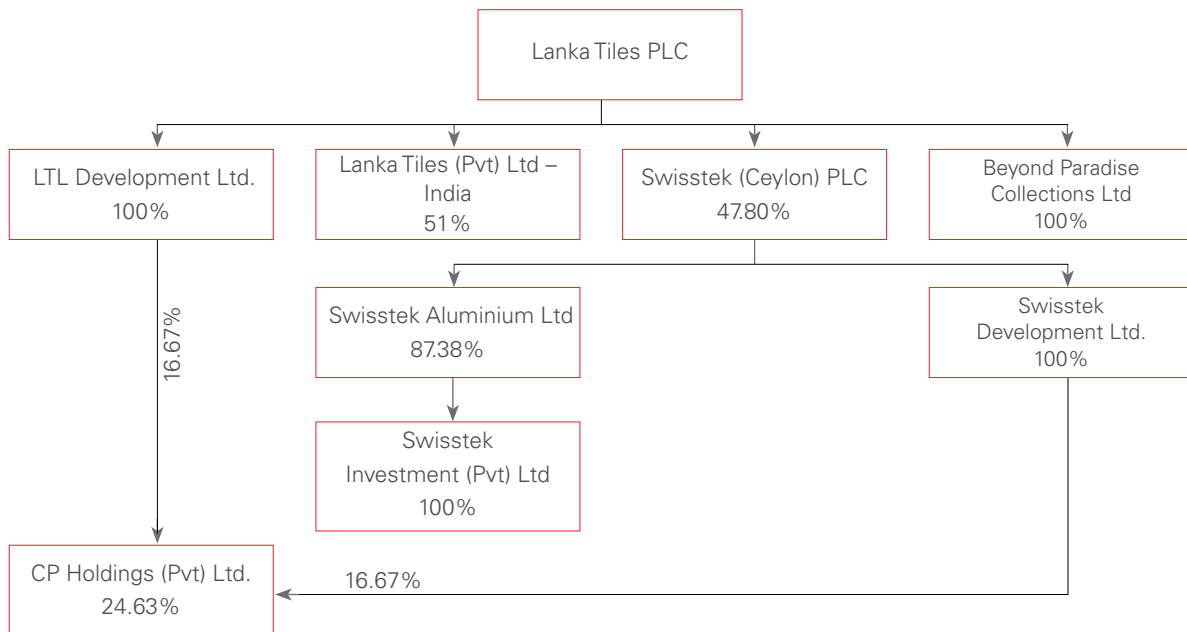
## Hearts of Earth

The crystal tile collection



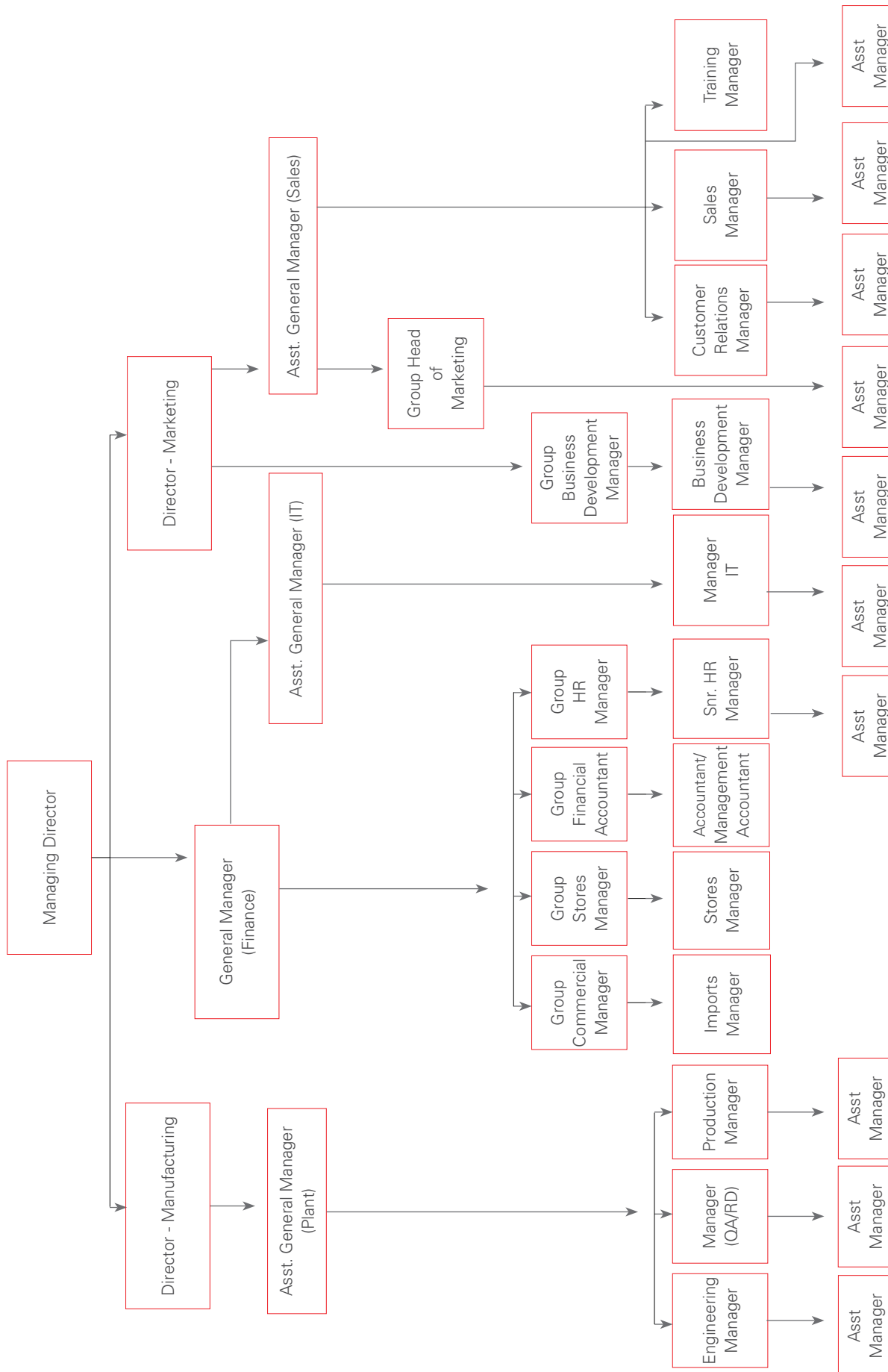


# OUR GROUP STRUCTURE





# ORGANIZATION STRUCTURE (EXECUTIVE GRADE)



# MILESTONES AND KEY EVENTS

<b>February 2023</b>	Recognized at the Architect Exhibition 2023 Lanka Tiles won the “Overall Best Trade Stall” and “Most Innovative and Informative Trade Stall” at the Architect Exhibition 2023 held at BMICH.
<b>December 2022</b>	Opened a new showroom in Dikwella The showroom displays a wide range of products such as large format tiles from MAJESTICA, COLOMA sanitary ware, faucets and accessories, MOSAIC tiles and many other complementary products.
	Opened a new own showroom in Nugegoda The state of art showroom displays a wide range of products such as large format tiles from MAJESTICA, COLOMA sanitary ware, faucets and accessories, MOSAIC tiles and many other complementary products.
<b>November 2022</b>	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, MOSAIC tiles and many other complementary products.
<b>October 2022</b>	Appointment of Director – Ms.K.A.D.B.Perera Ms. K.A.D.B. Perera was appointed as a Non-Executive Director of the Company with effect from 19th October 2022.
<b>September 2022</b>	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.
<b>June 2022</b>	Appointment of new Chairman - Mr. A. M. Weerasinghe Mr. A M Weerasinghe who served as Deputy Chairman of the Company, was appointed as a Non-Executive Chairman of the Company with effect from 16th June 2022.
	Resignation of the Chairman – Mr. Dhammika Perera Mr. Dhammika Perera - Chairman / Non-Executive Director tendered his resignation from the Board of Lanka Tiles PLC, with effect from 10th June 2022.
<b>April 2022</b>	Introduce SAP ERP System SAP S/4 HANA is an advanced, in-memory, and intelligent ERP (Enterprise Resource Planning) software solution developed by SAP. It offers real-time analytics, streamlined processes, and improved data management capabilities. With its simplified architecture and enhanced performance, S/4 HANA enables businesses to make faster decisions, achieve operational efficiency, and drive innovation.



## AWARDS



# FINANCIAL HIGHLIGHTS

Financial Performance	Unit	2023	2022	%
Revenue	Rs. '000	18,684,042	14,591,620	28
Gross profits	Rs. '000	8,427,646	6,608,922	28
Earnings before Interest and Tax (EBIT)	Rs. '000	5,297,540	4,545,765	17
Profit before tax	Rs. '000	5,284,885	5,037,008	5
Profit after tax	Rs. '000	3,687,802	4,110,316	(10)
Profits attributable to shareholders	Rs. '000	3,687,589	4,110,139	(10)
Gross profit margin	%	45	45	-
Net profit margin	%	20	28	(30)
Return on assets (ROA)	%	20	24	(18)
Return on equity (ROE)	%	29	34	(15)
Interest cover	No. of times	22	49	(55)

Financial Position	Unit	2023	2022	%
Assets	Rs. '000	18,626,599	16,926,973	10
Capital expenditure on PPE	Rs. '000	1,190,010	609,748	95
Debt	Rs. '000	1,750,288	1,467,812	19
Other liabilities	Rs. '000	3,944,128	3,231,743	22
Shareholders' equity	Rs. '000	12,922,261	12,219,323	6
Gearing	%	14	12	13
Net assets per share	Rs./share	49	46	6
Current ratio	No. of times	2.6	2.8	(5)
Quick assets ratio	No. of times	1.3	2.0	(35)

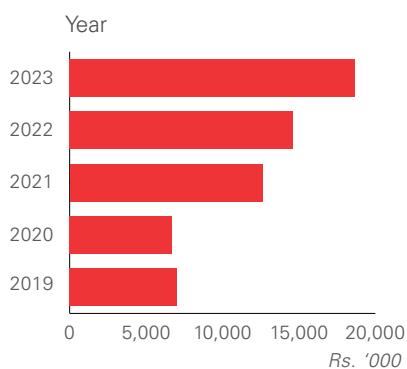
  

Shareholder Information	Unit	2023	2022	%
No. of shares in issue	No.	265,252,050	265,252,050	-
Dividend per share	Rs./share	8.40	7.00	20
Earnings per share	Rs./share	14	16	(10)
Market capitalisation	Rs. Mn	3,240	4,488	(28)
Dividend payout ratio	%	60	45	34

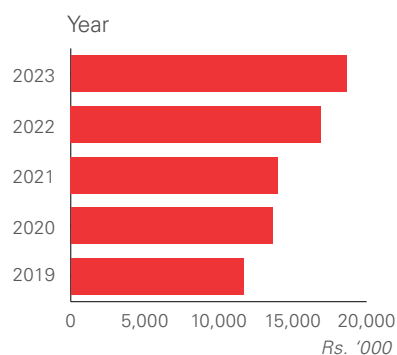
  

Other	Unit	2023	2022	%
Number of employees	No.	744	730	2
Average revenue per employee	Rs. Mn	25	20	25
Average profit per employee	Rs. Mn	5	6	(17)
Number of Showrooms	No.	4	51	6
Dividend payout ratio	%	60	45	34

### Revenue



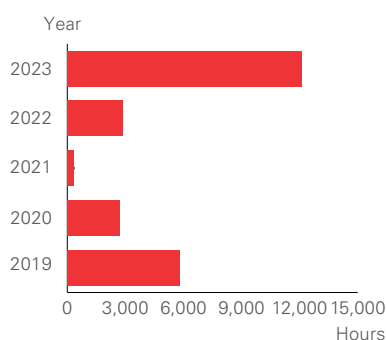
### Assets



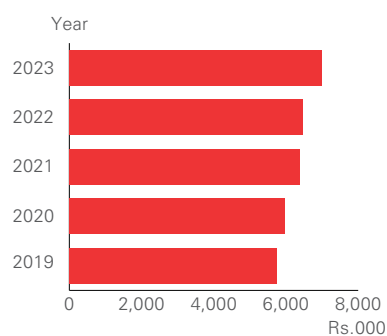
# NON-FINANCIAL HIGHLIGHTS

MANUFACTURED CAPITAL	Unit	2023	2022	%
No. of suppliers	No.	632	620	2
Payment to suppliers	Rs. Mn	15,710	10,689	47
Value of PPE	Rs. Mn	7,002	6,471	8
Capital expenditure	Rs. Mn	718	370	94
Depreciation and amortization	Rs. Mn	457	433	6
HUMAN CAPITAL	Unit	2023	2022	%
No. of employees	No.	744	730	2
Female participation	No.	108	120	(10)
New recruits	No.	164	135	21
Minor injury rate	%	0.67	0.27	148
Investment in training	Rs. Mn	11	2	584
Training hours	Hrs	12,132	2,846	326
INTELLECTUAL CAPITAL	Unit	2023	2022	%
Brand value (by Brand Finance Sri Lanka)	Rs. Mn	2,084	2,084	-
No. of new designs	No.	46	34	35
Quality certifications	No.	6	6	-
Investment in R&D	Rs. Mn	13	16	(18)
SOCIAL AND RELATIONSHIP CAPITAL	Unit	2023	2022	%
Own showroom	No.	2	2	-
Factory outlets	No.	20	19	5
Franchise network	No.	52	49	6
Dealer network	No.	47	43	9
Exports	Rs. Mn	525	642	(18)
Members of Tillers Clubs	No.	4073	4,171	(2)
CSR	Rs. Mn	3	2	49
NATURAL CAPITAL	Unit	2023	2022	%
Raw materials consumed	MT	94,745	112,766	(16)
Electricity consumption	KWH	21,985,884	23,280,533	(6)
LPG consumed	Kg/Mn	11	12	(4)
Water usage	Litres Mn	194	200	(3)
Water recycled	Litres Mn	17	16	3
Waste disposed	Kg	14,221	17,228	(17)

**Training Hours**



**Value PPE**



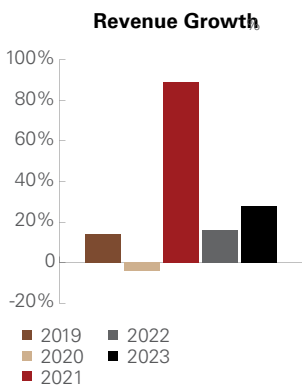


# INNOVATIVE PRINCIPLES

**EXECUTIVE REVIEWS**

# CHAIRMAN'S MESSAGE

The Group's agreeable performance during the year was an extraordinary achievement given the challenging nature of the operating environment including fluctuating demand and increased taxation. A record revenue growth of 28% to Rs. 18.7 Bn was achieved in 2022/23 driven by efficient stock utilization and foreign market persuasion.



Dear Shareholders,

The year under review challenged us with unprecedented economic challenges compounded by uncertainties in the macroeconomic environment. Despite the challenges, Lanka Tiles PLC's relentless drive to achieve excellence ensured the Group to deliver a commendable performance during the year under review. The Group continued its diligent strategic focus to manage margins with existing sales and recorded a growth of 28% to Rs. 18.7 Bn Revenue.

## OUR PERFORMANCE

Through the combination of diligent digital marketing efforts and the introduction of innovative products, LANKATILES was able to increase its brand value during the year under review and expand its local market reach. The Group took mitigating measures to manage its production facilities despite the crisis in sourcing raw materials. Alternative sources of supply were utilized and the Group introduced 46 new tile designs during the year. Additionally, the



## KEY HIGHLIGHTS

- Return on Assets 20%
- Interest cover 22 No of times
- Earning before interest and tax Rs.5,298 Mn
- Net assets per share Rs. 49/-
- Market capitalization Rs.3,240 Mn



## TOTAL ASSETS

**Rs. 18,627 Mn**

(2022:Rs. 16,927 Mn)



## SHAREHOLDER EQUITY

**Rs. 12,922 Mn**

(2022: Rs. 12,219 Mn)

Mosaic range was continued as a niche product supporting the Group's entrance to international markets.

The Group has taken serious measures to reinforce its customer value proposition. A loyal workforce coupled with a robust value addition system has enabled LANKATILES to deliver the best value to its customers. As a result, LANKATILES recorded a 48% growth in brand value, climbing 10

positions in Brand Finance's Most Valuable Consumer Brands Index in 2022.

The implementation of the SAP system has resulted in the elimination of non-value adding processes to further increase customer experience. The Group plans to improve the integration of innovative technology to continue its value addition to customers and increase efficiency.

During the year under review, LANKATILES completed its logo redesign which embraces a youthful, contemporary philosophy. The logo redesign supported by steps taken to empower and train employees through local and international training programs giving valuable exposure, is slated to encourage the Group's efforts to proliferate its presence in foreign markets and to penetrate the markets in the USA and India.

## RESPONSE TO CHALLENGES

Sri Lanka's GDP contracted by 7.8% in 2023 following a 3.6% decline the previous year. Despite the contraction in the economy, the Group was able to capitalize on market opportunities by increasing cost efficiency an adopting agile strategic actions. Additionally, by managing existing sales the Group was able to manage its profit margins during the year under review.

The sourcing of both local and imported raw material was a major challenge during the year due to scarcity and instability of prices. However, through effective research and development, Lanka Tiles PLC was able to test new raw materials to continue production processes without interruptions.

The Group experienced a 20% decline in demand mostly affected by the decline in the disposable income of customers and reduced spending ability. Agile strategic actions together with focused marketing efforts to maintain existing sales resulted in the profitability of the Group.

Despite the challenges, the Group capitalized on its domestic market presence and increased its direct dealer network, continued its private dealerships, and established 4 new showrooms at strategic locations to increase its presence to capture market shares.

## YEAR IN BRIEF

The Group's agreeable performance during the year was an extraordinary achievement given the challenging nature of the operating environment including fluctuating demand and increased taxation. A record revenue growth of 28% to Rs. 18.7 Bn was achieved in 2023 driven by efficient stock utilization and foreign market persuasion. The Group recorded a profit after tax of Rs. 3.7 Bn for the year under review which was significantly affected by increased taxation policies, compared to Rs. 4.1 Bn recorded in 2022.

An increase of 6% to Rs. 12.9 Bn in net assets was recorded by the Group, driven by an increase in retained profits and increased market share. The Group's funding position was affected by changes in the debt to equity ratio to 14% in 2023 compared to 12% in 2022. The liquidity position during the year was adversely affected as current ratio decline from 2.8 to 2.6

The commendable performance of the group is a reflection of the team's resilient spirit and dedication to achieve excellence despite unprecedented challenges.

## SHAREHOLDER VALUE CREATION

Lanka Tiles PLC is proud to report that two dividend payments were made to shareholders: Rs. 1.90 per share (27th May 2022) as the 3rd interim dividend of 2021/22 and Rs. 6.50 per share (08th March 2023) as the 1st interim of 2022/23.

Based on the Group's exceptional performance during the year, a final dividend of Rs. 1.10 per share has been proposed to be approved by the

# CHAIRMAN'S MESSAGE

shareholders at the forthcoming Annual General Meeting which would further increase share holder value by 2.6%

## MATTERS OF GOVERNANCE

The Group has taken an agile strategic approach to address the challenges in the volatile market conditions. As a result, the overall performance of the Group was periodically reviewed to monitor progress with frequent discussions between the Board and the management teams to ensure the best positioning of the Group to take maximum advantage of the market conditions. Despite challenges in the operating environment, well-being of employees was a priority for the Board which kept up the uninterrupted payment of salaries and uncompromised incentive schemes.

## PRIORITIZING SUSTAINABILITY

Lanka Tiles PLC has continued to ensure sustainability across all its processes by engaging in a strategic decision-making process with strict adherence to environment, social, and governance principles. The Group engages in practices to promote a responsible culture across all its operations while minimizing wastage, encouraging environmentally friendly actions, and ensuring the safety of its employees, all of which result in the achievement of its goal of sustainable profitability.

## FUTURE OUTLOOK

The economic recovery during the next financial year is expected to remain moderate following the significant contraction recorded during the year under review. The Board has prepared to effectively mitigate challenges and reduce the impact on its functions through the reinforcement of its agile strategy. Lanka Tiles PLC continues its efforts to venture into promising international markets through the introduction of niche products. The efficient handling of inventories and production capacity is expected to improve the Group's cost management.

The Group will continue to bolster its presence in the domestic market through the introduction of new designs catering to the demands of discerning customers while expanding its network through the strengthening of its partnerships islandwide.

Additionally, Lanka Tiles PLC will continue the prudent analysis of its strategy and make calculated alternations best suited to maintain healthy funding and liquidity in an economic environment affected by high interest rates, taxation policies, volatile exchange rates, and debt.

## APPRECIATIONS

I would like to thank our Managing Director for his leadership in guiding Lanka Tiles PLC and the Board of Directors for their valuable counsel in ensuring a commendable performance during a challenging year.

My gratitude is extended to the Senior Management and all the staff for their commitment and loyal support to navigate a year of uncertainties and challenges.

I thank our business partners for the continuation of our business partnerships and our shareholders for their valuable input and belief in Lanka Tiles PLC's ability to weather challenges.

I would also like to thank the customers of LANKATILES, for their patronage and look forward to continuing our partnerships during the coming year.

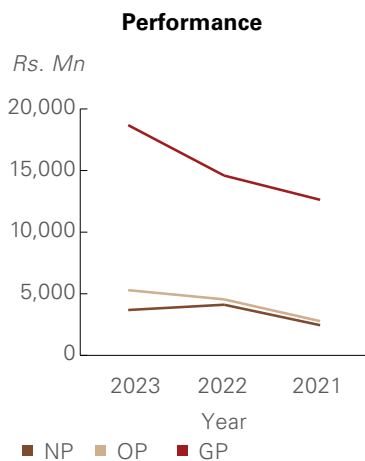


**A.M. Weerasinghe**  
Chairman

31st May 2023

# MANAGING DIRECTOR'S MESSAGE

Amidst numerous challenges in the operating environment, the Group's main challenge during the year under review was the shortage of raw materials due to unexpected price hikes within a short period of time. However, the Group was able to mitigate the specific challenge threatening its continuous operations



Dear Shareholders,

I am pleased to present you with the Integrated Annual Report of Lanka Tiles PLC for the financial year ended 31st March 2023. The Company recorded an impressive performance with the highest revenue recorded in its history, a 28% increase to Rs. 18.7 Bn compared to the previous year and profit after tax during the year was at Rs. 3.7 Bn.

The remarkable achievement of Lanka Tiles PLC was a direct result of the resolute dedication of the LANKATILES team who has risen to meet the unparalleled challenges posed by uncertainties in the macroeconomic environment. I take pride in their efforts and would also like to take this opportunity to recognize the hard work of our partners, distributors, and other stakeholders, without whom our success would have been hard-pressed to achieve.

# MANAGING DIRECTOR'S MESSAGE



## REVENUE

**Rs. 18,684 Mn**

(2022: Rs.14,591 Mn)



## GROSS PROFIT

**Rs. 8,428 Mn**

(2022:Rs. 6,608 Mn)

### CONQUERING CHALLENGES

The domestic economy was affected by the financial crisis and political instability in the midst of the country defaulting on its foreign debt. The resulting impact across several sectors ensued challenges such as fuel shortages, severe power outages, scarcity of imported raw materials, and soaring cost of production. Additionally, rising inflation and depreciation of the rupee impacted industries including the tile manufacturing sector.

Amidst numerous challenges in the operating environment, the Group's main challenge during the year under review was the shortage of raw materials due to unexpected price hikes within a short period of time. However, the Group was able to mitigate the specific challenge threatening its continuous operations by swiftly adapting to use alternative raw materials through an expedited comprehensive testing process, which enabled uninterrupted production.

Declining demand was an additional challenge causing stagnation of the Group's production capacity. To ensure timely management of stocks, a production maintenance strategy encouraging production to cater to specific demand and avoid excess was adopted.

The Group managed to overcome these challenges by managing profit margins with existing sales to ensure profitability.

### STRATEGIC INVESTMENTS

With a focus on solidifying its presence, increasing brand value, improving its product offerings, and process efficiency, Lanka Tiles PLC took strategic steps to continue its investment plans. Digital marketing avenues were pursued to reinforce market infrastructure and improve presence to reach potential untapped customer demographics. The adoption of technology to enhance customer experience and streamlining of processes have greatly contributed to the increase in efficiency and improved value addition to customers. The Group has made a total investment of Rs. 87 Mn to improve its digital presence during the year.

### PERFORMANCE DURING THE YEAR

The year under review was one of success for Lanka Tiles PLC which recorded gross revenue of Rs. 18.7 Bn, a 28% growth compared to the previous year. However, profit after tax was affected by the increase in taxation and recorded Rs. 3.7 Bn, a decline of 10% compared to the previous financial year.

Operating expenses for the year was Rs. 10.3 Bn, a decrease compared to last year due to high costs associated with sourcing material and production due to macroeconomic conditions such as rising inflation, and exchange rate fluctuations.

Floor tiles was the most profitable segment recording Rs. 16.1Bn in sales and accounting for 87% of the total revenue. The Mosaic tile range contributed 4% to the revenue, comparable to the 6% recorded last year, and continues to increase its contribution to the Group's margins.

### STRATEGIC PLANNING

Lanka Tiles PLC employed an agile strategy geared to accommodate changes in the susceptible operating environment. As a result, efforts were focused on maintaining product prices to accommodate the decrease in purchasing power of consumers due to economic constraints. Strategic evaluation of different product ranges was continued to determine the retirement of underperforming products and the introduction of inventive products to ensure sustainability in production.

With a keen focus on expanding its export footprint, the Group has taken steps to improve the production of its Mosaics tile range. The installation of a new kiln and expanded capacities is set to increase the production of Mosaics tiles as a part of the Group's strategy to enhance its international presence. Its strategy also involved the introduction of necessary processes and modifications to improve the efficiency of existing machinery.

LANKATILES launched a 'brand citizenship behaviour' initiative to spread awareness with regards to its improved brand personality adopted with the design of its new logo. Under the initiative, awareness campaigns were launched to demonstrate new brand personality traits and educate employees on how best to adopt them.

## VISION FOR THE FUTURE

The Group has displayed an excellent performance during the year under review and plans to continue efforts to ensure a commendable performance in the future. Ensuring the continuation of sales is expected to be of concern during the next year, which is likely to continue to be affected by the devaluation of the rupee and lessened spending power of customers and potential customers.

The Group will continue its efforts to strategically explore international markets and expand its operations as it moves forward along with improved cost management, strategies, and negotiations with key international markets. Additionally, further investments for the training and development of the human resources of Lanka Tiles PLC is expected to improve stakeholder engagement and value creation.

As a well-known premier brand in the country, LANKATILES look forward to continue its contributions to strengthen the country's economic situation while driving profitable, sustainable growth through the adoption of appropriate strategies.

## ACKNOWLEDGMENTS

I wish to express my gratitude to our Chairman and the Board of Directors for their support and guidance in successfully steering the Group through a challenging year. I thank the LANKATILES team for their determined spirit, commitment, and focus in ensuring the success of the Group during a particularly tough year.

I extend a heartfelt thank you to our partners and distributors who have been of immense help in increasing our brand value and maintaining suitable inventory.

I thank our shareholders for their trust in the Board of Directors and the team at Lanka Tiles PLC. We will continue to keep your best interest in mind and put every effort to add value to your investments in the Group.

Finally, my sincere appreciation is given to our loyal customers for choosing LANKATILES as your preferred brand of choice in creating sophisticated interiors. We look forward to your continued patronage.



**J A P M Jayasekera**  
Managing Director

31st May 2023

# BOARD OF DIRECTORS



**1**  
**Mr. A M Weerasinghe**  
Chairman

**2**  
**Mr. J A P M Jayasekera**  
Managing Director

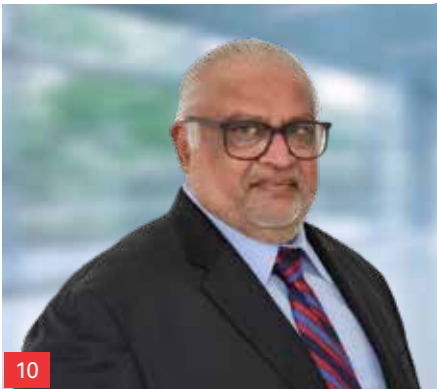
**3**  
**Dr. S Selliah**  
Director

**4**  
**Mr. T G Thoradeniya**  
Director

**5**  
**Mr. K D G Gunaratne**  
Director

**6**  
**Ms. A M L Page**  
Director





**7**  
**Mr. J A N R Adhihetty**  
Director

**8**  
**Mr. S M Liyanage**  
Director

**9**  
**Mr. S R Jayaweera**  
Director

**10**  
**Mr. J R Gunarathne**  
Director

**11**  
**Ms. K A D B Perera**  
Director

# BOARD OF DIRECTORS

## Mr. A M Weerasinghe

Chairman

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

In addition to the above, he is the Chairman of Lanka Walltiles PLC, Lanka Ceramic PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd, Trade Huts (Pvt) Ltd, and Weerasinghe Gems (Pvt) Ltd.

He also serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

## Mr. J A P M Jayasekera

Managing Director

Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Limited. He is the Chairman of Sri Lanka Cost and Management Accounting Standards Board.

He has an honours degree in Business Administration from the University of Sri Jayewardenapura and is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He holds a Master of Arts in Buddhist Studies (Distinction Pass) from the University of degree Kelaniya.

He is the President of Colombo Young Men's Buddhist Association.

## Dr. S Selliah

Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in serving on the Boards related to varied fields including Manufacturing, Healthcare, Insurance, Logistics, Packaging, Renewable Power, Plantation, Retail etc. He 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 Audit committee, Human Resource and Remuneration committee, Investment committee, Strategic Planning committee, Related Party Transaction committee, Nomination committee, Risk Management committee etc.

Dr. Selliah is currently the Chairman of JAT Holdings PLC. He is also the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd. He the following listed companies Commercial Bank of Ceylon PLC, Lanka Walltiles PLC, ACL Cables PLC, HNB Assurance PLC, Swisstek (Ceylon) PLC. 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.

## Mr. T G Thoradeniya

Director

Mr. Thoradeniya has over two decades of senior management experience in multi- industry scenarios. He is the Group Director Marketing and Business Development of Royal Ceramics Lanka PLC. He sits on the Boards of several public quoted and privately held companies, including Lanka Ceramics PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Hayleys Fibre PLC, Delmege Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd, Unidil Packaging Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of the Chartered Marketers of the Chartered Institute of Marketing (UK).

## Mr. K D G Gunaratne

Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western provincial Council during the period 1989 to 2009. He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd and Urban Investments & Development Company (Pvt) Ltd.

He also serves as a Director of Lanka Walltiles PLC, Lanka Ceramic PLC, Dipped Products PLC, Swisstek (Ceylon) PLC, Singer Industries (Ceylon) PLC and Regnis Lanka PLC and is an Alternate Director at Horana Plantations PLC.

## Ms. A M L Page

Director

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

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

Ms. Page serves on the Boards of Lanka Walltiles PLC and Lanka Ceramics PLC.

**Mr. J A N R Adhihetty**

Director

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

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

Presently he is attached to Delmege Forsyth & Co. Ltd as a Director.

**Mr. S M Liyanage**

Director

Mr. Liyanage is a respected professional with over 10 years' experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group. He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from the University of Colombo.

He currently serves as a Group Director- Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies. He currently serves on the Board of Directors of Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Lanka Ceramics PLC, Swisstek Aluminium Limited, Uni Dil Packaging Limited and Horana Plantations PLC. He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo. Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

**Mr. S R Jayaweera**

Director

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

**Mr J R Gunarate**

Director

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

**Ms. K A D B Perera**

Director

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

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Walltiles PLC, Haycarb PLC, Dipped Products PLC, Hayleys Fabric PLC, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the Board of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

# SENIOR MANAGEMENT



**Mahendra Jayasekera**  
Managing Director



**Nandajith Somaratne**  
Director - Manufacturing



**Shirley Mahendra**  
Director - Group Marketing



**Sajeewani Amarasinghe**  
General Manager (Finance)



**Patrick Piyasena**  
Technical Consultant



**Prasad Keerthiratna**  
Assistant General Manager - IT



**Kaushalya Sudasinghe**  
Assistant General Manager - Sales



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



**Daminda Perera**  
Group Head of Marketing



**Anura Ratnayake**  
Group Business Development  
Manager



**B A MThilakasiri**  
Group Stores Manager



**Athula Hewapathirana**  
Group HR Manager



**Kapila Ranatunga**  
Group Commercial Manager



**Nilanga Fernando**  
Group Financial Accountant



# ORIGINATIVE RESULTS

MANAGEMENT DISCUSSION  
AND ANALYSIS

# STRATEGY

The Group places trust in a carefully and subtly developed strategy in business operations to thrive the organization towards success. Amidst plentiful challenges in the year under review, Lanka Tiles PLC altered and strengthened its strategy to remain resilient in the industry. At the same time, we focused on opportunities for growth and expansion. Key areas of focus in the strategy and the progress made under each focus area are comprehensively set out in this section.



## PROFITABILITY GROWTH

Measures taken	<ul style="list-style-type: none"> <li>Managing to maintain our margins with our existing sales and ensuring profitability amidst ample challenges in the operating environment</li> <li>Grabbing growth opportunities in the overseas markets, especially in USA and India: enhancing our presence in the USA by investing more to strengthen our relationship with our main distributor there and doubling up our efforts in India</li> <li>Strengthening the distribution channel by adding new dealers and new showrooms</li> <li>Reduced costs by adopting various new systems and procedures</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Revenue growth 28%</li> <li>Increase in the operating profit 17%</li> </ul>

## FINANCIAL STABILITY

Measures taken	<ul style="list-style-type: none"> <li>Maintaining a sound cash flow position to drive the company's growth</li> <li>Effective working capital management to ensure an uninterrupted production cycle</li> <li>Expansion of funding capacity to generate more sales and profits</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Return on Equity 29%</li> <li>Interest cover 22 times</li> <li>Gearing ratio 14%</li> </ul>



**BRAND VALUATION**

Measures taken	<ul style="list-style-type: none"> <li>Made alterations to the brand identity and the brand personality with the implementation of a new logo</li> <li>Initiated the concept of 'Brand Citizenship Behaviour'</li> <li>Strengthening our marketing efforts by enhancing our digital presence through investing more in digital marketing</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Brand value Rs.2,084 Mn</li> <li>Revenue achieved Rs.18,684 Mn</li> <li>New designs 46</li> </ul>

**INNOVATION**

Measures taken	<ul style="list-style-type: none"> <li>Launch of new products with multiple new designs and new sizes</li> <li>Exploring the potential to use alternative raw materials and swiftly adapting to use them in a situation of short supply of our primary raw materials</li> <li>Earned the recognition of "Most Innovative and Informative Trade Stall" at the Architect Exhibition 2023 held at BMICH</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>New showrooms 4</li> <li>Investments in R&amp;D Rs. 13 Mn</li> </ul>

**EFFICIENT OPERATIONS**

Measures taken	<ul style="list-style-type: none"> <li>Continuous infrastructure developments in the factory to improve efficiency</li> <li>Installation of the SAP system to ease the resource planning process of the organization</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Profit per employee Rs. 5 Mn</li> <li>Revenue per employee Rs. 25 Mn</li> </ul>

**PRODUCTIVE WORKFORCE**

Measures taken	<ul style="list-style-type: none"> <li>Initiation of the concept 'Transforming People – Intent Into Brand Value Strategy'</li> <li>Successful efforts were taken in the implementation of the concept of 'Total Productive Maintenance'.</li> <li>Reinforcing the 'Spiritual Management Programme'</li> <li>Conducted a series of training programmes to facilitate employees in acquiring new knowledge and skills and improving the existing ones</li> <li>Continuous engagement with employees in various forms to improve their well-being</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Sales growth 28%</li> <li>Employee retention rate 79%</li> </ul>

**SUSTAINABILITY**

Measures taken	<ul style="list-style-type: none"> <li>Aligning the manufacturing process to ensure environmental compliance</li> <li>Monitoring the consumption of finite resources</li> <li>Providing indirect employment opportunities</li> <li>Implementation of CSR projects uplifting the standard of education, people, religious institutions, and hospitals in regions where our factories are located</li> </ul>
Key Performance Indicators	<ul style="list-style-type: none"> <li>Water consumption 194 Mn Litres</li> <li>Electricity consumption 22 Mn KWH</li> <li>Raw material consumption 94,745 MT</li> <li>Expenses on CSR activities Rs. 3.1Mn</li> </ul>

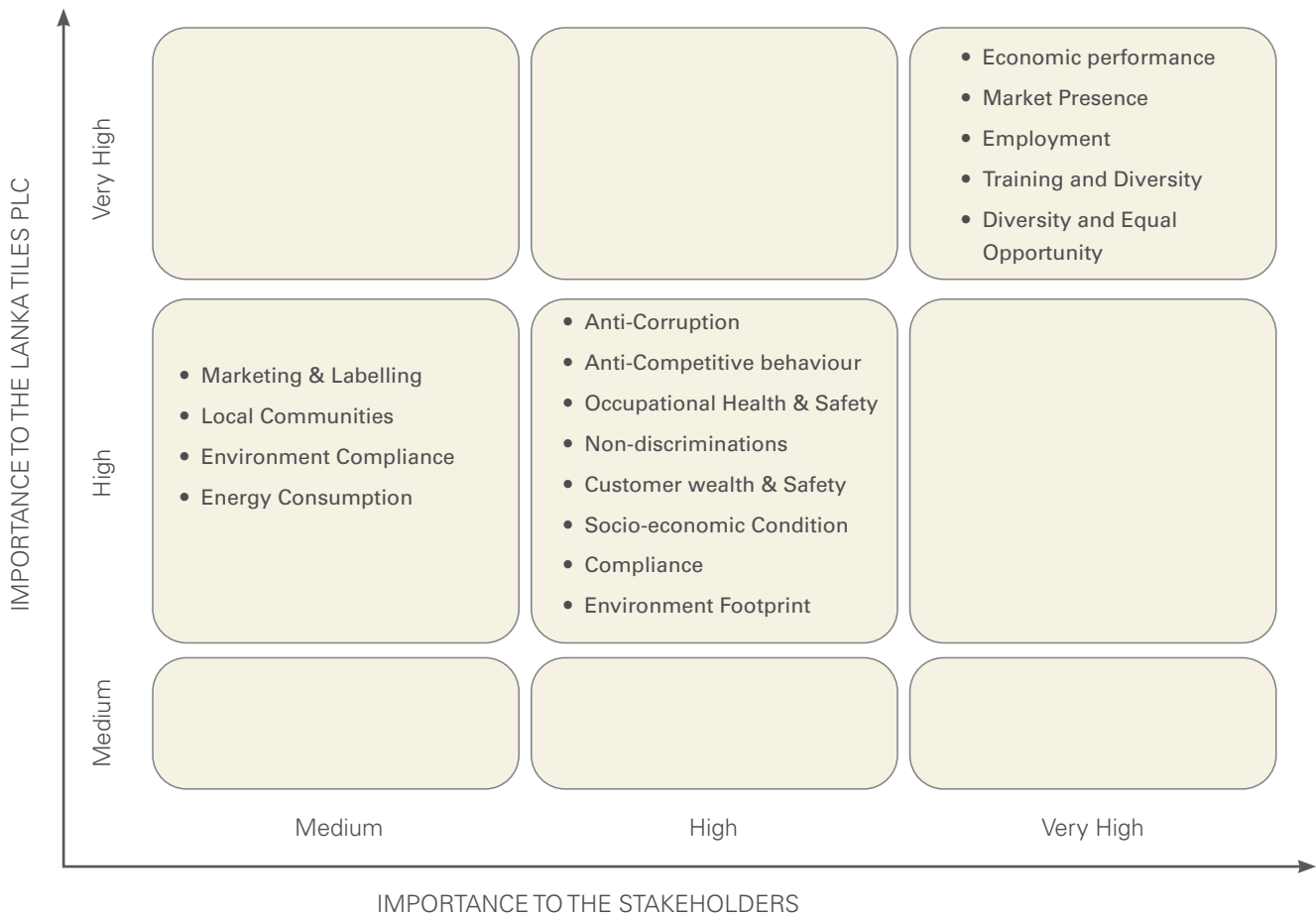
# MATERIALITY

The issues that have the greatest potential impact on the Group’s ability to create value are material matters and these are critical in deciding strategy and resource allocation. Examining the organization’s operating landscape, stakeholder considerations as well as strengths and weaknesses proactively, material concerns are assessed continually.

The materiality in Lanka Tiles PLC describes the benefits of the Group’s financial and non-financial variables to the stakeholders and their significance to Lanka Tiles. It is depicted in this report how well our strategy and resource allocation have helped us overcome material issues.

## Materiality Matrix

Exceptional concerns in the economic landscape led to significant changes in the materiality landscape. This is reflected in the list of material issues. It is noteworthy that certain issues have shown an increase in importance and hence require higher managerial consideration.



## Materiality Analysis

The Group has interacted effectively with stakeholders in numerous ways with varying intensities to create a wide array of values under economic, social and environmental spheres, as shown below:

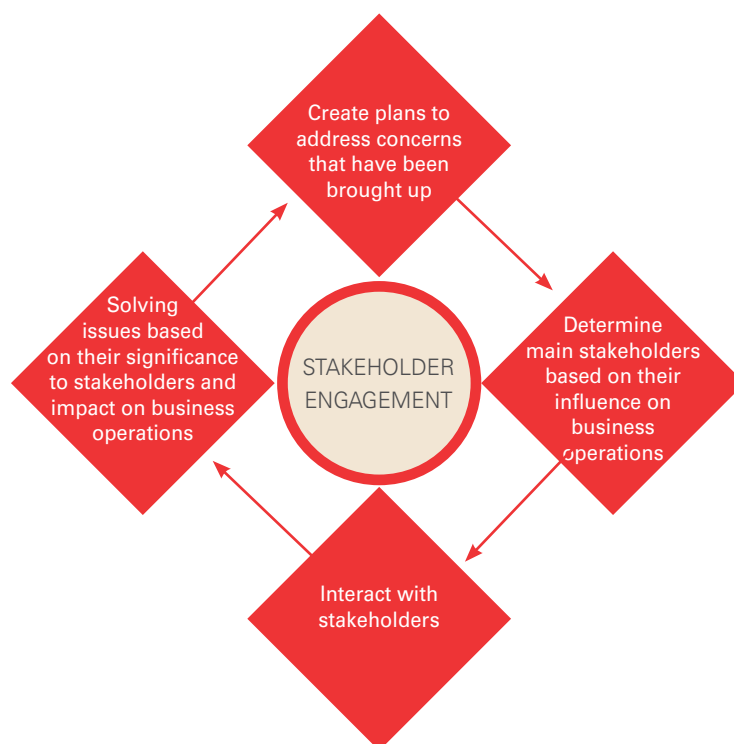
	Material Topic	Change in Materiality Compared to FY 2021/22	Corresponding GRI Topic	Related Capitals	Related Stakeholders
<b>ECONOMIC</b>	Economic Performance	↑	GRI: 201 Economic Performance GRI:203 Indirect Economic Impacts GRI: 204 Procurement Practices	Financial Capital Manufactured Capital Intellectual Capital	Employees Shareholders Customers Regulators
	Market Presence	↑	GRI: 202 Market Presence	Financial Capital Manufactured Capital Human Capital Social Capital	Employees Shareholders Customers Regulators
	Anti-corruption	↑	GRI 205: Anti-corruption	Intellectual Capital Social Capital	Employees Regulators Business Partners
	Anti-competitive Behaviour	↑	GRI 206: Anti-competitive behaviour	Intellectual Capital Social Capital	Employees Community
<b>SOCIAL</b>	Employment	↑	GRI 401: Employment	Financial Capital Manufactured Capital Human Capital Social Capital	Employees Community Regulators
	Occupational Health and Safety	↑	GRI 403: Occupational health and safety	Financial Capital Human Capital Social Capital	Employees Customers
	Training and Diversity	↑	GRI 404: Training and education	Financial Capital Intellectual Capital Human Capital	Employees Community
	Diversity and Equal Opportunity	–	GRI 405: Diversity and equal opportunity	Intellectual Capital Human Capital Social Capital	Employees Community
	Non-discriminations	–	GRI 406: Non-discrimination	Intellectual Capital Human Capital Social Capital	Employees Community Regulators
	Customer Health and Safety	–	GRI 416: Customer health and safety	Social Capital	Customers Regulators
	Marketing and Branding	↑	GRI: 417 Marketing and Labelling	Financial Capital Social Capital	Employees Community

# MATERIALITY

	Material Topic	Change in Materiality Compared to FY 2021/22	Corresponding GRI Topic	Related Capitals	Related Stakeholders
<b>ENVIRONMENT</b>	Local Communities	↑	GRI 413: Local communities	Financial Capital Social Capital Natural Capital	Community
	Socio-economic Compliance	↑	GRI 419: Socioeconomic Compliance	Social Capital Natural Capital	Employees Community Regulators Business Partners
	Energy Consumption	↑	GRI 302 Energy	Manufactured Capital Natural Capital	Employees Community Regulators Business Partners
	Environment Footprint	↑	GRI 301: Materials GRI 302: Energy GRI 303: Water and effluents GRI 305: Emissions GRI 306: Waste	Manufactured Capital Natural Capital	Employees Community Regulators Business Partners
	Compliance with Environment	↑	GRI: 307 Environmental Compliance	Natural Capital	Employees Community Regulators Business Partners

# STAKEHOLDER ENGAGEMENT

LankaTiles PLC recognizes the significance of satisfying the needs of its stakeholders for the Company's endurance and worth. It employs both formal and informal strategies to engage with stakeholders and prioritize resolving issues that impact their operations. Lanka Tiles PLC considers stakeholder engagement and continual communication as essential for their business triumph. Hence various communication techniques are in place for periodical evaluation of their efficacy.



## Employee

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Training sessions	Frequently	Fair remuneration	- Benchmarked remuneration packages in line with the industry
Self-development programmes	Continuously	Work-life balance	- Annual profit share, incentives, death donations
Entertainment events	Annually	Employee benefits	- Provision of a comfortable and healthy working environment
Religious, cultural and International Days' celebrations	Annually	Workplace health and safety	- Open door policy with senior management
Direct interaction with Senior Management	Annually	Conducive workplace	- Conducting technical, internal and external training sessions
Formal performance appraisals	As needed	Training & Development	- Fair and transparent performance appraisal system
Regular meetings with unions	Regularly	Job security	- Recognition of services of employees
Communication of company performance	Quarterly	Career progression	

# STAKEHOLDER ENGAGEMENT

## Customer

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Face-to-face interactions at our own showrooms	Regularly	Value for money	<ul style="list-style-type: none"> <li>- Driving cost efficiencies</li> <li>- Quality certifications</li> <li>- Product quality assurance processes</li> <li>- Managing price and volume growth</li> <li>- Island-wide presence</li> </ul>
Trade Exhibitions	Annually	Product quality	
Sales team engagement	Continuous Basis	Choice of products	
Third-party satisfaction surveys and industry studies	Continuous Basis	Availability and accessibility	
Customer Hotline	24/7	Consumer promotions	
Social media platforms	Continuous Basis		
Call Centre	24/7		

## Shareholder

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Board representation of major shareholders	Continuous Basis	Earnings and dividends	<ul style="list-style-type: none"> <li>- Safeguarding our market position</li> <li>- Corporate Governance and Risk management</li> <li>- Improving manufacturing capacity and efficiency</li> </ul>
Interim Financial Statements	Quarterly	Growth prospects	
Press Releases	As needed	Transparency	
Annual General Meeting and publication of Annual Report	Annually	Environment and social impact	
CSE announcements	Continuous Basis	Governance	
Corporate website	Continuous Basis	Share price and liquidity	
One-to-one engagement	As needed		

## Supplier

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Supplier assessment and feedback	As needed	Increased business	<ul style="list-style-type: none"> <li>- Established procurement processes</li> <li>- Established procurement processes</li> <li>- Ensured timely payments</li> <li>- Quality assurance processes to provide constructive feedback</li> </ul>
Managing relationships	As needed	Transparent procurement processes	
Visits	Regularly	Timely payments	
		Constructive feedback	

## Distributor

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Dedicated teams to handle distribution networks	Regularly	Incentives and rewards	<ul style="list-style-type: none"> <li>- Product innovation to drive customer demand</li> <li>- Advertising and marketing communications to create demand</li> <li>- Proactive forecasting and planning to enhance demand visibility</li> </ul>
Regular assessments of performance and feedback	Regularly	Customer demand	
		Marketing communications	
		Logistics	
		Support for growth	

## Regulators

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Filing returns	Regularly	Compliance with regulations	<ul style="list-style-type: none"> <li>- Employment opportunities</li> <li>- Socioeconomic progress</li> <li>- Environment-related issues</li> <li>- Support for community needs</li> </ul>
Facilitating visits	As needed	Timely filing of returns and payments	
One-to-one engagement	Continuous Basis	Foreign currency Earnings	
Press releases	Continuous Basis	Economic value creation	
		Support for growth	

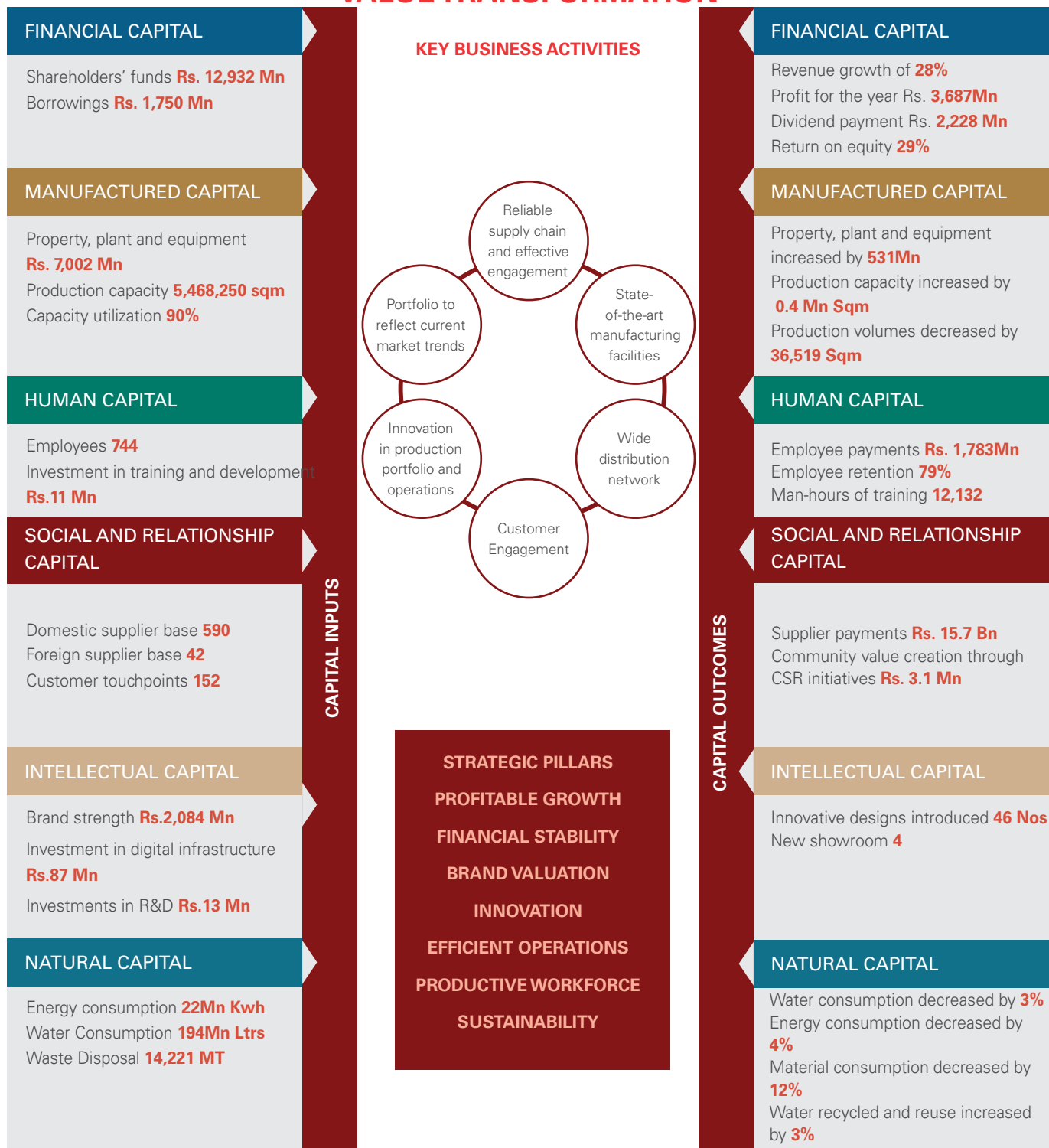
## Community

Method of Engagement	Frequency of Engagement	Interests/ Expectations	Managing interests/Expectations
Recruit from local communities where skills are available	As needed	Employment opportunities	<ul style="list-style-type: none"> <li>- Recruit from local communities where possible</li> <li>- Provide opportunities for local entrepreneurs where possible</li> <li>- Managing environmental impacts in compliance with CEA requirements</li> </ul>
CSR projects	Continuous Basis	Socio-economic progress	
Entertain grievances from the community	Regularly	Environment related issues	
Public events	Continuous Basis	Support for community needs	
Corporate Website	Continuous Basis	Support for growth	
Social media interactions and press releases	Continuous Basis		



# STRATEGIC VALUE CREATION

## VALUE TRANSFORMATION



### IMPACTS

PROFIT	PEOPLE	PLANET
Forex earnings - Rs. 525 Mn	• Community development projects - Rs.3.1 Mn	• Water recycled 17Mn litres
Economic value added by the group - Rs.2,586 Mn	• Employment opportunities - 744	• 14,221 MT waste discharge
Tax payments both direct and indirect - Rs. 3,475 Mn		• Non-renewable energy
		• Electricity 22 Mn kWh
		• LPG Consumed 11Mn Kgs

# RISK MANAGEMENT

Lanka Tiles PLC is part of a manufacturing industry relying on goods and services for its production process and is influenced by a number of factors in the external and internal landscape. The year under review experienced significant changes in the macro-economy which in turn, required the strengthening of the Company’s risk management processes. Lanka Tiles PLC follows a structured risk management process to enable the identification and effective mitigation of risks and overcome uncertainty to achieve its business aims and objectives.



## PRINCIPAL RISKS

The principal risks concerning Lanka Tiles PLC during the year under review resulted from a number of factors including financial, governmental, and industrial considerations. The risks impacting the company in its strategic endeavours to achieve targets and the respective mitigating measure used to address the particular risks are as stated below.

## RISK GOVERNANCE

The Board of Directors bears responsibility for managing the company’s risk exposure. In the discharge of the risk-related duties, the Board is assisted by the Audit Committee. Additionally, the two Committees engage with the corporate management and other employees to ensure the management of risk exposures within acceptable limits.

## RISK DRIVERS

During the year ended 31st March 2023, the operating environment was noticeably affected by a number of complexities. The increased risks necessitated a meticulous risk management process to address a number of challenges stemming from the macro-economic uncertainties such as the sharp devaluation of the rupee and high inflation which resulted in economic challenges and a decrease in demand. Additionally, the lack of availability of essentials such as fuel during the year under review resulted in transportation systems being affected and disruptions in the supply chain.

## PRINCIPLES OF RISK MANAGEMENT

The Risk Management Process of Lanka Tiles PLC follows the Three Lines of Defense model which includes employees across the company and requires them to be responsible and accountable in the managing of risks experienced by the company.



- EXECUTIVES AND SUPERVISORS**
  - Ensure risk exposure remains within limits by identification, assessment, management, and reporting of all risks within control on a daily basis

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- CORPORATE MANAGEMENT TEAM**
  - Assures risk management across the business through transparent, well-communicated risk policies, and effective monitoring systems

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- THE BOARD OF DIRECTORS**
  - Provides independent assurance and oversight on the effectiveness of the risk management system and internal controls

# RISK MANAGEMENT

Risk	Risk Indicators and Possible Impacts	Mitigation Strategies	Risk Rating		
			Low	Medium	High
Restrictions on imports	<ul style="list-style-type: none"> <li>Challenges in sourcing raw material</li> <li>Decline in production due to lack of raw material</li> <li>Loss of market share</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of alternative raw material</li> <li>Continuation of the new brand of tiles</li> <li>Continuous innovations to introduce new tile designs</li> <li>Price controls</li> </ul>		X	
High inflation	<ul style="list-style-type: none"> <li>Interruptions to continuous production and business growth</li> <li>Uncontrolled increase in production costs</li> </ul>	<ul style="list-style-type: none"> <li>Flexible strategic actions to manage costs</li> <li>Maintaining sales volume</li> </ul>			X
Changes in government policies	<ul style="list-style-type: none"> <li>Restrictions on the importation of raw material</li> <li>Changes in taxation policies</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a positive relationship with regulators and policymakers</li> <li>Switch to alternative raw material</li> </ul>			X
Fluctuations in the exchange rate	<ul style="list-style-type: none"> <li>Sharp depreciation of the SL rupee against the US dollar</li> <li>Decline in foreign reserves</li> <li>Impact on the prices of raw materials, spare parts, and overall operations</li> <li>Lack of inclination from banks to open LCs</li> </ul>	<ul style="list-style-type: none"> <li>Consistent monitoring of the exchange rate movement</li> <li>Expansion of production operations internationally</li> <li>Maintaining optimum capacity and managing exposure through hedging and other techniques</li> </ul>			X
Changes in designs and trends	<ul style="list-style-type: none"> <li>Fluctuations in demand according to the designs and trends</li> <li>Increased costs of holding high inventory</li> <li>Impact on revenue</li> </ul>	<ul style="list-style-type: none"> <li>Consistent development and introduction of new designs and styles</li> <li>Expansion of dealerships and showroom network</li> <li>Conduct market research to analyse consumers' purchase trends</li> </ul>		X	
Retention of employees	<ul style="list-style-type: none"> <li>Migration of employees due to socio-economic challenges</li> <li>Increased costs to attract and train new employees</li> </ul>	<ul style="list-style-type: none"> <li>Uninterrupted continuation of benefits such as salary increments, incentives, and special allowances</li> <li>Investment in employee training and development</li> <li>Provision of opportunities for career progression</li> </ul>		X	

Risk	Risk Indicators and Possible Impacts	Mitigation Strategies	Risk Rating		
			Low	Medium	High
Disruptions in the supply chain	<ul style="list-style-type: none"> <li>• Interruptions to the timely management of inventory</li> <li>• Increased customer dissatisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of adequate fuel stocks to facilitate transportation</li> <li>• Employing an external service provider to handle the transportation of inventory</li> </ul>		X	
Product risks	<ul style="list-style-type: none"> <li>• Poor quality products affect customer satisfaction</li> <li>• Impacts the competitiveness of the product</li> </ul>	<ul style="list-style-type: none"> <li>• Adherence to strict quality controls and monitoring processes</li> <li>• Prioritize research and development</li> <li>• Maintain partnerships with international counterparts to encourage knowledge sharing to improve production facilities</li> </ul>		X	
Brand and reputational risks	<ul style="list-style-type: none"> <li>• Affects the relationship with customers and other stakeholders</li> <li>• Decrease in the brand value</li> <li>• Risk to the brand reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Strict adherence to relevant labour, social, and environmental protection regulations and policies</li> <li>• Conduct regular audits</li> <li>• Educate employees to build awareness and establish a culture of compliance</li> <li>• Integrate social media to support brand-strengthening initiatives</li> <li>• Initiation of the concept 'Transforming People – Intent Into Brand Value Strategy'</li> </ul>		X	


### STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL ADEQUACY

The Board confirms that an effective risk management and internal control framework and an ongoing process is in place to minimise all potential risks and their probability of impact on the company and its business. The Board also confirms all risks were reviewed using internal and external parties and were deliberated upon by the Board and if necessary, corrective actions were taken. The Board assures that the reliability of financial statements presented herein has been done in accordance with applicable accounting standards and regulatory

requirements and taking into account all risk factors. The Board declares that it has not found any significant risks that may impact the operation of the business as a going concern, or will impact the financial stability or the business materially.



A.M. Weerasinghe  
Chairman



J A P M Jayasekera  
Managing Director

# OPERATING ENVIRONMENT



Escalation in global inflation made the governments in most countries around the world tighten their monetary policies which ultimately resulted in a dramatic decline in the global economic activity during the financial year under concern. With the global economic downturn, Sri Lanka experienced an unprecedented slowdown in economic activity which eventually turned into an economic crisis. The economic recession adversely affected almost all the sectors which contribute to the GDP and it reversed the post-pandemic recovery of the country. The construction sector is one such sector which was hit hard by the collapse of the global and domestic economy.

## GLOBAL ECONOMIC PERFORMANCE

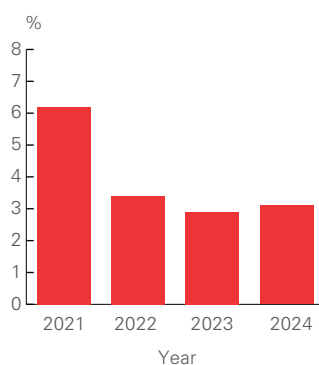
### Global Economic Growth

Global economic growth in 2022 was expected at 3.4% according to the IMF's World Economic Outlook (WEO) update and it was a considerable decline from the 6.2% growth estimated for 2021. The sharp deceleration which was obvious in the global economic activity was a direct result of the monetary policy tightening by central banks throughout the world with the intention of regulating the excessive

inflation caused by the Russia-Ukraine war and a recurrence of COVID-19 in China.

Global growth is predicted to decline to 2.9% in 2023 before rebounding to 3.1% in 2024, as per the WEO update of January 2023.

**Growth Rate**



### Global Inflation

Global inflation was forecasted to reach its highest level in 2022 and then begin to fall in 2023 due to the weakening demand and easing of commodity prices. As per the WEO update of January 2023, global consumer prices ascended by 8.8% in 2022, relative to 4.7% in 2021. A collective impact of both the demand and supply factors led to the inflation spike in 2022. The lingering effects of

The construction industry used to make a contribution of 8-10% to the national GDP and provide direct and indirect employment for over 1.2 Mn. Amidst the contraction in the Sri Lankan economy which was worsened by several factors including the severe dearth of foreign currency, shortages of fuel and food and high foreign debt, the construction industry shrank rapidly by 20.9% in 2022.

ultra-easy monetary and fiscal support and the pandemic which resulted in prolonged pricing pressures were on the demand side and the insufficient supply of key commodities, capacity limitations and supply chain disruptions were on the supply side.

## DOMESTIC ECONOMIC PERFORMANCE

### Economic Growth

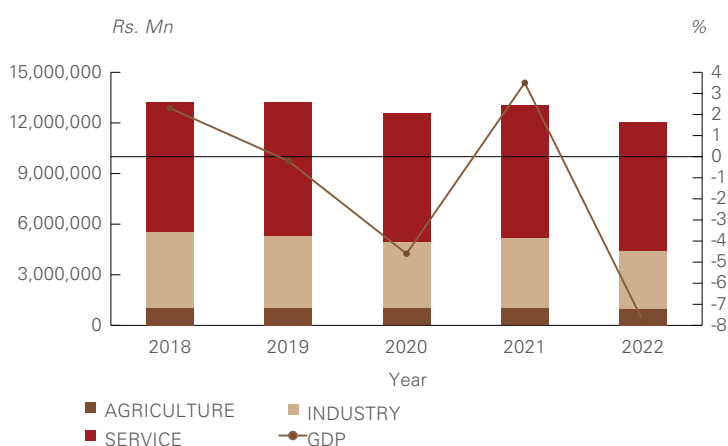
The real GDP is expected to decrease by 7.8% in 2022, compared to a 3.5% increase in 2021, according to the preliminary forecasts from the Department of Census and Statistics (DCS). Reversing the post-

pandemic recovery, the repercussions of the severe economic crisis pushed the Sri Lankan economy towards its worst economic downturn, since its independence, in 2022.

The agriculture sector, which has been underperforming since 2019, declined by 4.6% in 2022, compared to the previous year. The industrial sector dropped by 16.0% year on year in 2022, owing mostly to sluggish performance in the construction and manufacturing

subsectors amid significant raw material shortages and input cost increases. The energy crisis and the tighter monetary conditions were among the other factors which had an impact on the performance of the industry subsectors. The construction subsector, which formed 28.0% of the industry sector, contracted by 20.9% year on year in 2022. Regardless of the resilient performance of the services sector in the first quarter of 2022, the economic setbacks hampered further expansion in the sector, resulting in a 2.0% year-on-year contraction in 2022.

### Gross Domestic Product



### Inflation Rate

Reflecting the impact of tight monetary policy and the gradual reduction of supply-side disruptions, consumer price inflation began to fall after reaching its peak in September 2022. The effect of considerably tight monetary policy and other measures in demand management including prioritizing essential imports and lowering food and energy prices contributed to the control of the pace of headline inflation since the latter part of 2022.

Accordingly, year-on-year headline inflation, as assessed by the Colombo Consumer Price Index (CCPI, 2013=100), which was 12.1% at the end of 2021, surged to 69.8% in September 2022 before easing to 57.2% in December 2022 and the year-on-year headline inflation based on the National Consumer Price Index (NCPI, 2013=100)

was 73.7% at the end of September 2022 and 59.2% by the end of 2022, compared to 14.0% at the end of 2021.

The decreased trend in headline inflation that was noticed in the latter half of 2022 continued into 2023.

### Interest Rate

Considering the most recent macroeconomic conditions, anticipated changes and macroeconomic projections, the Central Bank of Sri Lanka maintained the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at the levels of 14.50% and 15.50%, respectively. The prevalent tight monetary conditions, the slowing pace of inflation, and the anticipated disinflationary path in the near term were noted in taking the decision to maintain the rates at the above levels.

### Exchange Rate

The Sri Lanka rupee depreciated significantly by 41.4% against the US dollar by the end of April 2022. However, the exchange rate appreciated substantially during early March 2023, due to the impact of improving foreign exchange market conditions. The Sri Lankan rupee appreciated against the US dollar by 10.9% at the end of March 2023 and the strengthening of the gross official reserves with IMF-EFF funding assistance and market purchases of foreign exchange greatly contributed to this. The Sri Lanka rupee began to fluctuate in late March 2023, reflecting the wider flexibility in determining the currency rate.

### Manufacturing Sector Performance

Overall manufacturing activity, which represented around 59% of the whole industry sector, decreased by 12.6% year on year in 2022, compared to 7.4% growth in 2021. Due to the negative impact of extended power outages, fuel and key raw material shortages, logistic issues and subdued demand conditions, all manufacturing activities, with the exception of textiles, wearing apparel and leather-related products, contracted during the year concerned.

### Construction Sector Performance

The construction industry used to make a contribution of 8-10% to the national GDP and provide direct and indirect employment for over 1.2 Mn. Amidst the contraction in the Sri Lankan economy which was worsened by several factors including the severe dearth of foreign currency, shortages of fuel and food and high foreign debt, the construction industry shrank rapidly by 20.9% in 2022.

Other than the economic crisis, price hikes in construction materials and the shortage of cement also had a detrimental effect on the output of the Sri Lankan construction industry in 2022. The quantity of cement produced and the cement imports declined by 0.8% in 2021, from 7.2 Mn MT in 2020 to 7.1 Mn MT.



# OPERATING ENVIRONMENT

However, the Sri Lankan construction industry is predicted to grow at a 5.5% annual rate from 2023 to 2026, with the support of investments in transport, housing and renewable energy projects together with government policies promoting manufacturing and exports.

## Import Performance

Expenditure on merchandise imports fell significantly within 2022 due to several factors including the effect of the foreign exchange deficiency amid significant BOP stresses, subdued demand conditions, substantial exchange rate depreciation, and administrative measures to prioritize imports. Import expenditure dropped by 11.4% to USD 18,291 Mn in 2022 from USD 20,637 Mn in 2021, owing to a considerable reduction in imports of investment goods and non-food consumer goods.

## Export Performance

Earnings from merchandise exports increased significantly owing primarily to a favourable exchange rate, priority given to export industries when sourcing imported inputs, and the price hikes in the global commodities. As a result, earnings from merchandise exports increased by 4.9% to US\$ 13,106 Mn in 2022 from US\$ 12,499 Mn in 2021.

Impact of the global and domestic economic situation on our business operations

- Demand for our products dropped with the overall contraction in the construction industry.
- Revised tax rates negatively impacted the entire profitability of the group.

- Production costs went high due to several factors including the increase in the prices of both the local and imported raw materials, the increase in electricity and energy costs and labour charges.
- Export sales went low as we were not able to raise the confidence of export buyers due to the country's situation.
- Import of raw materials and export of the finished goods, both, were affected by the economic crisis and government policies.
- Staff retention became a challenge for the Human Resource Management of the organization.



# BUSINESS LINE REVIEW

Financial Capital	Human Capital	Social and Relationship Capital	Intellectual and Manufactured Capital	Natural Capital
<ul style="list-style-type: none"> <li>Revenue Rs.18,684Mn</li> <li>Interest Cover 22 Times</li> <li>ROA 20%</li> <li>ROE 29%</li> </ul>	<ul style="list-style-type: none"> <li>Training Hours 12,132</li> <li>Investments in Training and Development Rs.11 Mn</li> <li>New Recruitments 164</li> </ul>	<ul style="list-style-type: none"> <li>High Customer Satisfaction</li> <li>New Suppliers 12</li> <li>Direct Job Opportunities 744</li> <li>CSR Investments Rs. 3.1 Mn</li> <li>New Showrooms 4</li> </ul>	<ul style="list-style-type: none"> <li>CAPEX Rs. 718 Mn</li> <li>Plant and Machinery Rs.7,002 Mn</li> <li>New Designs 46</li> <li>Brand Value Rs. 2,084 Mn</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption by 194.1 Mn Litres</li> <li>Water treatment for reuse 16.8Mn Litres</li> <li>Raw material recycled for reuse 8,698MT</li> <li>Emission Reduction 1,942Tco2 (Scope 1)</li> </ul>

Lanka Tiles has maintained its position as the local tile manufacturing industry's premier brand floor and wall tile manufacturer despite the year being affected by unparalleled challenges in the macroeconomy. Engaging in proactive decision-making and adopting the most suitable measures while staying true to our core values has enabled Lanka Tiles to face the challenges effectively. Lanka Tiles continues to put every effort to conduct all its business affairs in an ethical manner.

Lanka Tiles manufacture a wide range of tile designs, and textures of varying sizes to cater to different market segments it operates in.

The export sales revenue was recorded at Rs. 525 Mn while revenue from domestic sales was recorded at Rs. 18,159 Mn.



## OUR PERFORMANCE

Lanka Tiles managed to record growth in terms of brand equity and profitability despite the challenges in the macroeconomy during the year. Our production capacity was increased by the continuous innovations and reinforcements in our manufacturing

abilities. Additionally, the relationship with our stakeholders was strengthened through increased investments to reinforce trust. These measures helped us confirm our reputation as a reliable tile maker in Sri Lanka and increase our top line by 28% over the previous year's Rs. 14,591 Mn.

The local sales revenue recorded an increase of 30% and resulted in a 28% increase in the total revenue, to reach Rs. 18,684 Mn. An increase in the gross profit margin from Rs. 6,609 Mn last year to Rs. 8,428 Mn during the year under review was recorded, driven by the continuation of our operations without disruptions.

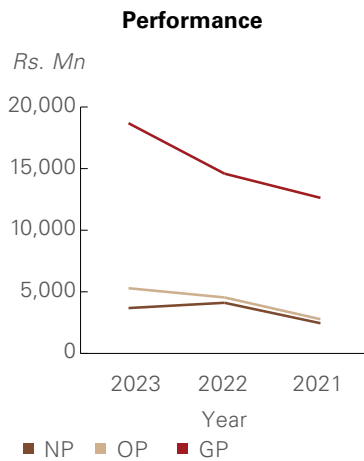
# BUSINESS LINE REVIEW

A 17% increase to Rs. 5,298 Mn in the operating profit was recorded driven by topline growth and improvements in profit margins.

The total capital expenditure of the Group was Rs.1,190 Mn. An improvement to Rs. 8,742 Mn of total non-current assets was recorded while the total inventory was Rs.5,037 Mn, up from Rs. 2,474 Mn recorded last year.

Lanka Tiles invested Rs. 319 Mn to improve its machinery and production facilities. The software was upgraded with an investment of Rs. 87 Mn to increase efficiencies in communication, production, and customer value creation.

## CONTRIBUTIONS OF OUR BUSINESS



**TO THE ECONOMY**

Revenue - **Rs. 18,684 Mn**

PAT - **Rs. 3,687 Mn**

Export income - **Rs. 525 Mn**

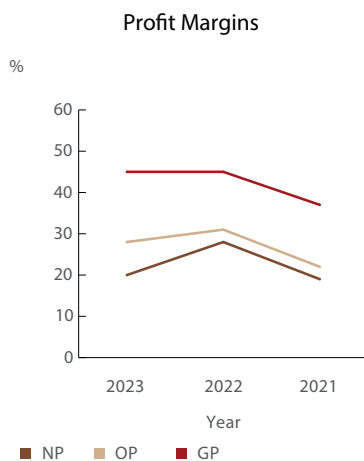
Taxes paid by the Company - **Rs. 3,475 Mn**

**TO THE ENVIRONMENT**

Raw material consumption - **94,745 MT**

Electricity consumption - **21,985,884 KWH**

Water consumption : **194 Mn Litres**



**TO THE PEOPLE**

New recruits - **164**

Investment on training and development - **Rs. 11 Mn**

Training and development hours - **12,132**

**TO THE COMMUNITY**

Jobs created - **744**

Expenditure on CSR - **Rs. 3.1 Mn**

Expenses on infrastructure development - **Rs. 1,190 Mn**

New Designs **46**

## SWOT ANALYSIS

### Strengths

- Capability of introducing innovative designs to the tile market continually
- Strength of multiple channels
- Delivery of high-quality products and efficient service to customers
- Increase our local and global presence
- Installation of the SAP system

### Weaknesses

- Decrease in demand for tiles.
- Delays in the automation of certain systems and processes

### Opportunities

- Potential to explore new export markets
- Expectant growth in the domestic construction sector
- Opportunities in increasing project sales

### Threats

- Drastic drop in the demand
- Economic downturn in the country
- Sharp contraction in the construction industry
- Price hikes in essential commodities
- Reduction of the disposable income of the customers mainly due to the inflationary pressure
- Transportation barriers due to fuel shortage
- Forex crisis
- Socio-political instability
- Brain drain due to skill migration

### Looking Ahead

Lanka Tiles expects to grow further with new developments in the upcoming years.

### Procurement

It is expected to enter into collaborative agreements with suppliers to improve our supply chain. New suppliers for raw materials will be sought. In addition, alternative material sources will be explored locally.

### Manufacturing

Development is to be made in the factories and machinery and equipment with the latest technology are to be introduced to increase the production capacity and to reduce costs.

### Warehousing

As a strategy for reducing unnecessary costs, we expect to continue the fulfilment of our storage facilities through outsourced stores.

### Distribution

Our distribution channel will expand further with the addition of new showrooms, dealers and factory outlets.

# CAPITAL REPORTS

## FINANCIAL CAPITAL

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



## MANUFACTURED CAPITAL

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



## HUMAN CAPITAL

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



## SOCIAL AND RELATIONSHIP CAPITAL

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



## INTELLECTUAL CAPITAL

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



## NATURAL CAPITAL

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



Expectations of all the stakeholders are fulfilled through the value created by the effective management of the set of capitals which is the primary input of our business process. The consumption, improvement, and modifications to capitals are done in the value transformation.

As a result of the inter-relatedness among these capitals, managing one capital would have an effect on managing another. Therefore, we have recognized that it is crucial to take optimal attempts towards managing the interdependencies as well. A comprehensive description of the said capital management is provided in this Capital Report.

# FINANCIAL CAPITAL



A total investment of Rs. 1,190 Mn was made for the improvement of production facilities while Rs. 319 Mn was invested in upgrading machinery. The Company invested Rs. 87 Mn in the introduction of new ERP which utilizes data efficiently for analysis and improves the decision-making process. The new ERP has also contributed to improved cost management through waste reduction.

## HIGHLIGHTS

- Revenue – Rs. 18,684 Mn
- Profit After Tax – Rs. 3,850 Mn
- Total Assets – Rs. 18,993 Mn
- Market Share – 34%
- Debt to Equity Ratio – 14%



Lanka Tiles PLC posted a satisfactory performance during the 2023 financial year despite economic, supply chain, and export hurdles that were faced during the year. An agile strategy aimed at creating value for stakeholders, streamlining processes, and prudent financial acumen resulted in the company maintaining its financial margins to deliver a commendable performance.

## Revenue

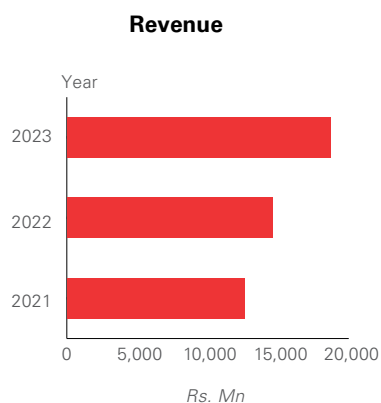
The Company recorded a 28% increase in revenue to Rs. 18,684 Mn during the year under review, compared to Rs. 14,592 Mn the previous year. The growth in revenue was a result of the increase in domestic sales which mitigated any losses incurred from export sales.

Domestic sales contributed Rs. 18,159 Mn, supported by the diligent effort of the Lanka Tiles PLC teams to maintain sales margins. The Company continued its efforts to increase domestic sales revenue through continuous innovations including using technology to introduce new designs and expansion of its networks and market share to drive sales. Managing production capacities further enabled the Company to maintain inventory as required, reducing costs associated with maintaining extra stocks.

Additionally, the Company's prompt switch to using alternative materials for production enabled the uninterrupted continuation of production despite the shortage of imported raw materials due to government-imposed restrictions on importations.

Export sales generated a revenue of Rs. 525 Mn, a decrease of 18% compared to Rs. 642 Mn reported last year. The main contributor to export sales was the special range of Mosaic tiles which were exclusively marketed internationally as a niche product.

## Revenue Growth

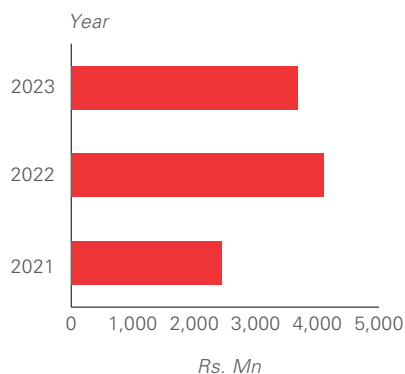


Year	Revenue	Revenue	Revenue
	- Export Sales	- Local Sales	- Total
	Rs.'000	Rs.'000	Rs.'000
2021	370,670	12,255,815	12,626,485
2022	641,961	13,949,659	14,591,620
2023	525,498	18,158,544	18,684,042

# FINANCIAL CAPITAL

## Profitability

### Net Profit



The gross profit for the FY 2023 was Rs. 8,428 Mn compared to Rs. 6,609 Mn in FY 2022, which marked an increase of 28% compared to the previous year. While the gross profit improved, the growth rate was less than anticipated, due to the increment in the cost of sales which was Rs. 10,256 Mn compared to Rs. 7,983 Mn recorded in FY 2022.

## Investments

With a focus on innovation to drive growth, the Company continued its investments to improve and introduce new technologies and processes. A total investment of Rs. 1,190 Mn was made for the improvement of production facilities while Rs. 319 Mn was invested in upgrading machinery. The Company invested Rs. 87 Mn in the introduction of new ERP which utilizes data efficiently for analysis and improves the decision-making process. The new ERP has also contributed to improved cost management through waste reduction.

### Investments composition

Year	Upgrade of Facilities Rs.'000	Technology and Software Rs.'000
2021	522,193	1,527
2022	645,000	2,176
2023	1,190,010	86,988

Profit after tax was reported at Rs. 3,687Mn, declining 10% from the Rs. 4,110 Mn recorded the previous year. The decline in profit after tax resulted from the increased taxation policies and regulations imposed by the government.

The Company maintained the efficiency of its production facilities with the continuation of the TPM (Total Production Maintenance) initiative, which maximizes production capacities while reducing costs. As a result, the TPM initiative contributed Rs. 5,298 operating profits, an increase of 17% from Rs. 4,546 Mn. recorded the previous year.

## Profits

Year	Gross Profit Rs.'000	Operating Profit Rs.'000	Net Profit - Total Rs.'000
2021	4,746,103	2,775,596	2,450,894
2022	6,608,922	4,545,765	4,110,316
2023	8,427,646	5,297,540	3,687,802

## REVENUE

**Rs. 18,684 Mn**

(2022: Rs.14,591 Mn)

## GROSS PROFIT

**Rs. 8,428 Mn**

(2022: Rs.6,609 Mn)

## Asset Base and Funding Profile

An increase of 10% to Rs. 18,627 Mn from Rs.16,927 Mn was recorded in the total assets of the Company, contributed by the capital investments in property, plant, and equipment which increased asset value to Rs. 7,002 Mn. A significant decrease was recorded in cash and cash equivalent from Rs. 4,936 Mn the previous year to Rs. 810 Mn in the year under review, due to the decrease in cash and bank balance.

## Profits

Year	PPE Investments in Associates Rs.'000	Inventories Rs.'000	Cash and Cash Equivalents Rs.'000	Trade and Other Receivables Rs.'000
2021	6,373,888	1,339,684	2,322,116	2,329,621
2022	6,471,179	1,563,428	2,473,794	4,936,501
2023	7,001,724	1,144,458	5,036,886	810,691

### Liabilities and Equity

The total liabilities of the Company increased to Rs. 5,695 Mn from Rs.4,700 Mn for the FY 2023 as a result of its borrowings increasing by 19% with deferred tax liabilities recording an increase of 47%.

The total equity increased by 6% to Rs. 12,932 Mn from Rs. 12,227 Mn. Due to the increase in borrowings, the debt-in-equity ratio increased to 14% from 12% in previous years.

The balance in inventory recorded an increase of its value to Rs.5,037 Mn from Rs.2,474 Mn during the year due to unfavorable economic conditions.

### Investments composition

Year	Long Term Borrowings Rs.'000	Short Term Borrowings Rs.'000
2021	971,206	321,727
2022	705,420	762,392
2023	434,405	1,315,883

### Shareholders' Funds

Shareholders' funds as of the end of March 2023 amounted to Rs. 12,932 Mn a 6% increase compared to the previous year. The debt to Equity ratio at the end of March 2023 was 14% compared to 12% as at the end of March 2022.

### Funding profile

Year	Shareholders' Fund Rs.'000	Borrowings Rs.'000
2021	9,927,081	1,292,933
2022	12,227,418	1,467,812
2023	12,932,183	1,750,288

### Cash flow management

Cash and cash equivalents indicated a contraction of Rs. 810 Mn compared to Rs. 4,937 Mn the previous year. Operating activities provided a cash outflow of Rs. 1,224 Mn with a current ratio of 2.6, a slight decline from 2.8 in the previous year.

The capital expenditure incurred throughout the year resulted in a cash outflow of Rs. 1,071 Mn from investment activities. The payment of debt and dividends accounted for Rs. 2,023 Mn in cash outflow from finance activities and dividends.

### Capital Structure

The Group's capital structure changed slightly compared to the previous year as the debt-to-equity ratio increased to 14%, from 12% the previous year. During the year, shareholder equity increased by 6% to Rs. 12,932 Mn due to growth in retained earnings. The Group's reported capital remained constant.



# MANUFACTURED CAPITAL

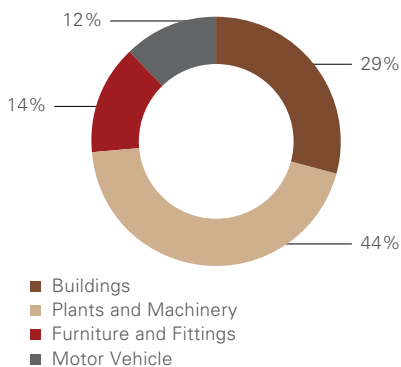


Our brand has been able to earn international recognition by expanding our business in overseas markets. Our main export destination is Australia with a significant presence also in the USA, Canada, Japan, and several Asian countries.

## OUR FOCUS

- Enhance the efficiency & effectiveness of the organization in every aspect, implementing standard processes & procedures help to get optimum advantage.
- Adapted processes & procedures help to create values to the organization
- Future growth strategies & involvements.

## PPE Additions



## Nurturing Our Manufactured Capital



- Continuous enhancements in the five channels which consisted of four local channels and one export channel
  - Strengthened the dealer channel by adding new dealers and new distributors
  - Added four new showrooms to the showroom channel - flagship showroom in Nugegoda
  - Market expansion in the exports channel
- Made improvements in the production facilities
- Continued refurbishments of existing showrooms
- Strengthened the distribution network by appointing new dealers and providing training for our sales personnel
- Sustained efforts in improving operational efficiency to increase margins by reducing various types of costs

## Value creation



- Investments in PPE - Rs. 1,190 Mn
- Value of PPE is Rs 7,002Mn
- Production Capacity by 5,468,250 SQM
- Capacity Utilization 90%
- New Showrooms - 4
- New Dealers - 6

## Our Way Forward



- Exploring new markets overseas to expand our global business operations further
- Improving operational efficiency by making new factory additions

Our manufactured capital is primarily comprised of physical infrastructure including the factory buildings, plant and machinery, tools and equipment, showrooms and all other fixed and tangible assets required in the process from manufacturing to sales. The Group consistently invests in upgrading and maintaining its manufactured capital as an essential component of the business operations. It is critical in planning our manufactured capital to ensure that our production plants and machinery are up to date with the newest technology and satisfy the needs of the industry and consumers, as well as that our sales outlets are attractive and exhibit the excellent quality of our products.



# MANUFACTURED CAPITAL

## PPE VALUATION - COMPANY

	Additions	Depreciation	Net Book Value
	Rs.'000	Rs.'000	Rs.'000
Freehold Land	-	-	1300,178
Buildings	206,082	47,193	1,568,012
Plants and Machinery	319,416	306,553	2,985,821
Furniture and Fittings	102,965	75,826	261,525
Electrical Distribution Scheme	632	15,033	169,417
Motor Vehicle	89,067	8,196	127,077
Other(Capital Work in Progress)	471,847	-	589,694
<b>Total</b>	<b>1,190,010</b>	<b>453,302</b>	<b>7,001,724</b>

The Net Book Value (NBV) of the Group property, plant, and equipment (PPE) marginally increased to Rs. 7,002 Mn. The Group invested Rs. 1,190 Mn during the year in making improvements in PPE. The total depreciation of the Property, plant and equipment increased to Rs. 453 Mn.

## SHOWROOMS AND BRANCH NETWORK

The network of our outlets spread country-wide makes our products easily accessible to our customers. The branches in the Western Province account for 30%-40% of our total sales.

Our presence in the regions was increased further in the FY 2023 with the opening up of four new showrooms in Nugegoda, Dikwella, Trincomalee and Dambulla.





# MANUFACTURED CAPITAL

## WORLDWIDE EXPORT DESTINATIONS

Our brand has been able to earn international recognition by expanding our business in overseas markets. Our main export destination is Australia with a significant presence also in the USA, Canada, Japan, and several Asian countries.



## STRENGTHS TO RESIST THE ECONOMIC CRISIS

When the economic recession badly hit almost all the sectors we had the strength of our multiple channels. Our channel strength greatly supported us in surviving a situation where sales came down drastically. Also, it helped us to gain benefits from the import restrictions. Earlier, the tile manufacturers possessed less than 50% of the market share as the rest were imported from other countries. With the import ban, local tile manufacturers got the opportunity of selling their total production and we fully benefited from this opportunity in FY 2023. In addition, we continued the sales of our OEM channel which make a considerable contribution to our total sales.



# HUMAN CAPITAL



Identifying the gaps in the knowledge and skills of the staff and the employees, our Performance Management System engages in a successful attempt to address the training major strengths and weaknesses of our work force and requirements accordingly. Employees actively participate in training programmes, which facilitate them to acquire or develop new knowledge and skills.

Our human capital is comprised of our employees and leadership that has given the strength and stability for the company to achieve our goals. Lanka Tiles success and growth relies on our employees ability to learn and apply, serve and empathize, adapt and innovate as well as be loyal and committed in each role. We have continuously strived to empower our staff and uplift their personal and professional well being and development through numerous initiatives that address both physical and psychological needs.

In addition, the skills, knowledge, experience, commitment and loyalty expressed by Lanka Tiles have faced.

### Nurturing our Natural Capital



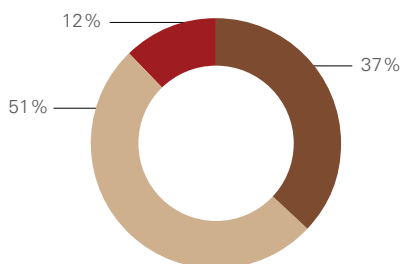
- Initiation of the concept 'Transforming People – Intent Into Brand Value Strategy' and aligning the HR procedures with the concept
- Continuation of the concept of 'Total Productive Maintenance'
- Further strengthening the 'Spiritual Management Programme'
- Facilitating the employees to acquire knowledge
- Digitalization of HR processes
- Application of the concept 'I maintain, I run'
- Developing a new HR policy

### Value creation



- Number of new employee recruitments 164
- Employee retention 79%
- Increase in salaries and benefits 16%
- Investments in training and developments Rs.10.8Mn
- Investments in employee health and safety Rs.9.6Mn
- Number of training hours 12,132

Employees by Age



■ Below 30 yrs  
 ■ 30-50 yrs  
 ■ Above 50 yrs

### DIVERSITY AND INCLUSIVITY

Lanka Tiles firmly believes that a diverse team is capable of broadening perspectives and improving performance. Hence, we are committed to offering a favourable working environment with equal opportunities for a diverse workforce. Our HR policy ensures a workplace with no discrimination based on age, gender, race, nationality, religion, social origin, political affiliation or opinion.

# HUMAN CAPITAL

## HR GOVERNANCE

The HR framework of Lanka Tiles is built on industry best practices and it reflects our culture and values. The Human Resources Department at Lanka Tiles comes under the purview of General Manager - Finance and is in charge of implementing an HR framework that is consistent with our entire business strategy. This Department is also responsible for ensuring that regulatory standards and other policy frameworks.



### Our Way Forward



- Increase HR Analytics to mitigate future challenges of the VUCA world
- Establish a Human Resources Information System, focusing on a data-driven culture which leads to accuracy and employee satisfaction
- Introduce HRIS Mobile App and Automated Leave Procedure to enhance the effectiveness, accuracy and user-friendliness of the attendance marking procedure
- Set up a Learning Management System for the easy administration of large amounts of information in a user-friendly manner and for the development of the web-based training environment
- Evaluate the impact of initiating the concept 'Transforming people through a survey and making improvement's
- Take measures to enhance the IT literacy of personnel at the management level
- Expand digitalization by implementing an automated Performance Management System
- Line-up of all the teams in the staff who represents different generations including Baby Boomers, Generation X, Millennials and Generation Y

Outsourced employees are entitled to perform functional outsourced activities (Mosaic Section) and supporting functions for core duties (Helpers).

By Category	Male	Female	Total
Senior management and above	27	2	29
Executive	24	12	36
Non-Executive Staff	485	23	508
Other	100	71	171
<b>Total</b>	<b>636</b>	<b>108</b>	<b>744</b>

By Age	Total
Below 30 yrs	278
30-50 yrs	379
Above 50 yrs	87
<b>Total</b>	<b>744</b>

By Region	Permanent	Contract/ Temporary Staff	Total
Western Province	362	262	624
Central Province	21	-	21
Southern Province	19	-	19
Northern Province	5	5	10
Eastern Province	7	-	7
North Central Province	2	2	4
North Western Province	3	2	5
Sabaragamuwa Province	43	0	43
Uva Province	11	-	11
<b>Total</b>	<b>473</b>	<b>271</b>	<b>744</b>

By Contract	Male	Female	Total
Permanent	441	32	473
Contract/Temporary Staff	195	76	271
<b>Total</b>	<b>636</b>	<b>108</b>	<b>744</b>

Gender Representation	Male	Female
<b>Total</b>	<b>636</b>	<b>108</b>



## INITIATIVES IN EMPOWERING WOMEN IN THE WORKFORCE

A special programme was conducted on International Women's Day - training on harassment issues and how to empower women. Female members of our team participated in this programme with their family members.

## WORKFORCE MOBILITY

A strategy for the systematic way of sourcing and managing the right talent is in place at Lanka Tiles for the process of acquiring, developing and retaining employees. We adopt robust procedures in relation to recruitment, assessment, screening, appraisal/ performance evaluation and career progression.

Despite every hurdle brought about by the economic instability of the country, there was no workforce reduction during the year. We hired a total of 164 employees in FY 2022/23. Our retention rate exceeds 79% demonstrating the robustness of our Employee Value Proposition (EVP).

Workforce	Total
Recruitment	22%
Retention	79%
Turnover	20%

By Category	New Recruits	Turnover
Male	154	135
Female	10	15

By Region	New Recruits
Western Province	155
Central Province	-
Southern Province	5
Northern Province	-
Eastern Province	-
North Central Province	2
North Western Province	2
Sabaragamuwa Province	-
Uva Province	-
<b>Total</b>	<b>164</b>

## TRAINING AND PROFESSIONAL DEVELOPMENT

Identifying the gaps in the knowledge and skills of the staff and the employees, our Performance Management System engages in a successful attempt to address the training requirements accordingly. Employees actively participate in training programmes, which facilitate them to acquire or develop new knowledge and skills. Throughout the last financial year, we allocated 12,132 hours and invested Rs.10.8 Mn for training and development.

The set of programmes organized during the year for training and development includes the following:

Training Programme	Total Hours
Automobile test for drivers	56
Basic knowledge of MS Office	30
Ceramic technology	38
Excel training	36
Introduction to ceramics	74
Introduction to powder preparation department	60
Introduction to press operation	111
Introduction to TPM	107
LMS awareness program	90
Mosaic training	78
Motivation program	726
Powder prep. Quality meeting	15
Quality meeting Powder Pre. Dept	30
Supervisory Development Programme	336
TPM Certificate Course	128
TPM for Supervisors	32
Trade Union Act and its behaviour	72
Training programme to Sales Team	10,113
<b>Total Hours of Training</b>	<b>12,132</b>

Average Training Hours per Gender	Male	Female
No. of Training Hours	4,265	7,867

Average Training Hours per Category	Executive	Staff	Other
No. of Training Hours	266	1,753	10,113

# HUMAN CAPITAL

## EMPLOYEE ENGAGEMENT

We are dedicated to forging strong bonds with our employees by connecting with them through various means. We seek to foster an environment in which employees feel valued and respected.

Our 'Spiritual Management Programme & Motivational Programme' which focuses on improving the three aspects, Mind, Body and Soul of the employees, successfully continued in the concerned year also. Music therapy, meditation and outbound training programmes were conducted throughout the year in line with this programme.

Annual trips and volleyball matches were organized for members in all categories of the staff and the Annual Get Together was held with the participation of the members in Executive and Staff Grades.

A special event was organized targeting our team's female employees to commemorate International Woman's Day. Year-round celebrations were held to mark the birthdays of each and every member of our workforce.

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



## EMPLOYEE SATISFACTION

Guided by the Company's Remunerations Committee and in accordance with the remuneration policy, attractive and competitive remuneration packages were designed to absorb and retain a highly qualified and experienced workforce. Our remuneration policy which is assessed and altered on a regular basis to reflect market conditions is fair and equal to both male and female employees with a 1:1 ratio.

Remuneration is followed by a multitude of benefits offered with the aim of encouraging the workforce and the list includes the following:

- Incentives for monthly production and attendance
- Night shift incentives
- Annual profit share bonus

- Free uniforms (include 3 t-shirts, materials for 3 trousers and a pair of safety shoes and tailoring fee)
- Free tea for employees working for Lanka Tiles
- Free Tile Calendars for all categories
- Subsistence for meals/transport for several selected employees including drivers
- Death donations
- Annual donations of books and stationery parcels for employees' children

No employees were entitled to parental leaves in the year under review.

## EMPLOYEE WELL-BEING

Lanka Tiles continually fulfils its responsibility of ensuring the health and safety of every employee. The Safety Committee is in charge of monitoring, reviewing and advising on occupational health and safety initiatives of the Company.

All the employees are entitled to the company insurance policy and they are provided with facilities to fulfil their medical requirements. Doctors are available four days per week at each and every factory and employees are able to get medical treatments and consultations free of charge.

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

Music Therapies and OBT Programmes conducted in line with the 'Spiritual Development Programme' make a special contribution to enhancing the physical, mental health as well as spiritual well-being of the employees with the ability to lead a socially and economically productive life..

## REWARDS AND RECOGNITION

The performance appraisal system, which incorporates all the employees, is in place to recognize and reward deserving talents. Following a 'develop from within' philosophy, existing employees are prioritized when filling vacancies. In addition, career counselling and professional development programmes were conducted intending to facilitate the career growth of our employees.

Measures were taken to identify the top-performing staff members and offer them a clear succession plan. Moreover, several initiatives were taken to appreciate the recognized employees as mentioned below:

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

## HEALTHY WORKING ENVIRONMENT

### Grievance Handling Mechanism

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

### Freedom of Association

We have a positive and engaged relationship with trade unions, with the representation of 33% of our permanent cadre. Trade Union of Lanka Tiles PLC is member of the Inter Company Employee Union. During the year, no noteworthy labour union actions were reported.

We sign a collective agreement once every three years and hold a branch meeting monthly.

## Employee rights

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

## MEASURES TAKEN TO COMBAT THE ECONOMIC CRISIS

We altered and modified our strategies adopted so far to handle the issues created due to the country's socio-economic conditions. We paid an additional basic salary and 50% of the expected "Annual Profit Sharing Bonus" for all Staff and Operative Grade employees as a concession. An awareness programme was conducted for the employees on how to survive during the crisis period.

We have employed a culture of making the people before the product within our working environment. Closely monitoring the employee behaviour and carefully altering their behavioural patterns, we educate them on how to be accountable in performing their duties and responsibilities.

We continuously pay attention to uplifting our brand by taking measures to enhance the quality of the product. Adapting our employees to our branding culture is a major concern in this endeavour. Covering each and every member of our company, we conducted a set of programmes in this regard.

## TRANSFORMING PEOPLE – INTENT INTO BRAND VALUE STRATEGY

The program aims to create a company culture of engaging with the Brand. It helps link the people, culture and the brand together intertwined in a common purpose. The employees as brand ambassadors whose attitudinal transformation within to identify that each one is valuable to the brand. To reiterate that the purpose of the job role is to motivate everyone to perform the given duties with the purpose of delivering the brand promise to Lanka Tiles customers. It is driven to internalize the brand value driven culture among employees by ensuring Brand Citizenship behaviour of our employees..

# SOCIAL AND RELATIONSHIP CAPITAL

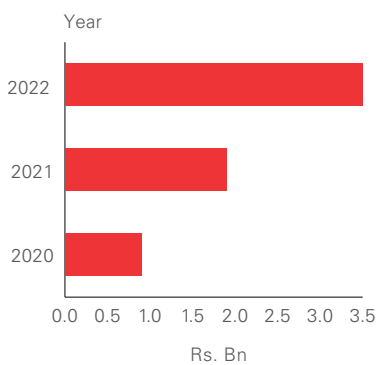


Lanka Tiles maintains strong ties with our customers and values the large and diverse customer base we have served to satisfy for many years. Our continued focus is on innovation, customer service, and product quality. The Company reached customers' desires through multiple channels to introduce new tile designs.

## OUR FOCUS

- Build a friendly environment to attract new customers & enhance the organization's image with CSR activities.
- Assigned processes help to create value for the organization.
- Using the latest technologies to improve organization growth in the next financial year.

## Tax Payments



## Nurturing our Social and Relationship Capital



- Implementation of CSR projects and allocation of funds worth Rs.3.1 Mn for CSR projects
- Addition of the latest facilities in showrooms to enhance customer experience
- Improvement of functions of Lanka Tiles Mobile App
- Participation in trade exhibitions
- Increased the number of distributors and agents

## Value creation



- Payments to suppliers Rs. 15,7 Bn
- Increase in the expenditure on CSR 49%
- Tax payments to the government Rs. 3,475 Mn
- New job opportunities created 164

## Our Way Forward



- Further development of Lanka Tiles Mobile App
- Increase our engagement in Tilers' Club
- Increase the number of Customer Touch points countrywide



CUSTOMER SATISFIED

Rs. **18,684** Mn

2022 : Rs.14,591 Mn

FOREIGN CURRENCY EARNINGS

Rs. **525** Mn

2022: Rs. 642 Mn

Our relationships have defined how our business has grown during the last three decades. It is a valuable and important aspect of our business that ensures smooth functioning across our value chain. Therefore, Lanka Tiles’ social and relationship capital aims to foster favourable interactions and interdependence with all our internal and external stakeholders, towards the common goal of mutual success, through positive relationships, needs assessments and continuous monitoring of feedback.

As key stakeholders of our social and relationship capital, Lanka Tiles associate with customers, suppliers, regulators, and communities to ensure seamless business activities, complementary supplier relationships and reliable and honest communications with our customers.

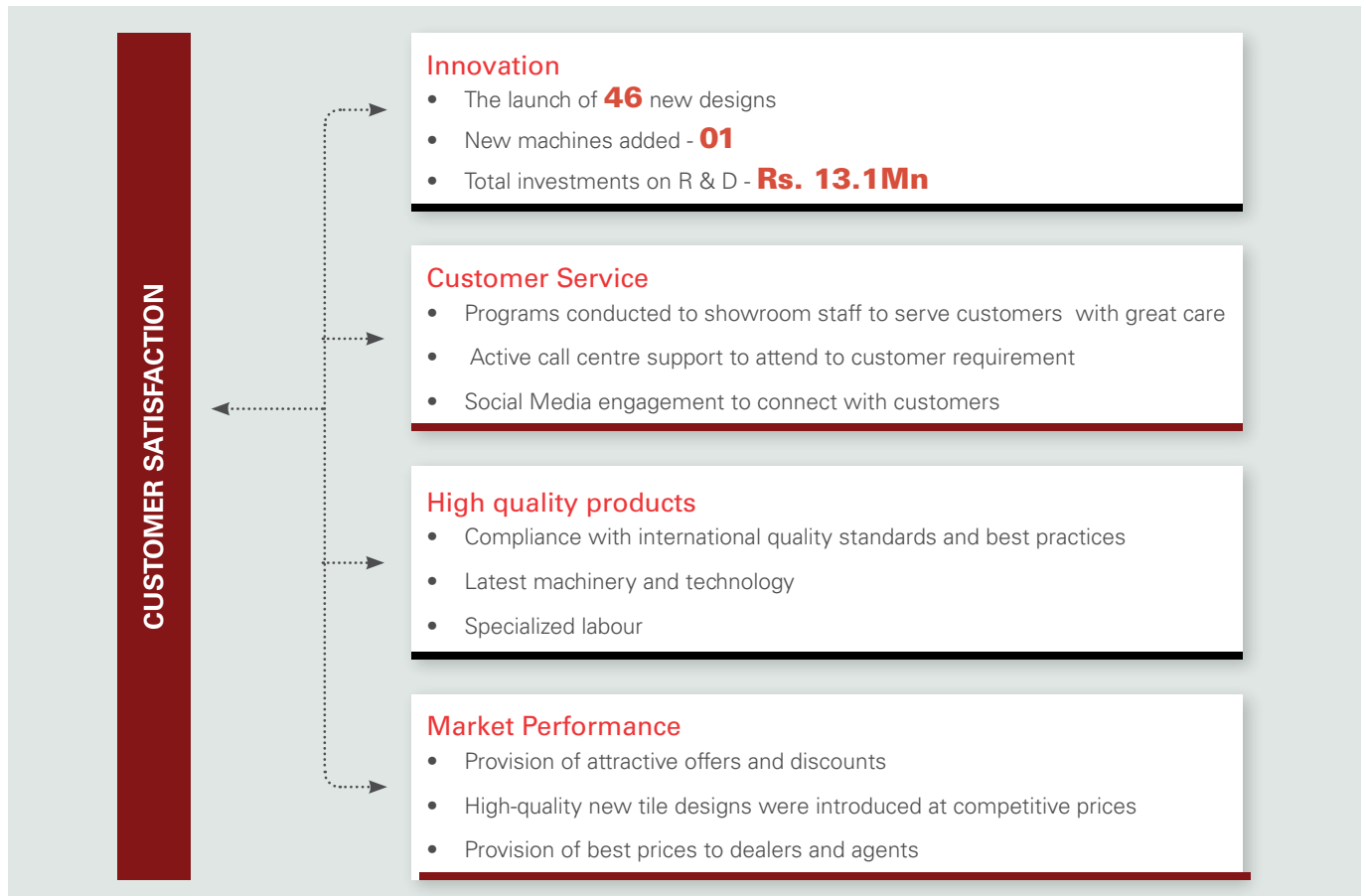
**BUILDING RELATIONSHIPS WITH CUSTOMERS**

Lanka Tiles maintains strong ties with our customers and values the large and diverse customer base we have served to satisfy for many years. Our continued focus is on innovation, customer service, and product quality. The Company reached customers’ desires through multiple channels to introduce new tile designs.



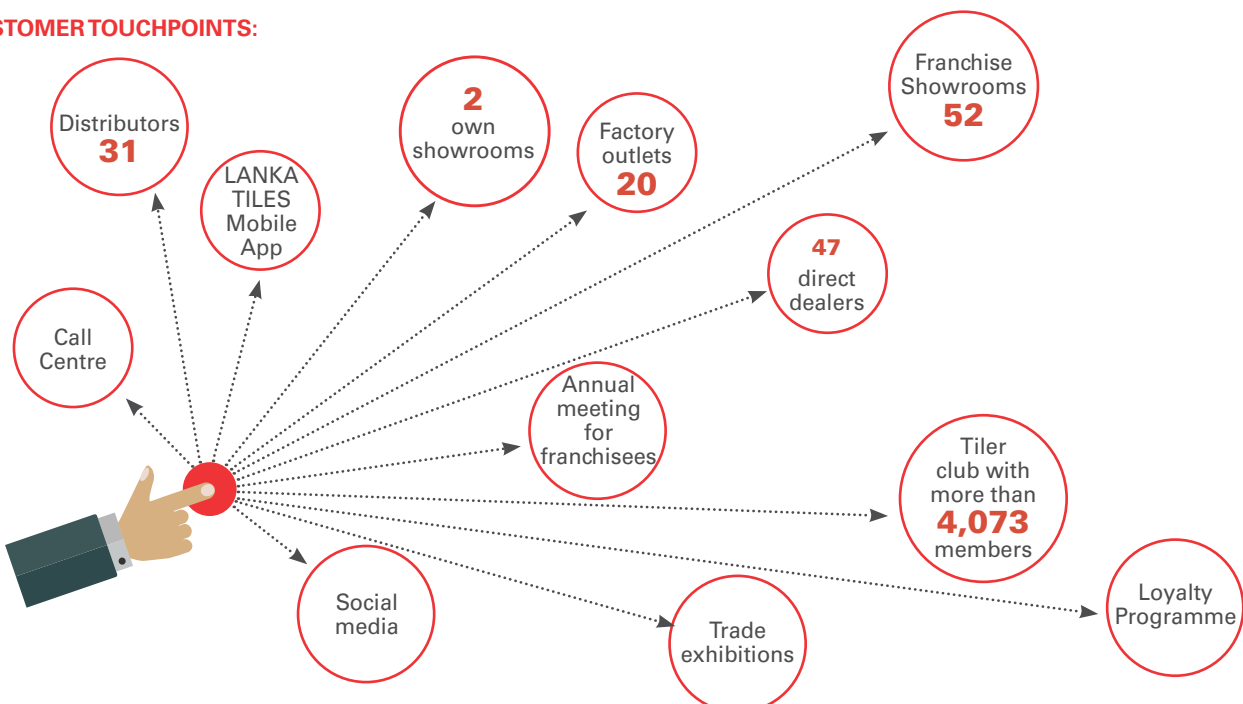
# SOCIAL AND RELATIONSHIP CAPITAL

## VALUE CREATION



As demonstrated below, multiple channels are used in maintaining interactions with customers:

### CUSTOMER TOUCHPOINTS:





**ENGAGING WITH SUPPLIERS**

Lanka Tiles source material from both local and foreign suppliers. We are selective with Lanka Tiles' supplier base; in order to maintain the quality of our output, we conduct regular pre- and post-supplier assessments to ensure quality input.

DOMESTIC SUPPLIER BASE:

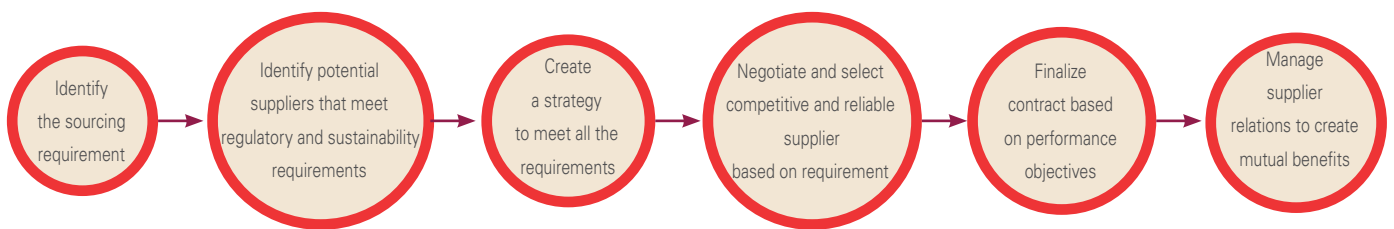
**590**

FOREIGN SUPPLIER BASE:

**42**

NEW SUPPLIERS:

**12**



Lanka Tiles has been able to ensure the smooth operation of factories amidst the financial crisis, import restrictions, and sudden increase in tax rates last year. One reason for uninterrupted functioning in our factories was the long-established supplier base which has been collaborative with concessionary payment rates, favourable credit limits, and adequate raw material supply on time. The supply from foreign sources was affected due to low foreign reserves and inflation while domestic material supply faced the fuel shortage issue. Lanka Tiles also built more links with new suppliers who provided alternatives for raw materials that could not be sourced due to the country's situation.



# SOCIAL AND RELATIONSHIP CAPITAL

## SUPPLIER VALUATION

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

## OUR RELATIONSHIP WITH REGULATORS

Lanka Tiles ensures its responsibilities in developing the country are done with taxes paid to the Government on time and bringing in export revenue.



TAX PAYMENT TO GOVERNMENT:

**Rs.3,475Mn**

EXPORT REVENUE

**Rs.525Mn**

## BUILDING RELATIONSHIPS WITH THE COMMUNITY

Lanka Tiles prioritizes the development of the community to which we contributed through various projects last year. All Lanka Tiles factories are mainly located in villages. We maintain a good relationship with the surrounding community and the Local Government body to make sure our factory presence does not affect them. Lanka Tiles and Wall Tiles are concerned about the health and growth of children around the factories. We carried out CSR activities related to uplifting the standard of education, people, religious institutions, and hospitals in these regions. The Company spent Rs.3.1Mn for all 24 new projects initiated throughout the year.



### SURCHARGE TAX

- Total Surcharge Tax liability of Rs.604 Mn has been recognized for Lanka Tiles PLC. On 20 April 2022, the Group and the Company paid Rs. 302Mn on account of the first installment of the Surcharge Tax liability. The final installment of Surcharge Tax payable has been paid on 20 July 2022.

## THE CSR PROJECTS WE CONDUCTED;



- Provision of glasses of milk to Sunday school students
- Provision of lunch for schoolchildren
- Donation of tiles to public places
- Provision of financial support to hospitals, MOH offices, and police stations
- Career guidance to the unemployed youth around the factories
- Conducted training programmes for undergraduates
- Conducted internship programmes
- Held a free training session for the Company's drivers on ethical and legal driving practices in collaboration with the Padukka Police Station
- Conducted an awareness session on harassment and women empowerment by the AG office and the Police to mark International Women's Day
- Engaged in school development
- Shared the responsibility of initiating DP education concepts
- Donation of computers to schools
- Provision of sponsorships to universities and educational institutes

### SUPPORT TO SUPPLIER ASSOCIATIONS

#### LANKA TILES TILERS' CLUB

The members of this Club are spread across the country. Our Club members who undergo training in the Club promote and bring in customers to Lanka Tiles. This benefits the company, tilers as well as customers. Currently the Tilers Club has a membership exceeding 4,073 tilers who also enjoy multiple benefits and training opportunities.

#### PREMIER CLUB FOR ARCHITECTS

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

### SUPPORT OFFERED TO COMBAT THE ECONOMIC CRISIS

The financial crisis in the country affected the consumer reach to showrooms. Fuel shortage caused a temporary halt of some CSR projects planned in rural regions. Fund allocation for massive CSR projects was limited during the socio-politically challenged period in the country.

We increased social media engagement for a better understanding of customer requirements and introduced several offers and discounts to our customers, direct dealers, and distributors. The Company managed to plan and schedule several CSR projects island-wide, considering the country's situation.

# INTELLECTUAL CAPITAL



As a homegrown brand, we have been able to maintain our competitive edge in the local market while steadily progressing as a top tile exporter on a global scale. Our continued investment in research, technology and innovation has been a key driver of the increased market share of the Lanka Tile brand in Sri Lanka.

## OUR FOCUS

- A production quality system in the manufacturing facility where best practices for workflows, health, and safety environmental safety are implemented.
- Transforming people – intent into brand value strategy
- Obtain ISO 45001 - an international standard for health and safety at work developed by national and international standards committees independent of government



## Nurturing our Intellectual Capital



- Further broadened our product portfolio by adding new products with new designs and new sizes while discontinuing the old designs
- Altered the brand identity and the brand personality with the implementation of a new logo
- Adopted the concept of “Brand Citizenship Behaviour” as a special attempt in communicating the changed brand personality

## Value Creation



- New design developments 46
- Revenue generated from new product developments Rs.18,684 Mn
- Brand value Rs.2,084Mn
- Investments in R&D Rs. 13 Mn
- Quality certifications 6
- 51 % of employees between 30-50 years

## Our Way Forward



- Continuation of product development with new designs targeting different market segments
- Enhancing brand equity through various brand development projects
- Enhance the world appearance of the brand.



## BRAND VALUE

Rs. **2,084** Mn

(2022: Rs.2,084 Mn)

## REVENUE

Rs. **18.7** Bn

(2022: Rs. 14.6 Bn)

Our Intellectual Capital is one of our most valued attributes which has been built with more than three decades of investments in learning, marketing, development, and growth. Lanka Tiles is proud of our immense knowledge base from traditional to modern technology, and experiences that have shaped the success of the Lanka Tiles brand and brand offering to our customers.

Lanka Tiles Intellectual Capital comprises our brand value, industry know-how, operational excellence, innovations, research and development capabilities, certifications, systems, and processes.

**Our Brand**

Our brand is Lanka Tiles' greatest strength. Built over the years, today Lanka Tiles brand is known across Sri Lanka and in our export markets for our advanced technology, expertise, professionalism, exceptional product quality, and innovation. As a homegrown brand, we have been able to maintain our competitive edge in the local market while steadily progressing as a top tile exporter on a global scale. Our continued investment in research, technology and innovation has been a key driver of the increased market share of the Lanka Tile brand in Sri Lanka.

Lanka Tiles was valued at Rs. 2,084Mn by Brand Finance Sri Lanka in 2022, and amongst the 100 Most Valuable Sri Lankan Brands in 2022.

**Recognition for the Brand**

Lanka Tiles won the "Overall Best Trade Stall" and "Most Innovative and Informative Trade Stall" at the Architect Exhibition 2023 held at BMICH.

**Industry knowledge, Skills, and Expertise**

From traditional tile manufacturing to advanced innovative tile development, Lanka Tiles has invested immensely in growing the knowledge and skills of our team. Our brand strength is built on the expertise we have gained through continuous training and retained within the company. Delivering high-quality designs and products requires specialized skills and knowledge. Our high-valued brand recognition has helped Lanka Tiles to attract the best in the industry. We were able to attract and retain a highly skilled and professional team through our robust recruitment process and extensive value proposition. Our knowledge and expertise are enhanced by the years of experience our employees have gained through working in the industry. The tried-and-true recipes we have created over the years, along with industry know-how, have resulted in a leading challenger in the industry with a strong competitive edge.



# INTELLECTUAL CAPITAL

## Excellence in Operational Management

We make every effort to improve our processes, products and customer services through continuous commitments and investments. We keep modifying our processes with the use of technology in order to minimize waste, increase quality and optimize human potential. Process automation was successfully carried out while minimizing waste using various methods to reduce expenses. Among these initiatives are:

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

We increased our production by 10,011 sqm in 2022/23 and increased operational efficiency significantly through our automation of systems and processes.

## Innovation Capability

Lanka Tiles promote a culture of innovation which has been the key driver in our successful range of new products and go-to-market strategies. With a dedicated team of research and development professionals, Lanka Tiles has invested extensively in innovation to grow multiple aspects of our businesses.

- We focus on new product development that caters to the varying needs of local and overseas market segments. Our teams regularly monitor market trends and consumer needs to identify their needs and expectations.

- We focus on increasing the efficiency and productivity of our systems and processes through continuous monitoring and innovation in our operations. The team identifies areas of the operation and business that can benefit from increased technology inputs and process streamlining that help save time, energy, and cost for the company and employees. Thereby, increasing productivity and efficiency.
- Ensuring that we are environmentally safe is a concern that is regularly focused on. Towards this, the R&D team seeks ways to reduce the environmental effect of our manufacturing process.

During the year under review, we introduced 46 new designs to our continuously growing product portfolio and introduced 01 new machinery.

## Systems and Processes

It is vital to ensure that systems and processes are streamlined in order to maximize operational efficiency and productivity. Technology upgrades were done to improve our systems and processes. We maintain systems including the following:

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

## Certifications

Lanka Tiles has acquired a set of certifications and continue to comply with them in order to strengthen its internal processes and provide assurance to stakeholders on its systems and standards. Below mentioned are included in the list of certifications:

- SLS ISO 14001:2015 - Certificate of the Environmental Management System by the Sri Lanka Standards Institution
- SLS ISO 9001:2015 - Quality Managements system certification from Sri Lanka Standards Institution
- CE Mark Certificate - Certificate for Ceramic Tiles by QSA International, UK
- SLS 1181:2013 - Product Certification Mark (SLS Mark)

# NATURAL CAPITAL



As a responsible corporate citizen, Lanka Tiles is determined to reduce the mining land usage as a means of rejuvenation of the land which commenced during the year under review and continue to treat these mining land as a source of extraction leads of natural resources.

### OUR FOCUS

- Applying continuous improvement & monitoring mechanisms to mitigate the environmental risk & impacts.
- Utility consumption, material recycling, waste disposal & carbon emissions are the main sources of last financial year natural capital resources.
- Adhere to best practices to control harmful impacts to the environment & plan to introduce solar power generation plant to reduce annual electricity consumption.

### Nurturing our Natural Capital



- Continuous monitoring of water and energy consumption
- Minimizing carbon emissions
- Recycling and reusing the wastewater
- Ensuring a minimal impact on the environment

### Resource Utilization



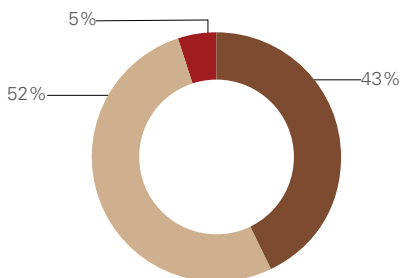
- Water consumption by 194 Mn Liters
- Water treatment for reuse 16.8Mn Liters
- Energy consumption by 21.9 Mn kwh
- Emission Reduction 1,942 Tco2
- Raw material recycled for reuse 8,698MT
- Waste disposal by 14,221MT
- Emissions 35,376 Tco2 (Scope 1)

### Our Way Forward



- Increasing the quantity of waste reduced, reused and recycled in line with the 3R policy
- Expansion of solar power generation in our manufacturing plants to reduce our reliance on conventional energy sources

### Emission reduction



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

# NATURAL CAPITAL



## WATER CONSUMPTION

Lt. **194 Mn**

(2022: Lt.200 Mn)

## ELECTRICITY CONSUMPTION

KWH **21,985,884**

(2022: KWH. 23,280,533)

Ensuring that our natural capital remains unharmed is a key priority for Lanka Tiles PLC. Our natural capital mainly consists of natural resources we use in our production and our effective management of water, energy, raw material, biodiversity and waste management. Being reliant on natural raw material for our manufacturing process, Lanka Tiles is determined to protect the natural environment and manage our natural resources to ensure minimum harm to our natural capital. Towards this, we have set in place environment policies and standards that define our interactions with all our natural resources.

Amongst the main resources are the clay mining land and properties in which the manufacturing plants are housed. Land alone, Lanka Tiles has freehold property to the value of Rs.1.3 Bn and have access to 5.3 acres of land. As a responsible corporate citizen, Lanka Tiles is determined to reduce the mining land usage as a means of rejuvenation of the land which commenced during the year under review and continue to treat these mining land as a source of extraction leads of natural resources.



## WATER MANAGEMENT

Continuously monitoring the water consumption, we managed to reuse 17Mn litres of recycled water during the year, despite the 194Mn litres of water consumed in our manufacturing process and daily use by employees. The dry squaring machine and the sorting machine installed in the last year supported reducing water consumption. The effluent water treatment plant facilitated to reuse of water by treating it 100% and it was a great help to control the increase in water withdrawal as we increased our production. With the aim of ensuring water preservation, we also conducted regular awareness programmes for the members of the staff.

### Water consumption by type (Litres)

	2023	2022
Municipal water	10,850,000	9,396,000
Surface water	125,205,000	131,465,250
Ground water	41,270,000	43,333,500
Produced Water	16,840,000	16,320,000



## ENERGY MANAGEMENT

Our energy consumption for the financial year under review can be presented under three categories as 21.9 Mn kWh of electricity, 11.2 Mn Kg of LPG and 0.7Mn Litres of Diesel. To ensure sustainable use and maintain profit margins, we have taken several efforts including heat recovery system which uses waste heat from the Kilns to heat-up the dryers. With the continuous monitoring of energy consumption, we attempt to implement energy efficiency techniques at our factory premises.

Energy consumption by type (Non-Renewable)	2023	2022
Diesel (Litres)	719,493	403,775
LPG (kg)	11,177,094	11,735,305
Electricity (kWh)	21,985,884	23,280,533

## MATERIAL MANAGEMENT

During the year, we managed to recycle and reuse 9% of the 8,698 MT of the raw materials consumed. We adhere to the 3R process: Reduce, Reuse and Recycle to ensure the efficient use of our primary raw materials used in the manufacturing process: Ball Clay and Feldspar. Reusing and recycling raw materials support promoting zero impact within our company. With the intention of minimizing the environmental impact, we restore mines after extraction.

Raw material by type (MT)	2023	2022
Ball Clay	28,735	31,974
Feldspar	61,313	69,822
Silica sand	1,212	1,499

## EFFLUENTS AND WASTE MANAGEMENT

Dust emissions, sound pollution and other emissions are unavoidable due to the nature of the industry we operate in. Therefore, we adhered strictly to the mitigation measures formulated with a special concern for such environmental impacts.

To reduce dust emission and reuse it for the production process, we have installed dust collectors at containment points and maintained compliance with the parameters set by CEA.

The crushing process has been outsourced to a party that complies with the regulations in order to control sound pollution. With the objective of reducing the complaints from outsiders, a soundproofing system has been installed in the new Ball Mill.

Effluents and waste get subjected to a testing process before releasing to the environment. The waste treatment plant is upgraded to comply with regulations set by the Environmental Protection Authority

Emission	2023	2022
Gross direct (scope 1) GHG emissions (Tco2)	35,376	36,205
Energy indirect (scope 2) GHG emissions (Tco2)	12,599	13,607
Other indirect (scope 3) GHG emissions (Tco2)	1,335	1,442



# EVOLVING CAPABILITIES



**CORPORATE GOVERNANCE**

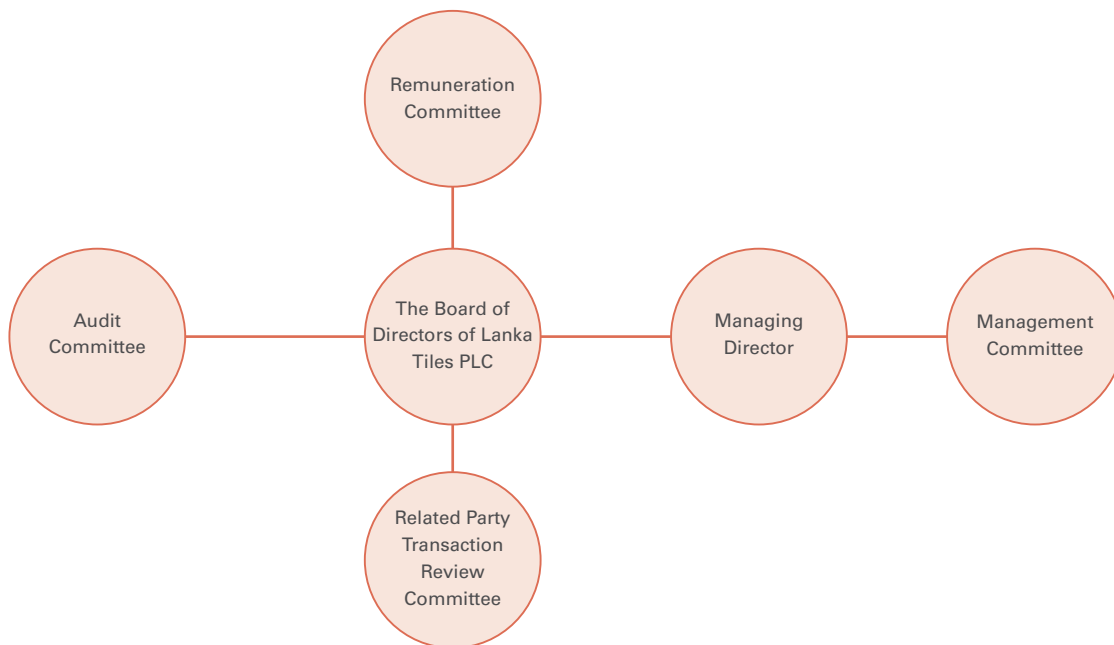


# CORPORATE GOVERNANCE

Lanka Tiles PLC is the premier floor tile specialist in Sri Lanka and is the most valuable 'LANKATILES' brand in the country. Its success is attributed to the comprehensive governance framework and risk management process established by the Board of Directors to ensure robust business ethics while fostering an environmentally and socially sound culture within the Company. The governance framework has created accountability to stakeholders in its financial and ESG reporting while enabling the Company to overcome challenges to achieve its corporate goals.

## Compliance Framework

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



## Composition of the Board

The Board of Directors provides strategic direction, manages foreseeable risks, and ensures compliance through its collective financial acumen, industry knowledge, and marketing and technical expertise.

### Board Composition

Executive Directors	01
Non-Executive Directors	04
Independent Non-Executive Directors	06
<b>By Gender</b>	
Female	02
Male	09
<b>By Age</b>	
30-45	03
46-60	02
61-70	05
Below 30	01
<b>By Tenure of Service</b>	
<5 years	05
5-10 years	04
>20 years	02
<b>By Expertise</b>	
Banking	02
Marketing	02
Finance	05
Technical	02

### Nature of Governance

A severe financial crisis, social unrest, and political instability resulted in the 2022/23 financial year being another challenging year. The Board of Directors played a critical role in guiding the Company to manage risks and optimize any opportunities for growth through the formulation of vital strategy.

The Board is also responsible for ensuring compliance with legal and regulatory requirements through a comprehensive system of internal controls. The establishment of a Risk Management Framework and the incorporation of ESG

principles in the Company's corporate governance framework certify its integrity in financial and ESG reporting.

The 38th Annual General Meeting of Lanka Tiles PLC was held with the participation of shareholders, the Chairman of the Board, and the Board Committees. Any questions raised by shareholders were answered by the Chairman and the Board Committees.

### Shareholders

Shares of Lanka Tiles PLC were held among 5,805 shareholders while the parent Company, Lanka Walltiles PLC held 68.217% of shares. As of 31st March 2023, the total number of shares in issue was 265,252,050.

### Shareholder Communication

The Company maintains effective communication with shareholders by means of multiple communication channels. These include:

- Annual General Meetings
- Annual Reports
- Interim Financial Statements
- The Company website
- Press releases
- Announcements to the Colombo Stock Exchange
- Social media platforms

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

### The Chairman and Managing Director's Role

The Chairman's and Managing Director's respective roles, tasks, and responsibilities are segregated to ensure a balance of authority and power in the decision-making and implementation process. The Managing Director implements strategic plans and drives performance within a

defined framework. The Managing Director is a member of the Board and is appointed by the Board. The Board receives quarterly reports from the Managing Director confirming compliance with regulatory requirements.

### Appointment and Re-election of Directors

The appointment of new Directors to the Board is notified to the Colombo Stock Exchange along with a brief resume of the Director, including the nature of expertise in relevant functional areas, previous directorships held, memberships on Board Committees, and the nature of the appointment.

The Board is responsible for the appointment of Directors, who are available for re-election by the shareholders at the next Annual General Meeting, with the exception of individuals above 70 years of age.

### Independence of Non-executive Directors

Non-Executive Directors are required to submit annual statements in compliance with the Colombo Stock Exchange's Listing Rules. The Board determines the Directors' independence based on the annual statement. Directors are allowed to make independent decisions due to their non-involvement in the day-to-day management and the non-existence of business dealings with the Company.

The Board has determined the following Directors to be Independent Directors based on their declarations which meet the independence criteria set forth in Rule 7.10.4 of the Listing Rules:

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

# CORPORATE GOVERNANCE

## Board Committees

The three primary Board committees aid in the effective and efficient discharge of the Board's functions and responsibilities. The Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee are given the necessary resources to enable them to carry out their responsibilities effectively. The Company Secretary serves as the committee secretary, and the minutes of each committee meeting are forwarded to all directors once completed.

Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
<b>Composition</b>		
Non-Executive Directors – 03 Independent Directors - 02 of Lanka Walltiles PLC the parent Company of Lanka Tiles PLC	Independent Non-Executive Directors – 03 of Royal Ceramics Lanka PLC	Non-Executive Directors – 03 Independent Directors – 02 of Lanka Walltiles PLC
<b>Mandate</b>		
<p>The Committee monitor and supervise the management's financial reporting process to ensure:</p> <ul style="list-style-type: none"> <li>• Integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards.</li> <li>• Compliance with legal and regulatory requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</li> <li>• The independence and performance of the External Auditor.</li> <li>• The adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.</li> </ul>	The Committee ensures the competitiveness of the total remuneration package to attract and retain the best talent.	On behalf of the Board, the Committee ensures all related party transactions of the Company comply with the Code of Best Practice issued by the SEC.
Refer page 89 for Audit Committee Report	Refer page 88 for Remuneration Committee Report	Refer page 87 for Related Party Transactions Review Committee Report

## Meetings and Attendance

Board meetings held for the year ended 31st March 2023 and the attendance of Directors are given below.

Name	Attendance			
	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Dharmika Perera /				
G A R D Prasanna (Resigned w.e.f 10th June 2022)	03/11			
A M Weerasinghe	11/11			
J A P M Jayasekera	11/11			
Dr. S Selliah	11/11	4/4		4/4
T G Thoradeniya	8/11	3/4		3/4
K D D Gunaratne	9/11			
A M L Page	10/11			
J A N R Adhietty	10/11			
S M Liyanage	10/11			
S R Jayaweera	11/11			
J R Gunaratne	11/11			
K A D B Perera (Appointed w.e.f.19th October 2022)	5/5			
J D N Kekulawala (Parent Company Board Member)		4/4		4/4
S H Amarasekara (Director of Royal Ceramics Lanka PLC)			1/1	
R N Asirwatham (Director of Royal Ceramics Lanka PLC)			1/1	
L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)			1/1	

## Compliance

The status of compliance of Lanka Tiles PLC with the CSE Listing Rules – section 7-10 and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017 are as follows.

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



# CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A 1.3	Compliance with laws and access to independent professional advice	The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further, the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with the same.	☑
A 1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	All Directors have access to the advice of the Company Secretary.  The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary.	☑  ☑
A 1.5	Independent judgment of the Directors	The Board comprises mainly independent professionals who in turn exercise independent judgment in discharging their duties.	☑
A 1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers are circulated one week prior to the meetings, giving adequate time to prepare.	☑
A 1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are recorded.	☑
A 1.8	Induction & Training of Directors	At the time a Director is appointed, a letter confirming such appointment together with details on the duties of a Director in terms of the Act and Listing Rules are forwarded to them.  All Directors have considerable experience in the industry.  Relevant local and foreign training opportunities are made available.	☑  ☑  ☑
A 2	Segregation of Roles of Chairman & CEO	Please refer to Chairman and Managing Director pages 12 and 15.	☑
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.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
<b>A 5 Board Balance</b>			
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 to an Effective Board on page 70.	☑
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence are obtained by the secretary annually.	☑
A.5.6	Alternate Director to a Non-Executive Director	Mr. Dhammika Perera resigned from the Board on 10th June 2022 and Mr. G A R D Prasanna who was the alternate Director ceased to hold office as an alternative 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	<b>Supply of Information</b>		
A6.1	The obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least one week before the meeting	☑
A7	<b>Appointments to the Board</b>		☑
A 7.1/ A 7.2	Nomination Committee and the assessment of the composition of the Board	All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of Directors. The Board'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 is 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 & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
<b>A.8 Re-election</b>			
A.8.1/A8.2	Re-election	At each AGM, 1/3rd of the Non-Executive Director presents themselves for re-election.	☑
		Newly appointed directors are re-elected at the 1st AGM following their appointment.	☑
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director. Disclose to CSE.	☑
<b>A.9 Appraisal of Board Performance</b>			
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.	☑
<b>A.10 Disclosure of Information in Respect of Directors</b>			
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 18 to 21.	☑
<b>A.11 Appraisal of Chief Executive Officer</b>			
A.11.1/A.11.2	The setting of the annual targets and the appraisal of the CEO	Appraisal of the MD is done when considering increments/bonuses to be paid.	☑
		Achievement of the budget is a key factor that is considered	☑
<b>B.1 Remuneration Procedure</b>			
B.1.1	Set up a Remuneration Committee with agreed terms of reference	The Report of the Remuneration Committee on page 88 gives the composition of the Committee and a description of its activities during the year.	☑
B.1.2 7.10.5 (a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors of Royal Ceramics Lanka PLC.	☑
B.1.3	List names of the Remuneration Committee in the Annual Report	Please refer to page 88.	☑
B.1.4 7.10.5 (b)	Determination of the remuneration of the Non-Executive Directors	The remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	☑
B.1.5	The remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
<b>B.2 The Level &amp; Makeup of Remuneration</b>			
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management Teams while remaining within the industry standards and annual performance approved.	☑
B.2.5	Performance-based remuneration	Part of the remuneration package of the Executive Director is linked to the achievement of targets and individual performance.	☑
B.2.7	Executive share options	The company does not have an ESOP	☑
B.2.8/B.2.9	Designing schemes of performance-based remuneration	Refer to the Report of the Remuneration Committee on page 88.	☑
<b>B.3 Disclosure of Remuneration</b>			
B.3.1	Disclosure of Remuneration	Report of the Remuneration Committee on page 88.	☑
7.10.5 (c)		Notes 27.3 in the financial statements on page 136.	
<b>Relations with Shareholders</b>			
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 of valid proxy appointments received for the 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 Chairman of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company	☑
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure for voting is given in the Notice of Meeting.	☑
<b>C.2 Communications with shareholders</b>			
C.2.1. to C.2.7	Communications with Shareholders	The AGM and EGM (if any) are used as the method for communicating with the shareholders.	☑
		All quarterly and annual financial information and other important matters as required by the Act and the Listing Rules are shared by way of disclosures through the CSE.	☑
		The Company Secretaries/Registrars are the main contact people for the shareholders.	☑
		All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/ Subcommittee meetings.	☑
		All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.	☑

# CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
<b>C.3 Major &amp; Material Transactions</b>			
C.3.1 & C.3.2	Disclosure of Major Transactions	<p>There were no transactions during the period under review which are considered material/ Major as per the Companies Act.</p> <p>The report of the Related Party Transactions Review Committee is on page 87.</p>	☑
<b>D Accountability &amp; Audit</b>			
D.1.1	Annual Report	Refer to Accountability & Audit on pages 85 & 86.	☑
D.1.2	Interim and price-sensitive reports to the public and regulators	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> <li>• Companies Act No. 07 of 2007,</li> <li>• Sri Lanka Accounting Standards and</li> <li>• Listing Rules of the Colombo Stock Exchange.</li> </ul> <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange</p>	☑
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Managing Director and the Chief Financial Officer.	☑
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on pages 81 to 84.	☑
D.1.5	Statements on responsibilities for the preparation of financial statements and internal control	<p>Refer to the following:</p> <ul style="list-style-type: none"> <li>• Statement of Board responsibility for the preparation of financial statements – page 85</li> <li>• Statement from Auditors' on their reporting responsibilities – pages 92 to 93.</li> <li>• Statement on Internal Control – page 34.</li> </ul>	☑
D.1.6	Management discussion & analysis	Refer Annual Report from pages 23 to 41 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 to the following disclosures on Related Party Transactions:</p> <ul style="list-style-type: none"> <li>• Related Party Transactions Review Committee Report on page 87.</li> <li>• Annual Report of the Board of Directors on pages 81 to 84.</li> <li>• Note 27 on page 133 to 136 the financial statements.</li> </ul>	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
<b>D.2 Risk Management &amp; Internal Control</b>			
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements:	<input checked="" type="checkbox"/>
D.2.2	Confirm assessment of the principal risks of the company	<ul style="list-style-type: none"> <li>• Risk Report on page 33.</li> <li>• Risk &amp; Internal Control on pages 33 - 35</li> </ul>	
D.2.3	Internal Audit	<ul style="list-style-type: none"> <li>• Directors' Statement on Internal Controls on page 35.</li> </ul>	
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures	<ul style="list-style-type: none"> <li>• Audit Committee Report on page 89</li> </ul>	
D.2.5	Compliance with Directors' responsibilities as set out by the Code		
<b>D.3 Audit Committee</b>			
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive Directors of which at least 2 must be independent	Audit Committee comprises 03 non-executive directors of whom 02 are independent.  Refer to Audit Committee on page 89	<input checked="" type="checkbox"/>
D.3.2. 7.10.6(b)	Written Terms of Reference for Audit Committee	The Audit Committee has written Terms of Reference summarised in the Audit Committee Report on page 89.	<input checked="" type="checkbox"/>
D.3.3. 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures is given on page 89.	<input checked="" type="checkbox"/>
<b>D.4 Related Party Transactions Review Committee</b>			
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer report of the Related Party Transactions Review Committee on page 87.	<input checked="" type="checkbox"/>
<b>D.5 Code of Business Conduct &amp; Ethics</b>			
D.5.1.	Board declaration for compliance with Code	Refer Code of Ethics on page 80.	<input checked="" type="checkbox"/>
D.5.2	Price sensitive information	Material and price-sensitive information is promptly disclosed to the CSE by the Company Secretaries.	<input checked="" type="checkbox"/>
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer to the Related Party Transactions Committee Report on page 87.	<input checked="" type="checkbox"/>
D.5.4	Chairman's statement	Refer to the Chairman's Message on Corporate Governance on page 80 and The Board of Directors Statement on Internal Controls on page 35.	<input checked="" type="checkbox"/>
D.6	Corporate Governance disclosures	The Corporate Governance Report is on page 70 - 80 together with its Annexes comply with this requirement.	<input checked="" type="checkbox"/>
<b>E Institutional Investors</b>			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	<input checked="" type="checkbox"/>
E.2	Evaluation of Governance Disclosures	Information required for the evaluation of governance structures is provided in the Annual Report.	<input checked="" type="checkbox"/>

# CORPORATE GOVERNANCE

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
<b>F Other Investors</b>			
F.1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decisions.	☑
F.2	Encouraging shareholder participation	Refer to Shareholder Relations on page 151. The Company encourages individual shareholders to participate in general meetings and exercise their voting rights.	☑
<b>G Internet of things and cybersecurity</b>			
G	Internet of Things and Cybersecurity	The Company has implemented a cybersecurity policy and has a robust cybersecurity risk management process and has a designated Chief Information Security Officer in place.	☑
<b>H Environment, Society &amp; Governance</b>			
H	Environment, society and Governance	Refer to ESG Reporting from page 42 to page 55.	☑
	Principle 3 - Reporting on Labour Practices (Human Capital)	Refer Human Capital Report on page 51.	☑
	Principle 4 - Reporting on Society (Social Impact)	Refer to Social Capital on pages 56 to 61.	☑
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Refer to Social Capital on pages 56 to 61.	☑
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Refer to the Stakeholder Engagement report on page 29.	☑
	Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	Refer GRI Index on pages 148-150.	☑

## Statement of Compliance

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

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

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



A M Weerasinghe  
Chairman



J A P M Jayasekera  
Managing Director



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

The Board of Directors of Lanka Tiles PLC is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiary (collectively referred to as 'the Group') for the year ended 31st March 2023 as set out on page 94 to 140

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

## FORMATION

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

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

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

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

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

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

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

## FINANCIAL STATEMENTS

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 92 to 140

## SUMMARISED FINANCIAL RESULTS

Year ended 31st March	2023 Rs.'000	2022 Rs.'000
Revenue	18,684,042	14,591,620
<b>Total comprehensive Income for the year</b>	<b>3,536,803</b>	<b>4,150,908</b>

## INDEPENDENT AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 92.

## ACCOUNTING POLICIES

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

## DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 18 to 21

### Executive Directors

Mr. J A P M Jayasekera - Managing Director

### Non - Executive Directors

Mr. A M Weerasinghe - Chairman

Mr. T G Thoradeniya - Director

Mr. S M Liyanage - Director

Ms. K A D B Perera -Director

### Independent Non - Executive Directors

Dr. S Selliah - Director

Mr. K D G Gunaratne - Director

Ms. A M L Page - Director

Mr. J A N R Adhihetty - Director

Mr. S R Jayaweera - Director

Mr. J R Gunaratne - Director

Mr. A.M Weerasinghe, Mr. S R Jayaweera and Mr. J R Gunaratne retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Ms. K A D B Perera who was appointed during the year under review retire in terms of Article 109 of the Articles of Association of the Company and being eligible is recommended by the Directors for election.

Mr. Dhammika Perera resigned from the Board of Directors on 10.06.2022 and Mr. G A R D Prasanna, who was the alternate Director to Mr. Dhammika Perera, ceased to hold office as an alternate Director, to Mr. Dhammika Perera. Ms. K A D B Perera was appointed as a Director on 19.10.2022. All three events occurred during the year under review

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

## DIRECTORS OF THE SUBSIDIARY COMPANY

### Beyond Paradise Collection Ltd

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

### Lankatiles (Private) Limited

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

### LTL Development Ltd

Mr. K.D.A Perera  
Mr. J.A.P.M Jayasekara  
Mr. A M Weerasinghe

## INTERESTS REGISTER

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

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

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2023.

The relevant interests of Directors in the shares of the Company as at 31st March 2023 as recorded in the Interests Register

are given in this Report under Directors' shareholding.

## DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed under key management personnel compensation in Note 27.3 to the Financial Statements on page 136

## DIRECTORS' INTERESTS IN CONTRACTS

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

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

## INDEPENDENT AUDITORS

Messrs. Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/ consultancy services. They do not have any interest in the Company other than that of Auditors and provider of tax related services.

A total amount of Rs. 2,855,000 (2022 – Rs.2,157,000/-) is payable by the Company to the Auditors for the year under review comprising Rs. 1,475,000 (2022 – Rs.1,043,000/-) as audit fees and Rs. 1,380,000 (2022 – Rs.1,145,000/-) for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 19th May 2023 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## INDEPENDENCE OF AUDITORS

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

## STATED CAPITAL

The Stated Capital of the Company is Rs: 900,967,696/- (2022 - Rs.900,967,696/-)

Further to the Sub-Division of shares on 26th March 2021, the number of shares issued by the Company stood at 265,252,050 fully paid ordinary shares as at 31st March 2023 (which was the same as at 31st March 2022).

## DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2023 and 31st March 2022 are as follows

	Shareholding as at	
	31/03/23	31/03/22
Mr. A.M Weerasinghe	-	-
Mr. J.A.P.M.Jayasekara	-	-
Dr. S.Selliach	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	12,500
Mr. J A R N Adhihetty	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-
Mr. J R Gunaratne	-	-
Ms. K A D B Perera	-	-

## SHAREHOLDERS

There were 5,805 shareholders registered as at 31st March 2023 (4,632 shareholders as at 31st March 2022). The details of distribution are given on page 144 of this Report.

## MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty five largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 144 to 145 under Share Information

## EMPLOYMENT POLICY

The Company's employment policy is totally non-discriminatory which respects individuals and provides carrier opportunities irrespective of the gender, race or religion.

As at 31st March 2023 , 744 persons were in employment (730 persons as at 31st March 2022

## RESERVES

The reserves of the Company with the movements during the year are given in Note 11 to the Financial Statements on page 121

## CAPITAL EXPENDITURE

The total capital expenditure during the year amounted to Rs. 984 Mn on property, plant and equipment compared to Rs.612 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. 87 Mn and all other related movements are disclosed in Note 4 to the Financial Statements.

## LAND HOLDINGS

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 7,002 Mn (2022 – Rs. 6,471 Mn)

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

Location	No. of Buildings	Lands in extent	Valuation/Cost	
			2023 (Rs. '000)	2022 (Rs. '000)
Factory at Jaltara, Ranala	42	28A-02R-32.69P	1,641,355	1,708,900
Land adjacent to the factory	17	08A-02R-08.56P	252,100	252,100
Warehouse at Biyagama	5	02A-00R-15.93P	528,400	528,400
Ball Clay land at Kalutara	-	5A-01R-0.83P	53	53
Nugegoda showroom	1	00A-00R-32.03P	446,282	240,200
Total			2,868,190	2,729,653

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

## DIVIDENDS

An interim dividend of Rs. 6/50 per share for the year ending 31st March 2023 was declared on 8th March 2023.

The Directors recommended a final dividend of Rs.1.10 per share for the year under review subject to obtaining a certificate of solvency from the auditors and approval by the shareholders at the forthcoming Annual General Meeting.

## SUBSTANTIAL SHAREHOLDINGS

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

## INVESTMENTS

Details of the Company's quoted and unquoted investments as at 31st March 2023 are given in Notes 5 to the Financial Statements on pages 116 to 119

## PUBLIC HOLDING

28.342% (2022 - 28.342% ) of the issued shares of the Company are widely held by the public

## DONATIONS

The Company made donations amounting to Rs. 5,188,397/- in total, during the year under review. (For 2022 -Rs.4,823,846)

## RISK MANAGEMENT

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 33 to 35.

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid

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

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 136 there were no material Contingent Liabilities as at the Balance Sheet date..

## EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed in Note 29 to the Financial Statements on page 136 there are no material events as at the date of the Auditors' Report which require adjustment to or disclosure in the Financial Statements.

## CORPORATE GOVERNANCE

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

An Audit Committee, Remuneration Committee and a Related Party Transaction Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows.

### Audit Committee

Mr. J D N Kekulawala- Chairman

Dr. S Selliah

Mr. T G Thoradeniya

### Remuneration Committee

Mr. S H Amarasekera - Chairman

Mr. R N Asiriwatham

Mr. L N de S Wijeyeratne

### Related Party Transaction Review Committee

Dr. S Selliah - Chairman

Mr. J D N Kekulawala

Mr. T G Thoradeniya

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2023

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

## CORPORATE SOCIAL RESPONSIBILITY

The Company continued its Corporate Social Responsibility Programme, the details of which are set out on pages 56 to 61 of this report.

## ENVIRONMENTAL PROTECTION

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

## GOING CONCERN

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

satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

## ANNUAL GENERAL MEETING

The Notice of the Thirty Ninth (39th) Annual General Meeting appears on page 151

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



A.M Weerasinghe  
Chairman



J A P M Jayasekera  
Managing Director



P W Corporate Secretarial (Pvt) Ltd  
Secretaries

31st May 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2022/23, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board  
LANKA TILES PLC



PW Corporate Secretarial (Pvt) Ltd  
Secretaries

31st May 2023

# CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

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

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

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

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

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

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

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



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



**J A P M Jayasekera**  
Managing Director

31st May 2023



# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in January 2016 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

## PURPOSE OF THE COMMITTEE

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

## RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

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

## COMPOSITION OF THE COMMITTEE

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

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

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

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

## MEETINGS

The Committee held four meetings during the year.

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

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

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

## PROCEDURES FOR REPORTING RPT'S

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

approved related party transactions actually entered into by the Company.

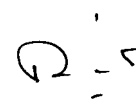
## REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2022/23 and has communicated the comments and observation to the Board of Directors. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no none-recurrent related party transactions entered into during the course of the financial year aggregative value of which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 2023, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 27 to the Financial Statements, on pages 133 to 135 of this Annual Report.

## DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on page 81 of this Annual Report.



Dr. S Selliah  
Chairman - Related Party Transactions Review Committee

31st May 2023

# REMUNERATION COMMITTEE REPORT

## ROLE OF THE REMUNERATION COMMITTEE

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

## COMPOSITION OF THE REMUNERATION COMMITTEE

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

Mr. S H Amarasekera - Chairman

Mr. R N Asirwatham

Mr. L N De S Wijeyeratne

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

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

## MEETINGS

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

Mr. S H Amarasekera - 1/1

Mr. R N Asirwatham - 1/1

Mr. L N De S Wijeyeratne - 1/1

## FUNCTIONS PERFORMED BY THE REMUNERATION COMMITTEE

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

- e. Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

## CONCLUSION

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



**S H Amarasekera**  
Chairman of the Remuneration Committee

31st May 2023

# AUDIT COMMITTEE REPORT

## ROLE OF THE AUDIT COMMITTEE

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

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprised of the following three Directors.

### Mr. J D N Kekulawala

*Chairman, Independent Non – Executive Director*

### Dr. S Selliah

*Committee Member - Independent Non – Executive Director*

### Mr. T G Thoradeniya

*Committee Member - Non – Executive Director*

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

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

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

## MEETINGS

The Audit Committee met 04 times during the year. The attendance of the members at the meeting is as follows.

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

## FUNCTIONS PERFORMED BY THE AUDIT COMMITTEE

- The Committee reviewed the provisional financial statements that were published for financial year 2022/23 and the audited financial statements of financial year 2022/23. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- The Committee reviewed the quarterly internal audit reports. The internal audit function is carried out by M/s. BDO Partners. The Internal audits are done on a process based audit framework to improve process performance and control.
- The Committee reviewed the external auditor's report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
- The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.
- The Audit Committee in conjunction with the Managing Director of the Company reviewed the Company's disclosure

controls and procedures and internal control over financial reporting.

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

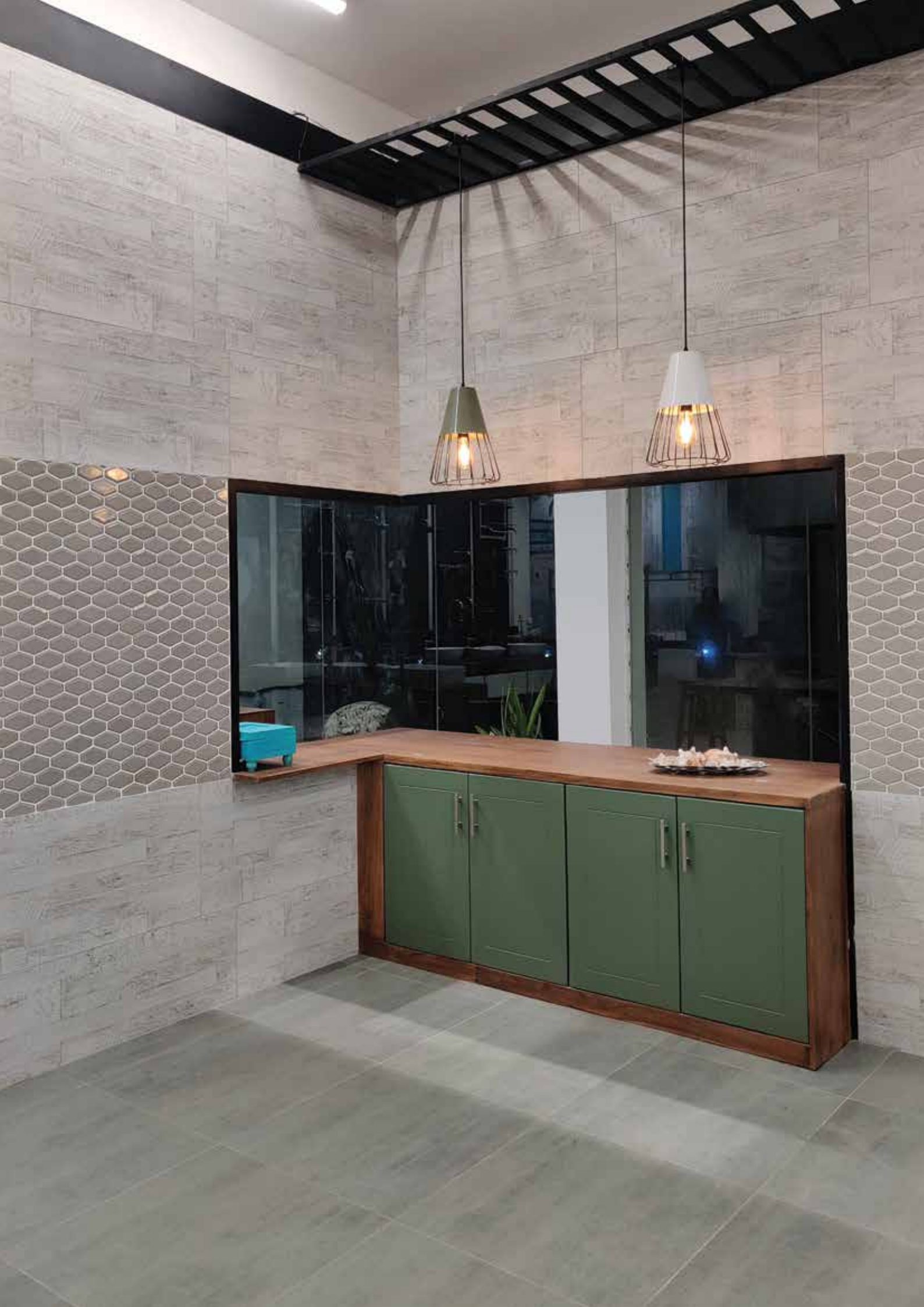
## CONCLUSION

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



**J D N Kekulawala**  
Chairman – Audit Committee

31st May 2023







# ADVANCED FORESIGHT

FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
P.O. Box 101  
Colombo 10, Sri Lanka

Tel: +94 11 246 3500  
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ey.com

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF LANKA TILES PLC

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Lanka Tiles PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the

financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

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

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

Key audit matter	How our audit addressed the Key Audit Matter
<b>Existence and carrying value of Inventories</b>	
<p>As at 31 March 2023, the carrying value of inventories amounted to Rs. 5,036 Mn net of a provision of Rs. 195 Mn for slowing-moving inventory as disclosed in note 7 to the financial statements.</p> <p>Existence and carrying value of inventories was a key audit matter due to:</p> <ul style="list-style-type: none"><li>• Materiality of the reported amount, which represents 27% of the Group's total assets</li><li>• Inventories being held at multiple locations</li></ul> <p>Judgements applied by the management in determining the provision for slow-moving inventory on account of ageing and prevailing economic conditions.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the reporting date</li><li>• Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items.</li><li>• Understood the process followed by the management for the measurement of inventory and tested the relevant controls.</li><li>• Tested the accuracy and completeness of inventory age reports used in the estimation of allowances</li><li>• Assessed the reasonableness of management judgements applied in determining provision for slow-moving inventory.</li></ul> <p>We also evaluated the adequacy of the disclosures in note 2.3.5 and note 7 to the financial statements</p>



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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

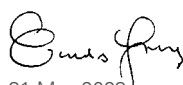
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

### Report on Other Legal and Regulatory Requirements

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

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



31 May 2023  
Colombo

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

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	GROUP		COMPANY	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3.2	7,001,724	6,471,179	7,001,724	6,471,179
Investment Properties	3.6	484,857	483,091	-	-
Intangible assets	4	92,155	8,970	92,155	8,970
Investments in subsidiaries	5	-	-	327,326	270,242
Investments in associates	6	1,144,458	1,563,428	1,076,445	1,501,249
Right of use assets	3.7	19,510	65,378	19,510	65,378
		<b>8,742,704</b>	<b>8,592,046</b>	<b>8,517,160</b>	<b>8,317,018</b>
<b>Current assets</b>					
Inventories	7	5,036,886	2,473,794	5,036,886	2,473,794
Trade and other receivables	8	2,410,052	910,523	2,410,052	910,523
Amounts due from related parties	9	1,626,266	14,109	1,618,889	65,168
Cash and cash equivalents	25	810,691	4,936,501	790,371	4,919,853
		<b>9,883,895</b>	<b>8,334,927</b>	<b>9,856,198</b>	<b>8,369,338</b>
<b>Total assets</b>		<b>18,626,599</b>	<b>16,926,973</b>	<b>18,373,358</b>	<b>16,686,356</b>
<b>EQUITY AND LIABILITIES</b>					
Stated capital	10	900,968	900,968	900,968	900,968
Reserves	11	1,466,331	1,577,493	1,462,469	1,575,310
Retained earnings		10,554,962	9,740,862	10,389,489	9,567,744
<b>Equity attributable to equity holders of the parent</b>		<b>12,922,261</b>	<b>12,219,323</b>	<b>12,752,926</b>	<b>12,044,022</b>
Non controlling interest		9,922	8,095	-	-
<b>Total equity</b>		<b>12,932,183</b>	<b>12,227,418</b>	<b>12,752,926</b>	<b>12,044,022</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	12	434,405	705,420	434,405	705,420
Deferred tax liabilities	13	1,329,517	907,441	1,261,933	853,796
Retirement benefit liability	14	199,753	158,999	199,753	158,999
		<b>1,963,675</b>	<b>1,771,860</b>	<b>1,896,091</b>	<b>1,718,215</b>
<b>Current liabilities</b>					
Trade and other payables	15	1,868,004	1,548,896	1,867,325	1,548,770
Contract liability	15.2	101,826	90,233	101,826	90,233
Income tax liabilities		310,577	293,822	310,577	293,822
Amounts due to related parties	16	134,451	232,352	128,730	228,902
Current portion of interest bearing liabilities	12	1,315,883	762,392	1,315,883	762,392
		<b>3,730,741</b>	<b>2,927,695</b>	<b>3,724,341</b>	<b>2,924,119</b>
<b>Total equity and liabilities</b>		<b>18,626,599</b>	<b>16,926,973</b>	<b>18,373,358</b>	<b>16,686,356</b>

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

  
S.U. Amarasinghe

General Manager (Finance)

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,

  
J.A.P.M. Jayasekera  
Managing Director

  
A.M. Weerasinghe  
Chairman

The accounting policies and notes on pages 98 to 140 form an integral part of the financial statements.

The figures in brackets indicate deductions.

31st May 2023

Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2023	Note	GROUP		COMPANY	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue from contracts with customers	17	18,684,042	14,591,620	18,684,042	14,591,620
Cost of Sales		(10,256,396)	(7,982,698)	(10,256,396)	(7,982,698)
<b>Gross Profit</b>		<b>8,427,646</b>	<b>6,608,922</b>	<b>8,427,646</b>	<b>6,608,922</b>
Other Income/ (Costs)	18	56,445	96,441	52,382	94,420
Distribution Costs		(2,160,121)	(1,583,831)	(2,160,121)	(1,583,831)
Administrative Expenses		(1,026,430)	(575,767)	(1,023,032)	(573,381)
Finance Cost	19	(264,642)	(88,126)	(264,642)	(88,126)
Finance Income	20	518,453	174,016	518,453	174,016
Share of Net Profit of Associate		(266,466)	405,353	(271,424)	402,764
<b>Profit Before Tax</b>	21	<b>5,284,885</b>	<b>5,037,008</b>	<b>5,279,262</b>	<b>5,034,785</b>
Income Tax Expense	22	(1,597,083)	(926,692)	(1,583,154)	(913,924)
<b>Profit for the Year</b>		<b>3,687,802</b>	<b>4,110,316</b>	<b>3,696,108</b>	<b>4,120,860</b>
<b>Other Comprehensive Income</b>					
<b>Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Actuarial Gain/ (Loss) on Retirement Benefit Liability	14	(12,859)	39,771	(12,859)	39,771
Deferred tax on components of other comprehensive income	22.2	(108,983)	(7,556)	(108,983)	(7,556)
"Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods "		(121,842)	32,215	(121,842)	32,215
<b>Net Other Comprehensive Income may be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Foreign currency translation differences of foreign operations		3,292	3,523	-	-
Share of other comprehensive income of associates investment		(32,449)	4,854	(33,324)	1,931
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		(29,157)	8,377	(33,324)	1,931
<b>Other Comprehensive Income/(loss) for the Year, net of tax</b>		<b>(150,999)</b>	<b>40,592</b>	<b>(155,166)</b>	<b>34,146</b>
<b>Total Comprehensive Income for the Year, net of tax</b>		<b>3,536,803</b>	<b>4,150,908</b>	<b>3,540,942</b>	<b>4,155,006</b>
<b>Profit attributable to :</b>					
Equity holders of the parent		3,687,589	4,110,139	3,696,108	4,120,860
Non controlling interest		213	177	-	-
<b>Profit for the year</b>		<b>3,687,802</b>	<b>4,110,316</b>	<b>3,696,108</b>	<b>4,120,860</b>
<b>Total comprehensive income attributable to :</b>					
Equity holders of the parent		3,534,976	4,149,005	3,540,942	4,155,006
Non controlling interest		1,827	1,903	-	-
<b>Total Comprehensive Income for the Year</b>		<b>3,536,803</b>	<b>4,150,908</b>	<b>3,540,942</b>	<b>4,155,006</b>
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	23	13.90	15.50	13.93	15.54

The accounting policies and notes on pages 98 to 140 form an integral part of the financial statements.

The figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

As at 31st March	Stated capital	Revaluation reserve	Amalgamation reserve	Retained Earnings	Exchange translation reserve	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>GROUP</b>							
<b>Balance as at 1st April 2021</b>	900,968	1,122,372	460,151	7,443,204	386	6,192	9,933,273
Profit for the Year	-	-	-	4,110,139	-	177	4,110,316
Other Comprehensive Income	-	-	-	37,069	1,797	1,726	40,592
Transfer from revaluation reserve on disposal of land	-	(7,213)	-	7,213	-	-	-
	-	(7,213)	-	4,154,421	1,797	1,903	4,150,908
Dividends							
Final 2020/21 (Rs.2.20 per share)	-	-	-	(583,554)	-	-	(583,554)
1st Interim 2021/22 (Rs.3.00 per share)	-	-	-	(795,756)	-	-	(795,756)
2nd Interim 2021/22 (Rs.1.80 per share)	-	-	-	(477,453)	-	-	(477,453)
	-	-	-	(1,856,763)	-	-	(1,856,763)
<b>Balance as at 1st April 2022</b>	900,968	1,115,159	460,151	9,740,862	2,183	8,095	12,227,418
Surcharge tax levied under the Surcharge Tax Act No 14 of 2022	-	-	-	(603,922)	-	-	(603,922)
<b>Adjusted Balance as at 1st April 2022</b>	<b>900,968</b>	<b>1,115,159</b>	<b>460,151</b>	<b>9,136,940</b>	<b>2,183</b>	<b>8,095</b>	<b>11,623,496</b>
Profit for the Year	-	-	-	3,687,589	-	213	3,687,802
Other Comprehensive Income	-	(112,841)	-	(41,451)	1,679	1,614	(150,999)
Total Comprehensive Income	-	(112,841)	-	3,646,138	1,679	1,827	3,536,803
Dividends							
Final 2021/22 (Rs.1.90 per share)	-	-	-	(503,978)	-	-	(503,978)
1st Interim 2022/23 (Rs.6.50 per share)	-	-	-	(1,724,138)	-	-	(1,724,138)
	-	-	-	(2,228,116)	-	-	(2,228,116)
<b>Balance as at 31 March 2023</b>	<b>900,968</b>	<b>1,002,318</b>	<b>460,151</b>	<b>10,554,962</b>	<b>3,862</b>	<b>9,922</b>	<b>12,932,183</b>

As at 31st March	Stated capital	Revaluation reserve	Amalgamation reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>COMPANY</b>					
<b>Balance as at 1st April 2021</b>	900,968	1,122,372	460,151	7,262,288	9,745,779
Profit for the Year	-	-	-	4,120,860	4,120,860
Other Comprehensive Income	-	-	-	34,146	34,146
Transfer from revaluation reserve on disposal of land	-	(7,213)	-	7,213	-
Total Comprehensive Income	-	(7,213)	-	4,162,219	4,155,006
Dividends					
Final 2020/21 (Rs.2.20 per share)	-	-	-	(583,554)	(583,554)
1st Interim 2021/22 (Rs.3.00 per share)	-	-	-	(795,756)	(795,756)
2nd Interim 2021/22 (Rs.1.80 per share)	-	-	-	(477,453)	(477,453)
	-	-	-	(1,856,763)	(1,856,763)
<b>Balance as at 1st April 2022</b>	900,968	1,115,159	460,151	9,567,744	12,044,022
Surcharge tax levied under the Surcharge Tax Act No 14 of 2022	-	-	-	(603,922)	(603,922)
<b>Adjusted Balance as at 1st April 2022</b>	<b>900,968</b>	<b>1,115,159</b>	<b>460,151</b>	<b>8,963,822</b>	<b>11,440,100</b>
Profit for the Year	-	-	-	3,696,108	3,696,108
Other Comprehensive Income	-	(112,841)	-	(42,325)	(155,166)
Total Comprehensive Income	-	(112,841)	-	3,653,783	3,540,942
Dividends					
Final 2021/22 (Rs.1.90 Per share)	-	-	-	(503,978)	(503,978)
1st Interim 2022/23 (Rs.6.50 per share)	-	-	-	(1,724,138)	(1,724,138)
	-	-	-	(2,228,116)	(2,228,116)
<b>Balance as at 31 March 2023</b>	<b>900,968</b>	<b>1,002,318</b>	<b>460,151</b>	<b>10,389,489</b>	<b>12,752,926</b>

The accounting policies and notes on pages 98 to 140 form an integral part of the financial statements.

The figures in brackets indicate deductions.

# STATEMENT OF CASH FLOW

For the Year ended 31st March	Note	GROUP		COMPANY	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before income tax		5,284,885	5,037,008	5,279,262	5,034,785
<b>Adjustments for</b>					
Depreciation & amortization	21	457,105	437,616	457,105	437,616
Amortization of Right of use Lease Assets	3.7	45,868	37,621	45,868	37,621
Profit/ (loss) on sale of property, plant & equipment	18	-	31,814	-	31,814
Interest income	20	(518,453)	(174,016)	(518,453)	(174,016)
Finance costs		256,402	80,606	256,402	80,606
Provision for retirement benefit obligations	14	36,489	14,043	36,489	14,043
Profit share of results of associate		266,466	(405,353)	271,424	(402,764)
Allowance/ (reversal) for obsolete and slow moving inventories	7.1	40,473	13,052	40,473	13,052
Allowance for impairment of trade receivable	8	3,000	2,600	3,000	2,600
Net fair value gain on investment property	3.6	(1,766)	-	-	-
Foreign exchange (gain)/ loss		(14,005)	(84,312)	(14,005)	(84,312)
Interest expense on lease liability		8,240	11,490	8,240	11,490
<b>Operating profit/(loss) before working capital changes</b>		<b>5,864,704</b>	<b>5,002,169</b>	<b>5,865,805</b>	<b>5,002,535</b>
<b>Working capital adjustments:</b>					
(Increase)/ decrease in inventories		(2,603,565)	(164,729)	(2,603,565)	(164,729)
(Increase)/ decrease in trade and other receivables		(1,502,529)	113,337	(1,559,613)	113,257
(Increase) /decrease in due from related parties		(1,612,157)	372,177	(1,553,721)	282,675
Increase/ (decrease) in due to related parties		(97,901)	110,887	(100,172)	109,118
Increase /(decrease) in trade and other payables		344,714	75,269	344,152	69,706
<b>Cash generated from/(used in) operations</b>		<b>393,266</b>	<b>5,509,110</b>	<b>392,886</b>	<b>5,412,562</b>
Interest received		518,453	174,016	518,453	174,016
Finance costs paid		(256,402)	(80,606)	(256,402)	(80,606)
Retirement benefit plan costs paid	14	(8,594)	(13,871)	(8,594)	(13,871)
Surcharge tax paid		(603,922)	-	(603,922)	-
Income tax paid		(1,267,244)	(786,607)	(1,267,244)	(778,800)
<b>Net cash flows from/(used in) operating activities</b>		<b>(1,224,443)</b>	<b>4,802,042</b>	<b>(1,224,823)</b>	<b>4,713,301</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>					
Acquisition of property, plant & equipment and intangible assets		(1,070,835)	(700,196)	(1,070,835)	(611,924)
Proceeds from sale of property, plant & equipment		-	47,528	-	47,528
Dividend Received		120,056	186,463	120,056	186,463
<b>Net cash flows from/(used in) investing activities</b>		<b>(950,779)</b>	<b>(466,205)</b>	<b>(950,779)</b>	<b>(377,933)</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>					
Interest bearing loans & borrowings obtained	12	800,000	-	800,000	-
Repayment of interest bearing borrowings	12	(550,000)	(250,000)	(550,000)	(250,000)
Repayment of Lease liability		(45,220)	(43,624)	(45,220)	(43,624)
Dividends paid - on Ordinary Shares	24	(2,228,116)	(1,856,748)	(2,228,116)	(1,856,748)
<b>Net cash flows from/(used in) financing activities</b>		<b>(2,023,336)</b>	<b>(2,150,372)</b>	<b>(2,023,336)</b>	<b>(2,150,372)</b>
Net increase/(decrease) in cash and cash equivalents		(4,198,558)	2,185,465	(4,198,938)	2,184,996
Foreign exchange difference arising on translation of foreign operation		3,292	3,523	-	-
<b>Cash and cash equivalents at the beginning of the year</b>	25	<b>4,460,862</b>	<b>2,271,874</b>	<b>4,444,214</b>	<b>2,259,218</b>
<b>Cash and cash equivalents at the end of the year</b>	25	<b>265,596</b>	<b>4,460,862</b>	<b>245,276</b>	<b>4,444,214</b>

The accounting policies and the notes on pages 98 to 140 form an integral part of these financial statements.

The figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

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

### 1.2 Principal activities and nature of operations

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

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

### 1.3 Parent enterprise and ultimate parent enterprise

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

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

### 1.4 Date of authorization for issue

The Financial Statement of Lanka Tiles PLC and its Subsidiaries for year ended 31 March 2023 was authorized for issue in accordance with a resolution of the Board of Directors on 31st May 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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

#### 2.1.1 Basis of measurement

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

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

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

#### 2.1.2 Statement of Compliance

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

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

#### 2.1.3 Going concern

In determining the basis of preparing the financial statements for the year ended 31 March 2023, 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 the operationalisation of risk mitigation initiatives 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 2022.

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

Amendments to SLFRS 3: Definition of a Business – Updating a reference to conceptual framework

The amendment replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirement.



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

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

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

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

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

Amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

## 2.1.5 Comparative information

The accounting policies have been consistently applied by the Company and they are consistent with those used in the previous years. Previous year’s figures and phrases have been re-arranged whenever necessary to conform to current presentation.

## 2.1.6 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2023.

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-

# NOTES TO THE FINANCIAL STATEMENTS

controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Companies in the Group, the Group holdings in its subsidiary are given in Note 5.1 to the financial statements.

## 2.1.7 Equity accounted investees (Investment in associates)

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the group has significant influence. Under the associate is carried in the statement of Financial Position cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The Statement of profit or loss of income reflects the share of the results of operations the associate. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the Statement of changes in Equity. Unrealized gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the Statement of profit or loss. This s profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. The Financial Statement of the associate are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss'. The investment in the separate financial statements.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

### 2.2.1 Judgements

In the process of applying the Group accounting policies, management has made the following judgements, apart

from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

#### a) Useful life-time of the Property, Plant and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty (Note 3).

### 2.2.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

#### a) Defined benefit plans

The cost of defined benefit plan- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 14 for the assumptions used and the sensitivity thereon.

#### b) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 7.1).

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

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being recognized in other comprehensive income and statement of profit and loss respectively. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarized in the Note 3.3.1 and 3.6.1 to the financial statements.

#### d) Impairment of debtors

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

The assessment of the correlation between historical observed default rates, forecast economic conditions

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

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

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

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.3.1 Foreign currency translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in

foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 2.3.2 Fair Value Measurement

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2.3.3 Taxation

### Current taxes

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

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

### Deferred taxation

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

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

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

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

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

### Sales tax

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

### Social Security Contribution Levy

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

## 2.3.4 Borrowing costs

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

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

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

## 2.3.5 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for slow moving items.

Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

#### Finished goods (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 actual cost on weighted average basis

#### Consumable and spares

At actual cost on weighted average basis

#### Goods in transit

At actual cost

#### Raw materials

At purchase cost on weighted average cost basis.

### 2.3.6 Financial Instruments

#### Financial Assets

##### Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9, are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow

characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

#### Subsequent Measurement

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

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

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

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

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

The Group's financial assets at amortized cost includes trade and other receivables, amounts due from related parties, short term investments, long term receivables and cash and cash equivalents.

#### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is 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 recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value

# NOTES TO THE FINANCIAL STATEMENTS

through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Financial Liabilities

### Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

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

### Subsequent Measurement

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

#### a) Loans and Borrowings

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

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs those are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

#### Derecognition

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

#### 2.3.7 Property, plant and equipment

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

An item of property, plant and equipment is 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 recognized in other comprehensive income and credited to the revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

### 2.3.8 Intangible assets

#### Basis of recognition

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

#### Basis of measurement

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

#### Useful economic lives, amortization and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement.

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

### 2.3.9 Leases

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

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

The group has the right to obtain substantially all of the economic benefits of assets throughout the period of use.

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

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

#### a) Group as the Lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to 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 are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### (i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are

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

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

## (ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 3.7).

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

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### 2.3.10 Investment properties

Properties held for capital appreciation and properties held to earn rental income have been classified as Investment Property. Investment Property is recognized if it is probable that future economic benefits that are associated with the Investment Property will flow to the Group and cost of the Investment Property can be reliably measured.

#### Initial measurement

An Investment Property is measured initially at its cost. The cost of a purchased Investment Property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment is its cost at the date when the construction or development is complete.

#### Subsequent measurement

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

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

### 2.3.11 Provisions

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

### 2.3.12 Retirement benefit obligations

#### (a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits.” The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The group use yield rate of Treasury Bonds published by Government of Sri Lanka.

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

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

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2023.

#### Funding Arrangements

The Gratuity liability is not externally funded.

#### (b) Defined Contribution Plans- Employees’

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

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

### 2.3.13 Impairment of non-financial assets

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

### 2.3.14 Revenue recognition

#### Revenue from contracts with customers

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

#### Sale of goods - tiles and associated items

Revenue from sales of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, which is not materially affect on the recognition of revenue.

# NOTES TO THE FINANCIAL STATEMENTS

## (i) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

## (ii) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customers. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is additional.

## (iii) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

## (iv) Contract liabilities

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

### Other Sources of Revenue

#### (a) Interest

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of total comprehensive income.

## (b) Dividends

Dividend income is recognized when the shareholders' right to receive payment is established.

## (c) Rental income

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

## (d) Other income

Other income is recognized on an accrual basis.

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

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

## 2.4 CASH & CASH EQUIVALENTS

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

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

## 2.5 STANDARDS ISSUED BUT NOT EFFECTIVE AS AT 31 MARCH 2023

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

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

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify,

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 PROPERTY, PLANT & EQUIPMENT

### 3.1 PROPERTY, PLANT & EQUIPMENT

GROUP/COMPANY

	Balance as at 01.04.2022 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Balance as at 31.03.2023 Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Plant and Machinery	5,646,634	319,416	-	5,966,050
Water Supply, Electricity Distribution Scheme	480,649	631	-	481,280
Tools, Implements, Furniture & Fittings and Electrical Appliances	626,154	102,965	-	729,119
Transport & Communication Equipment	150,622	89,069	-	239,691
	6,904,059	512,081	-	7,416,140

	Balance as at 01.04.2022 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Balance as at 31.03.2023 Rs.'000
<b>At Valuation</b>				
Freehold Land	1,300,178	-	-	1,300,178
Buildings	1,445,605	206,082	-	1,651,687
	2,745,783	206,082	-	2,951,865

	Balance as at 01.04.2022 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Balance as at 31.03.2023 Rs.'000
<b>In the Course of Construction</b>				
Capital Work In Progress Building & Others	324,010	471,847	(206,163)	589,694
	324,010	471,847	(206,163)	589,694
<b>Total</b>	<b>9,973,852</b>	<b>1,190,010</b>	<b>(206,163)</b>	<b>10,957,699</b>



	Balance as at 01.04.2022 Rs.'000	Addition Rs.'000	Transfers Rs.'000	Balance as at 31.03.2023 Rs.'000
<b>Depreciation</b>				
<b>At Cost or Valuation</b>				
Buildings	36,482	47,193	-	83,675
Plant and Machinery	2,673,676	306,553	-	2,980,229
Water Supply, Electricity Distribution Scheme	296,329	15,534	-	311,863
Tools, Implements, Furniture & Fittings and Electrical Appliances	391,768	75,826	-	467,594
Transport & Communication Equipment	104,418	8,196	-	112,614
<b>Total</b>	<b>3,502,673</b>	<b>453,302</b>	<b>-</b>	<b>3,955,975</b>

### 3.2 Net Book Value of Assets

	2023 Rs.'000	2022 Rs.'000
<b>At Valuation</b>		
Freehold Land	1,300,178	1,300,178
Buildings	1,568,012	1,409,123
<b>At Cost</b>		
Plant and Machinery	2,985,821	2,972,958
Water Supply, Electricity Distribution Scheme	169,417	184,320
Tools, Implements, Furniture & Fittings and Electrical Appliances	261,525	234,386
Transport & Communication Equipment	127,077	46,204
	6,412,030	6,147,169
Capital Work in Progress	589,694	324,010
<b>Total</b>	<b>7,001,724</b>	<b>6,471,179</b>

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

As at 31st March	2023		2022	
	Cost Rs.'000	Net Book Value Rs.'000	Cost Rs.'000	Net Book Value Rs.'000
Land	527,912	527,912	527,912	527,912
Building	1,509,613	1,227,960	1,303,531	1,066,230

# NOTES TO THE FINANCIAL STATEMENTS

## 3.3 Assets At Valuation

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

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

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

Location	Extent	Independent Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Significant unobservable inputs (Level 3) Rs.000's
Factory Premises , Jaltara , Ranala - Land	28A-02R-32.69P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 50,000/- to 120,000/- per perch	517,878
Factory Premises , Jaltara , Ranala - Building	415,638 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1000/- to Rs. 4250/- per sqft	1,191,022
Land Adjacent to the Factory Premises , Jaltara , Ranala - Land	08A-02R-08.56P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 120,000/- to 200,000/- per perch	203,001
Land Adjacent to the Factory Premises , Jaltara , Ranala - Building	25,604 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1,200/- to Rs. 4500/- per sqft	49,099
Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama - Land	02A-00R-15.93P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 1,000,000/- per perch	335,949
Lanka Tiles Warehouse , Samurdhi Mawatha Biyagama - Building	48,531 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1500/- to Rs. 4000/- per sqft	192,451
Ball Clay Land Kalutara' - Land	5A-01R-0.83P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 10,000/- per acre	53
Show room, Nugegoda - Land	00A-00R-32.03P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 7,500,000/- per perch	240,200

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

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

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

- 3.4 During the financial year, the Company / Group acquired property, plant and equipment to the aggregate value of Rs. 984 Mn (2021/22 - Rs.612 Mn). Cash payments amounting to Rs. 984 Mn (2021/22- Rs.612Mn) were made during the year for purchase of Property, Plant and Equipment.
- 3.5 Property, plant and equipment of the Group / Company include fully depreciated assets in use as 31st March 2023, the cost of which amounted to the Group / Company Rs. 1,389.5 Mn (2021/2022 - Rs.1,274.9 Mn).

The Useful lives of the assets are estimated as follows ;

	2023 Rs.'000	2022 Rs.'000
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

### 3.6 Investment property

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Opening balance	483,091	394,819	-	-
Net fair value gain recognized in profit or loss	1,766	-	-	-
Development incurred	-	88,272	-	-
Closing balance	484,857	483,091	-	-

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.

3.6.1 The fair value of investment properties were determined by means of an independent revaluation carried out by FRT Valuation Services (pvt) Ltd, during the financial year 2022/2023 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).

# NOTES TO THE FINANCIAL STATEMENTS

Company	Location	Extent	Valuation Date	Independent Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000's
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya	48A-03R-17.9P	31 March 2023	FRT Valuation Services (Private) Limited	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Building	981.sq.ft	31 March 2023	FRT Valuation Services (Private) Limited	Contractor's method	Rs.5,800/- per sq.ft	5,700
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya	48A-03R-17.9P	31 March 2022	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Building	981.sq.ft	31 March 2022	Mr. Ranjan J Samarakone	Contractor's method	Rs.4,000/- per sq.ft	3,924

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

Amounts recognized in profit or loss in relation to investment properties

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Rental income derived from investment Properties	1,200	1,200	-	-
Direct costs related to investment properties	(2,582)	(1,819)	-	-
	(1,382)	(619)	-	-

### 3.7 Right of use assets

Right of Use Assets/ Lease Liabilities

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

	GROUP/COMPANY	
	Building Rs. 000	Total Rs. 000
<b>Right of Use Asset</b>		
As at 1 April 2022	65,378	65,378
Less: Amortization Expense	(45,868)	(45,868)
As at 31 March 2023	19,510	19,510
<b>Lease Liability</b>		
As at 1 April 2022	75,506	75,506
Interest Expense	8,240	8,240
Less: Payments	(45,220)	(45,220)
As at 31 March 2023	38,526	38,526

The following are the amounts recognized in profit or loss:

	GROUP/COMPANY	
	2023 Rs. 000	2022 Rs. 000
Amortization expense of right-of-use assets	45,868	37,621
Interest expense on lease liabilities	8,240	11,490
Expense relating to short-term leases (included in selling & distribution expenses)	32,543	31,467
Total amount recognized in profit or loss	86,651	80,578

	GROUP/COMPANY	
	2023 Rs. 000	2022 Rs. 000
<b>Payable as follows :</b>		
Payable within One Year	20,788	36,753
Payable within One to Five Years	17,738	38,753
<b>Lease Liabilities as at 31st March</b>	<b>38,526</b>	<b>75,506</b>

#### 4 INTANGIBLE ASSETS

	GROUP/COMPANY	
	2023 Rs. 000	2022 Rs. 000
<b>Year ended 31 March</b>		
Balance as at 1 April	8,970	11,295
Additions	86,988	2,176
Amortization charge	(3,803)	(4,501)
Balance as at 31 March	92,155	8,970
<b>As at 31 March</b>		
Cost	104,364	17,376
Accumulated amortization	(12,209)	(8,406)
Net book amount	92,155	8,970

# NOTES TO THE FINANCIAL STATEMENTS

## 5 INVESTMENTS IN SUBSIDIARIES

COMPANY

	2023	2023	2022	2022
	Market Value/ Directors' Valuation*	Cost	Market Value/ Directors' Valuation*	Cost
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>a) Non-quoted</b>				
LTL Development Limited	57,084	57,084	0.01	0.01
Beyond Paradise Collection Limited	264,000	264,000	264,000	264,000
Lankatiles (Pvt) Ltd( Foreign Subsidiary)	6,242	6,242	6,242	6,242
<b>Total Non-quoted Investments in Subsidiaries</b>	<b>327,326</b>	<b>327,326</b>	270,242	270,242

\*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 2023 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
	2023	2022				
1. Beyond Paradise Collection Limited	100	100	M/s. Ernst & Young	Property holding company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
2. Lankatiles (Pvt) Ltd( Foreign Subsidiary)	51	51	M/s. K S Muralidhar	Distribution of Tiles in India	No 196 A1, Bommasandra Industrial Area, Bangalore	India
3. LTL Development Limited	100	100	M/s. Ernst & Young	Property holding company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka



**6 INVESTMENT IN ASSOCIATES (EQUITY ACCOUNTED INVESTEES)**

## COMPANY

	Holding Percentage		Cost	
	2023	2022	2023 Rs.'000	2022 Rs.'000
<b>Quoted Investment</b>				
Swisstek (Ceylon) PLC	47.80	47.80	1,076,445	1,501,249
As at 31st March	47.80	47.80	1,076,445	1,501,249

## GROUP

	Holding Percentage		Cost	
	2023	2022	2023 Rs.'000	2022 Rs.'000
<b>Quoted Investment</b>				
Swisstek (Ceylon) PLC	47.80	47.80	1,076,445	1,501,249
<b>Non-quoted Investment</b>				
CP Holdings (Pvt) Ltd	24.63	24.63	68,013	62,179
As at 31st March			1,144,453	1,563,428

As at 31st March	2023 Rs.'000	2022 Rs.'000
------------------	-----------------	-----------------

**Movement in Associate - Swisstek (Ceylon) PLC**

As at 01st April	1,501,249	1,283,017
Share of results of associates	(271,424)	402,764
Dividends	(120,056)	(186,463)
Share of Other Comprehensive Income	(33,324)	1,931
As at 31st March	1,076,445	1,501,249

**Movement in Associate - CP Holdings (Pvt)Ltd**

As at 01st April	62,179	56,667
Share of results of associates	4,958	2,589
Share of Other Comprehensive Income	875	2,923
As at 31st March	68,013	62,179

The Company holds 47.8% (2021/22 - 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. 922,505,190/- (2022 - Rs. 1,445,912,390).

# NOTES TO THE FINANCIAL STATEMENTS

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

## Swisstek (Ceylon) PLC

Summarized Statement of financial position As at 31st March	2023 Rs.'000	2022 Rs.'000
Current Assets		
Cash and Cash equivalents	559,431	575,657
Other current assets	6,453,291	6,441,336
<b>Total current assets</b>	<b>7,012,722</b>	<b>7,016,993</b>
Non current assets	3,924,018	3,704,126
Current liabilities	8,224,465	6,427,060
Non current liabilities	397,482	934,253
<b>Net Assets</b>	<b>2,314,794</b>	<b>3,359,806</b>

Summarized Statement of financial position	2023 Rs.'000	2022 Rs.'000
Revenue		
Gross profit	8,970,025	9,534,324
	2,215,124	2,123,220
<b>Profit for the year</b>		
Profit attributable to owners of the company for the year	(567,832)	842,603
Other comprehensive income attributable to owners of the company	(69,715)	4,040
% interest held	47.8	47.8
Share of profit	(271,424)	402,764
Share of other comprehensive income	(33,324)	1,931

## CP Holdings (pvt) Ltd

Summarized Statement of financial position As at 31st March	2023 Rs.'000	2022 Rs.'000
Current Assets		
Cash and Cash equivalents	20,357	-
Other current assets	1,052	15,742
<b>Total current assets</b>	<b>21,409</b>	<b>15,742</b>
Non current assets	379,000	352,079
Current liabilities	2,127	1,282
Non current liabilities	12,382	4,302
<b>Net Assets</b>	<b>385,900</b>	<b>362,237</b>

Summarized Statement of financial position	2023	2022
	Rs.'000	Rs.'000
Revenue	-	-
Gross profit	-	-
<b>Profit for the year</b>		
Profit attributable to owners of the company for the year	20,128	10,512
Other comprehensive income attributable to owners of the company	3,551	11,867
% interest held	24.6	24.6
Share of profit	4,958	2,589
Share of other comprehensive income	876	2,923

6.1 Details of those companies in which Lanka Tiles PLC, held as Associates as at 31 March 2023 directly or indirectly (Group) are set out below:

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

## 7 INVENTORIES

As at 31st March	GROUP/COMPANY	
	2023	2022
	Rs.'000	Rs.'000
Raw materials	2,772,479	2,000,595
Work in progress	265,734	75,741
Finished goods	1,636,214	315,385
Trading stocks	558,183	237,324
Provision for slow moving stocks	(195,724)	(155,251)
<b>Total</b>	<b>5,036,886</b>	<b>2,473,794</b>

7.1 Provision for slow moving stocks

As at 31st March	GROUP/COMPANY	
	2023	2022
	Rs.'000	Rs.'000
Provision as at 01 April	155,251	142,199
Charge during the year	40,473	13,052
Provision as at 31 March	195,724	155,251

# NOTES TO THE FINANCIAL STATEMENTS

## 8 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade debtors - Other	1,323,560	595,338	1,323,560	595,338
Less: Allowances for doubtful debts	(26,308)	(23,308)	(26,308)	(23,308)
	1,297,252	572,030	1,297,252	572,030
Advance and prepayments	1,112,800	309,066	1,112,800	309,066
Other debtors	-	29,427	-	29,427
Total	2,410,052	910,523	2,410,052	910,523

	GROUP/COMPANY	
	2023 Rs.'000	2022 Rs.'000
<b>Allowances for doubtful debts</b>		
Opening Balance as at 1 April	23,308	20,708
Provided during the year	3,000	2,600
Closing balance as at 31 March	26,308	23,308

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

Group / Company	Neither past due nor impaired Rs. 000'	Past due but not impaired				Impaired Rs. '000	Total Rs.'000
		< 3 Months Rs. '000	3- 12 Months Rs. '000	> 1 Year Rs. '000			
		2023	1,198,637	11,226	83,166		
2022	510,755	13,774	45,292	2,209	23,308	595,338	

## 9 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	GROUP		COMPANY	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lanka Walltiles PLC	Parent Company	1,301,861	-	1,301,861	-
Beyond Paradise Collection Ltd	Affiliated Company	-	-	362	3
Rocell Bathware Ltd	Affiliated Company	155	913	155	1,566
Swisstek Aluminium Ltd	Affiliated Company	271,939	-	271,939	-
Swisstek (Ceylon) PLC	Affiliated Company	42,465	-	42,465	-
Royal Ceramics Lanka PLC	Affiliated Company	-	6,083	-	6,083
LWL Development (Pvt) Ltd	Affiliated Company	9,846	7,113	2,046	513
LTL Development Ltd	Subsidiary company	-	-	61	57,003
Total		1,626,266	14,109	1,618,889	65,168

**10 STATED CAPITAL - GROUP / COMPANY****10.1** Issued & fully paid

As at 31st March	2023		2022	
	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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revaluation reserve (11.1)	1,002,318	1,115,159	1,002,318	1,115,159
Amalgamation reserve	460,151	460,151	460,151	460,151
Exchange translation reserve	3,862	2,183	-	-
Total	1,466,331	1,577,493	1,462,469	1,575,310

**11.1** Revaluation reserve

On: Property Plant & Equipment

	GROUP/COMPANY	
	2023 Rs.'000	2022 Rs.'000
As at 01 April	1,115,159	1,122,372
Net of deferred tax effect on freehold land and building	(112,841)	(7,213)
As at 31 March	1,002,318	1,115,159

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

# NOTES TO THE FINANCIAL STATEMENTS

## 12 INTEREST BEARING LIABILITIES

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
Non Current		
Long term loans (12.1)	416,667	666,667
Lease liability- other (Note-3.7)	17,738	38,753
Total	434,405	705,420
Current		
Long term loans (12.1)	250,000	250,000
Lease liability- other (Note-3.7)	20,788	36,753
Short term loans	500,000	-
Bank overdrafts (25)	545,095	475,639
Total	1,315,883	762,392
Total interest bearing liabilities	1,750,288	1,467,812

### 12.1 Long term loans

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
As at 01st April	916,667	1,166,667
Repayments	(250,000)	(250,000)
As at 31st March	666,667	916,667
Amount payable within 12 months	250,000	250,000
Amount payable after 12 months	416,667	666,667
Total	666,667	916,667



## 12.2 Short term loans

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
As at 01st April	-	-
Loans obtained	800,000	-
Repayments	(300,000)	-
As at 31st March	500,000	-

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

Financial Institution	Repayment terms	Principal Rs.'000	Interest Rate	Security	Annual repayment Rs.'000	Balance as at 2023 Rs.'000	Balance as at 2022 Rs.'000
<b>Lanka Tiles PLC</b>							
DFCC Bank PLC	72 monthly installments ( 12 month Grace period )	1,500,000	AWPLR +0.75%	'A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	250,000	666,667	916,667
<b>Company Total</b>	- Lanka Tile PLC					666,667	916,667

# NOTES TO THE FINANCIAL STATEMENTS

## 12.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

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

Group

As at 31st March	Carrying Amount		Fair value	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Financial Assets</b>				
Trade and Other Receivables	1,297,252	601,457	1,297,252	601,457
Amounts Due From Related Parties	1,626,266	14,109	1,626,266	14,109
Cash and Cash Equivalents	810,691	4,936,501	810,691	4,936,501
<b>Total</b>	<b>3,734,209</b>	<b>5,552,067</b>	<b>3,734,209</b>	<b>5,552,067</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	699,702	864,704	699,702	864,704
Contract Liability	101,826	90,233	101,826	90,233
Amounts due to related parties	134,451	232,352	134,451	232,352
Loans and Borrowings- Current	1,315,883	762,392	1,315,883	762,392
Loans and Borrowings- Non Current	434,405	705,420	434,405	705,420
<b>Total</b>	<b>2,686,267</b>	<b>2,655,101</b>	<b>2,686,267</b>	<b>2,655,101</b>

Company

As at 31st March	Carrying Amount		Fair value	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Financial Assets</b>				
Trade and Other Receivables	1,297,252	601,457	1,297,252	601,457
Amounts due from related parties	1,618,889	65,168	1,618,889	65,168
Cash and cash equivalents	790,371	4,919,853	790,371	4,919,853
<b>Total</b>	<b>3,706,512</b>	<b>5,586,478</b>	<b>3,706,512</b>	<b>5,586,478</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	699,702	864,704	699,702	864,704
Contract Liability	101,826	90,233	101,826	90,233
Amounts due to related parties	128,730	228,902	128,730	228,902
Loans and Borrowings- Current	1,315,883	762,392	1,315,883	762,392
Loans and Borrowings- Non Current	434,405	705,420	434,405	705,420
<b>Total</b>	<b>2,680,546</b>	<b>2,651,651</b>	<b>2,680,546</b>	<b>2,651,651</b>

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

### Assets for which Fair Value Approximates Carrying Value

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

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

**13 DEFERRED TAX LIABILITIES**

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
As at 01 April	907,441	781,531	853,796	740,486
Income/ (expense) arising during the year ( Note 22.2)				
- Arising on During the Year Movement	31,994	118,354	18,055	105,754
- Due to Change in Tax Rates	281,099	-	281,099	-
Deferred tax release on components of other comprehensive income ( Note 22.2)				
- Arising on During the Year Movement	(3,858)	7,556	(3,858)	7,556
- Due to Change in Tax Rates	112,841	-	112,841	-
As at 31 March	1,329,517	907,441	1,261,933	853,796
<b>13.1 Statement of Financial Position</b>				
<b>Deferred Tax Liability</b>				
Capital Allowances	1,078,626	601,163	1,011,042	547,522
Revaluation surplus	297,782	184,940	297,782	184,940
Undistributed Associate Profits	82,899	186,711	82,899	186,711
<b>Deferred Tax Assets</b>				
Retirement Benefit Liability	(58,597)	(29,097)	(58,597)	(29,097)
Lease Liability	(4,582)	(1,853)	(4,582)	(1,853)
Provision for Slow Moving Stocks	(58,719)	(30,161)	(58,719)	(30,161)
Allowances for Doubtful Debts	(7,892)	(4,265)	(7,892)	(4,265)
	1,329,517	907,441	1,261,933	853,797
<b>13.2 Statement of Comprehensive Income</b>				
<b>Deferred income tax reported in income statement</b>				
Capital Allowances	477,461	37,225	463,520	24,625
Retirement Benefit Liability	(25,642)	1,081	(25,642)	1,081
Lease Liability	(2,729)	(437)	(2,729)	(437)
Provision for Slow Moving Stocks	(28,558)	(3,143)	(28,558)	(3,143)
Provision for Undistributed Associate Retained Earnings	(103,812)	83,958	(103,812)	83,958
Allowances for Doubtful Debts	(3,627)	(330)	(3,627)	(330)
Deferred taxation charge/(reversal)	313,093	118,354	299,152	105,754
<b>Deferred income tax reported in other comprehensive income</b>				
Net of deferred tax effect on freehold land and building	112,841	-	112,841	-
Retirement Benefit Liability / (Asset)	(3,858)	7,556	(3,858)	7,556
Income/ (expense) arising during the year ( Note 22.2)	108,983	7,556	108,983	7,556

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% & 15% (2022- 18.3%)

# NOTES TO THE FINANCIAL STATEMENTS

## 14 RETIREMENT BENEFIT LIABILITY

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
As at 01st April	158,999	198,598
Current service cost	12,002	10,216
Past Service Cost	-	(10,075)
Net interest on the net defined benefit liability (asset)	24,487	13,902
	36,489	14,043
Net Actuarial Gain / loss for the year	12,859	(39,771)
Payments made during the Year	(8,594)	(13,871)
	4,265	(53,642)
As at 31st March	199,753	158,999

### 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	
	2023 Rs.'000	2022 Rs.'000
<b>Discount Rate as at 31 March</b>		
A one percentage decrease (-1%) in the discount rate	(11,478)	(8,572)
A one percentage increase (+1%) in the discount rate	13,043	7,734
<b>Salary Escalation Rate as at 31 March</b>		
A one percentage decrease (-1%) in the salary/wage increment rate	14,004	8,606
A one percentage increase (+1%) in the salary/wage increment rate	(12,495)	(9,145)

### Group / Company

### Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2-5 years	Over year 5	Total
Defined Benefit Obligation	16,114	73,574	22,570	87,495	199,753

Lanka Tiles PLC the Group and the Company the defined benefit liability as of 31 March 2023 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

As at 31st March	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
Discount rate (per annum)	16.00%	15.40%
Salary scale (per annum) - Executives	15.00%	14.00%
- Non Executives	12.50%	10.00%
Retirement Age	60 Years	60 Years
Staff Turnover ratio	4% up to 54 years, thereafter 0%	7% up to 54 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	7.00	5.85

"The Group uses market yields (at the end of the reporting period) on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate, as disclosed in its accounting policy (refer Note 2.3.12(a)). However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period-end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation.

Such adjustment has been made based on the method set out in illustration 1 of the Frequently Asked Questions (FAQs) on the Use of Discount Rate under the uncertain economic conditions issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Credit risk spread has been calculated based on Sovereign Default and Recovery Rates published by Moody's. Adjusted discount rates have been calculated for tenors available, and estimated using the yield curve for any remaining maturities and corresponds with the remaining average working life of the employees of the Group"

## 15 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade creditors - other	620,278	585,852	620,278	585,852
- related parties [15.1]	79,424	278,852	79,424	278,852
	699,702	864,704	699,702	864,704
Sundry creditors including accrued expenses	1,168,302	684,192	1,167,623	684,066
<b>Total</b>	<b>1,868,004</b>	<b>1,548,896</b>	<b>1,867,325</b>	<b>1,548,770</b>

		Group / Company	
		2023 Rs.'000	2022 Rs.'000
<b>15.1 Trade creditors - related parties</b>			
Company	Relationship		
Swisstek (Ceylon) PLC	Affiliated Company	79,424	278,852
		79,424	278,852
<b>15.2 Contract Liabilities</b>			
As at 31st March		101,826	90,233

# NOTES TO THE FINANCIAL STATEMENTS

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

## 16 AMOUNTS DUE TO RELATED PARTIES

Current	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Company				
Lanka Ceramic PLC	15,211	1,409	15,211	1,409
Royal Ceramics Lanka PLC	11,227	-	11,227	-
Swisstek (Ceylon) PLC	-	7,614	-	7,614
Uni Dil Packaging Limited	29,634	16,578	29,634	16,578
Swisstek Aluminium Limited	-	72,952	-	72,952
Vallibel One PLC	72,658	53,110	72,658	53,110
Lanka Walltiles PLC	-	77,239	-	77,239
LWL Development (Private) Limited	5,721	3,450	-	-
	134,451	232,352	128,730	228,902

## 17 REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31st March	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
<b>Sale of tiles &amp; associated items</b>		
Export sales	525,498	641,961
Local sales	18,158,544	13,949,659
	18,684,042	14,591,620
<b>Turnover net of tax</b>	18,684,042	14,591,620

### 17.1 Contract balances

Current	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade receivables (Note 08)	2,410,052	910,523	2,410,052	910,523
Contract liability (Note 15.2)	101,826	90,233	101,826	90,233
	2,511,878	1,000,756	2,511,878	1,000,756

**18 OTHER INCOME / (EXPENSES)**

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Disposal gain/(Loss) on property, plant and equipment	-	(31,814)	-	(31,814)
Sundry income	42,440	43,943	38,377	41,922
Exchange gain	14,005	84,312	14,005	84,312
	56,445	96,441	52,382	94,420

**19 FINANCE COST**

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
Interest expense on overdrafts	47,123	2,547
Interest expense on bank loans	209,279	74,089
Finance charges on lease liabilities	8,240	11,490
	264,642	88,126

**20 FINANCE INCOME**

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
Interest income	518,453	174,016
	518,453	174,016



# NOTES TO THE FINANCIAL STATEMENTS

## 21 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Included in cost of sales</b>				
Depreciation and Amortization cost	367,640	409,322	367,640	409,322
Defined benefit plan costs - gratuity	27,279	9,898	27,279	9,898
Defined contribution plan costs - EPF & ETF	37,907	34,211	37,907	34,211
Other staff cost	1,074,633	892,610	1,074,633	892,610
<b>Included in administration expenses</b>				
Depreciation and Amortization cost	57,091	17,719	57,091	17,719
Defined benefit plan costs - gratuity	4,634	2,283	4,634	2,283
Defined contribution plan costs - EPF & ETF	11,853	11,516	11,853	11,516
Other staff cost	126,724	167,089	126,724	167,089
Audit Fee	4,328	1,168	4,056	968
Technical Fee	246,014	205,077	246,014	205,077
Inventory written off and allowances	40,473	44,427	40,473	44,427
Social Security Contribution Levy (SSCL)	203,745	-	203,745	-
<b>Included in distribution cost</b>				
Depreciation and Amortization cost	32,374	10,281	32,374	10,281
Defined benefit plan costs - gratuity	4,576	1,862	4,576	1,862
Defined contribution plan costs - EPF & ETF	9,750	9,205	9,750	9,205
Other staff cost	186,944	154,723	186,944	154,723
Allowance for doubtful debts	3,000	2,600	3,000	2,600

## 22 INCOMETAX EXPENSES

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

Year ended 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
(a) Current income tax				
Current income tax charge	1,270,990	796,105	1,271,002	795,937
Under/(over) provision of current taxes in respect of prior years	4,756	-	4,756	-
Tax effect on Inter company Dividends	8,244	12,233	8,244	12,233
	1,283,990	808,338	1,284,002	808,170
(b) Deferred income tax				
Deferred taxation charge/(reversal)	313,093	118,354	299,152	105,754
Income tax expense reported in the Income statement	1,597,083	926,692	1,583,154	913,924

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

Year ended 31st March	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Accounting profit before income tax	5,284,885	5,037,008	5,279,262	5,034,784
Non deductible expenses	732,891	546,300	732,891	546,300
Deductible expenses	(916,767)	(1,059,993)	(916,767)	(1,059,993)
Total Statutory Income	5,101,009	4,523,315	5,095,386	4,521,091
<b>Net Taxable profit</b>	<b>5,101,009</b>	<b>4,523,315</b>	<b>5,095,386</b>	<b>4,521,091</b>
Taxable Profit	5,101,009	4,523,315	5,095,386	4,521,091
<b>Net Taxable profit</b>	<b>5,101,009</b>	<b>4,523,315</b>	<b>5,095,386</b>	<b>4,521,091</b>
<b>Current income tax expense</b>				
Taxation -14%	14,947	22,314	14,947	22,314
Taxation -18%	441,429	767,793	441,429	767,625
Taxation -24%	70,704	5,998	70,704	5,998
Taxation -30%	743,910	-	743,922	-
	<b>1,270,990</b>	<b>796,105</b>	<b>1,271,002</b>	<b>795,937</b>
<b>Deferred income tax reported in income statement</b>				
Capital Allowances	477,461	37,225	463,520	24,626
Retirement Benefit Liability	(25,642)	1,081	(25,642)	1,081
Lease Liability	(2,729)	(437)	(2,729)	(437)
Provision for Slow Moving Stocks	(28,558)	(3,143)	(28,558)	(3,143)
Provision for Undistributed Associate Retained Earnings	(103,812)	83,958	(103,812)	83,958
Allowances for Doubtful Debts	(3,627)	(330)	(3,627)	(330)
Deferred taxation charge/(reversal)	<b>313,093</b>	<b>118,354</b>	<b>299,152</b>	<b>105,754</b>
<b>Deferred income tax reported in other comprehensive income</b>				
Revaluation Surplus	112,841	-	112,841	-
Retirement Benefit Liability	(3,858)	7,556	(3,858)	7,556
	<b>108,983</b>	<b>7,556</b>	<b>108,983</b>	<b>7,556</b>
<b>Effective Income Tax Rate</b>	<b>24.05%</b>	<b>15.81%</b>	<b>24.08%</b>	<b>15.81%</b>

- Corporate income tax rate was changed with effect from 01st October 2022.

**22.3** Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the Lanka Tiles Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25 percent on the taxable income. Total Surcharge Tax liability of Rs.603,921,994.00 has been recognized for the Group and the Company as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. On 20 April 2022, the Group and the Company paid Rs. 301,960,997.00 on account of the first installment of the Surcharge Tax liability. The final installment of Surcharge Tax payable has been paid on 20 July 2022.

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
<b>Amounts used as the numerator:</b>				
Profit attributable to equity holders for basic earnings per share	3,687,589	4,110,139	3,696,108	4,120,860
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	265,252	265,252	265,252	265,252
Basic earning per share	13.90	15.50	13.93	15.54

## 24 DIVIDENDS PAID

Declared and paid during the year	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Equity dividends on ordinary shares :				
Final 2021/22 (Rs. 1.90 per share)	503,978	583,554	503,978	583,554
1st Interim 2022/23 (Rs. 6.50 per share)	1,724,138	795,756	1,724,138	795,756
2 nd Interim 2021/22	-	477,453	-	477,453
	2,228,116	1,856,763	2,228,116	1,856,763
Dividend Payout Ratio(%)	60%	45%	60%	45%

## 25. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	810,691	4,936,501	790,371	4,919,853
	810,691	4,936,501	790,371	4,919,853
Unfavourable cash & cash equivalent balances				
Bank overdrafts (12)	(545,095)	(475,639)	(545,095)	(475,639)
<b>Total cash and cash equivalents for the purpose of cash flow statement</b>	<b>265,596</b>	<b>4,460,862</b>	<b>245,276</b>	<b>4,444,214</b>

## 26. ASSETS PLEDGED

No immovable assets were pledged as at 31st March 2023, other than disclosed in note 12.3.

Lanka Tiles PLC

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

## 27. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

### 27.1 COMPANY

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance as at 01 April	(130,350)	(17,055)	(312,236)	347,744	(442,586)	330,689
Purchase of raw materials	(4,333)	(4,265)	(3,190,643)	(1,511,863)	(3,194,976)	(1,516,128)
Sale of raw materials & spares	17,581	8,453	30,781	21,284	48,362	29,737
Settlements/(Recoveries) by the Company	(391,095)	197,227	3,863,540	883,982	3,472,445	1,081,209
Rent received/(paid)	6,884	(5,760)	(2,900)	(9,590)	3,983	(15,350)
Expenses apportioned	659,589	(89,166)	183,929	-	843,518	(89,166)
Commission on sales	-	-	(37,724)	(31,692)	(37,724)	(31,692)
Expenses incurred and transferred	(222,434)	(21,459)	(317,661)	10,702	(540,095)	(10,757)
Credit cards collected on behalf of subsidiary	666,292	(8,688)	-	-	666,292	(8,688)
Loan	837,500	-	-	-	837,500	-
<b>Technical Fees</b>	(210,431)	(189,637)	(35,551)	(22,803)	(245,982)	(212,440)
Balance as at 31 March	1,229,202	(130,350)	185,533	(312,236)	1,410,735	(442,586)
Included Under						
Trade and other payableAmount	-	-	(79,424)	(278,852)	(79,424)	(278,852)
Amount due from related parties	1,301,860	-	317,029	65,168	1,618,889	65,168
Amount due to related parties	(72,658)	(130,350)	(56,072)	(98,552)	(128,730)	(228,902)
<b>Balance as at 31st March</b>	1,229,202	(130,350)	181,533	(312,236)	1,410,735	(442,586)

# NOTES TO THE FINANCIAL STATEMENTS

The above subsidiaries and affiliates include following companies;

## Company

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

## Terms and conditions with related parties

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

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

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

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

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

## 27.2 Group - Related Party Transactions

	Transactions with the Parent and ultimate Parent Company (Lanka Walltiles PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April	(130,350)	(17,055)	(312,236)	347,744	(442,586)	330,689
Purchase of raw materials	(4,333)	(4,265)	(3,190,643)	(1,511,863)	(3,194,976)	(1,516,128)
Sale of raw materials & spares	17,581	8,453	30,781	21,284	48,362	29,737
Settlements/(Recoveries) by the Company	(391,095)	197,227	3,863,540	883,982	3,472,445	1,081,209
Rent received/(paid)	6,884	(5,760)	(2,900)	(9,590)	3,983	(15,350)
Expenses apportioned	659,589	(89,166)	185,584	-	845,173	(89,166)
Commission on sales	-	-	(37,724)	(31,692)	(37,724)	(31,692)
Expenses incurred and transferred	(222,434)	(21,459)	(317,661)	10,702	(540,095)	(10,757)
Credit cards collected on behalf of Subsidiary	666,292	(8,688)	-	-	666,292	(8,688)
Loan	837,500	-	-	-	837,500	-
Technical Fees	(210,431)	(189,637)	(35,551)	(22,803)	(245,982)	(212,440)
<b>Balance as at 31 March</b>	<b>1,229,202</b>	<b>(130,350)</b>	<b>183,188</b>	<b>(312,236)</b>	<b>1,412,391</b>	<b>(442,586)</b>
Included Under						
Trade and other payable	-	-	(79,424)	(278,852)	(79,424)	(278,852)
Amount due from related parties	1,301,860	-	324,405	65,168	1,626,266	65,168
Amount due to related parties	(72,658)	(130,350)	(61,793)	(98,552)	(134,451)	(228,902)
<b>Balance as at 31 March</b>	<b>1,229,202</b>	<b>(130,350)</b>	<b>183,188</b>	<b>(312,236)</b>	<b>1,412,391</b>	<b>(442,586)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 27.3 Transactions with key management personnel of the company

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

Key management personnel compensation

	GROUP / COMPANY	
	2023 Rs.'000	2022 Rs.'000
Short Term Employment Benefits	89,384	77,978
Post Employment Benefits	37,758	31,571
	127,142	109,549

## 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,

As at 31 March 2023, Group / Company had capital commitments of Rs.333 Mn for the proposed mosaic klin expansion project.

Lease commitments

Lanka Tiles PLC is committed to pay Rs. 14,808,000/- as rent per year for the use of land & buildings situated in Nawala.

Corporate Guarantees

Lanka Tiles PLC has given a corporate guarantee to DFCC Bank PLC on behalf of Lanka Walltiles PLC to secure loan of Rs. 100 million with a tenor of 48 Months.

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.

### 28.2 Contingencies

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

## 29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, On 29th May 2023 by circular resolution, The Board of Directors has recommended the final dividend of Rs.1.10 per share for the year ended 31st March 2023.

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



### 30. FINANCIAL RISK MANAGEMENT

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

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

#### Market risk

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

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

#### Foreign currency/ exchange risk

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

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

Foreign exchange risk arises mainly as a result of foreign exchange gains/losses on translation foreign, trade receivables and trade creditors.

#### Foreign currency sensitivity

	Change in	Change in profit before tax Group/ Company	
		Appreciation Rs. 000's	Depreciation Rs. 000's
2023	5.0%	19,158	(19,158)
	10.0%	38,316	(38,316)
	15.0%	57,474	(57,474)
	20.0%	76,632	(76,632)
	25.0%	95,790	(95,790)
	30.0%	114,948	(114,948)
2022	5.0%	(6,104)	6,104
	10.0%	(12,208)	12,208
	15.0%	(18,313)	18,313
	20.0%	(24,417)	24,417
	25.0%	(30,521)	30,521
	30.0%	(36,625)	36,625

# NOTES TO THE FINANCIAL STATEMENTS

## Cash flow and fair value interest rate risk

The Group interest rate risk arises from long-term borrowings issued at variable rates. The group 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 Group/ Company	
		Increase Rs. 000's	Decrease Rs. 000's
2023	0.5%	9,048	(9,048)
	1.0%	18,096	(18,096)
	1.5%	27,145	(27,145)
	2.0%	36,193	(36,193)
	2.5%	45,241	(45,241)
	5.0%	90,482	(90,482)
2022	0.5%	(7,234)	7,234
	1.0%	(14,468)	14,468
	1.5%	(21,703)	21,703
	2.0%	(28,937)	28,937
	2.5%	(36,171)	36,171
	5.0%	(72,342)	72,342

## Credit risk

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

The group places its cash and cash equivalents with a number of creditworthy financial institutions. The group's policy is not to limit the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the group is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. ( Please refer Note 8.2 for ageing analysis of trade receivables)

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

## Liquidity risk

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

In the management of liquidity risk, the group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the group operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted (principal plus interest) payments.

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

## Group

At 31 March 2023	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	1,170,938	217,162	298,806	238,531	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,969,830	-	-	-	-
Amounts due to related parties	134,451	-	-	-	-

At 31 March 2022	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	544,274	217,163	298,806	565,104	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,639,129	-	-	-	-
Amounts due to related parties	232,352	-	-	-	-

## Company

At 31 March 2023	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	1,170,938	217,162	298,806	238,531	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,969,151	-	-	-	-
Amounts due to related parties	128,730	-	-	-	-

At 31 March 2022	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
<b>Rs ('000)</b>					
Interest Bearing Loans and Borrowings	544,274	217,163	298,806	565,104	-
Lease Liability on Right of Use Assets	4,540	15,304	23,281	20,813	-
Trade and other payables	1,639,003	-	-	-	-
Amounts due to related parties	228,902	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## Capital management risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The gearing ratio as at 31 March is as follows:

	GROUP		COMPANY	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Borrowings	1,750,288	1,467,812	1,750,288	1,467,812
Total equity	12,932,183	12,227,418	12,752,926	12,044,022
Gearing ratio ; Debt to Equity	14%	12%	14%	12%



# PROGRESSIVE VISION

SUPPLEMENTARY INFORMATION

# FIVE YEAR SUMMARY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March	2019	2020	2021	2022	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>GROUP</b>					
Revenue	7,008,992	6,694,824	12,626,485	14,591,620	18,684,042
Operating profit	751,879	1,026,965	2,775,596	4,545,765	5,291,917
Finance income/(costs)	(14,161)	(334,292)	(207,473)	85,890	253,811
Share of results of associate-Net of Tax	7,888	82,602	286,545	405,353	(266,466)
<b>Profit before income tax</b>	<b>745,606</b>	<b>775,275</b>	<b>2,854,668</b>	<b>5,037,008</b>	<b>5,279,262</b>
Income tax expense	(217,594)	(193,330)	(403,774)	(926,692)	(1,597,083)
<b>Profit for the year</b>	<b>528,012</b>	<b>581,945</b>	<b>2,450,894</b>	<b>4,110,316</b>	<b>3,682,179</b>
<b>Profit attributable to the equity holders of the Company</b>					
Dividends	(167,109)	-	(856,764)	(1,856,763)	(2,228,116)
<b>Retained profit for the year</b>	<b>360,859</b>	<b>581,787</b>	<b>1,594,010</b>	<b>2,253,376</b>	<b>1,459,473</b>
Earnings per share - basic (Rs)	1.99	2.19	9.24	15.50	13.90
<b>COMPANY</b>					
Revenue	7,008,992	6,694,824	12,626,485	14,591,620	18,684,042
Operating profit	579,813	1,025,903	2,775,990	4,546,130	5,296,875
Finance income/(costs)	(14,161)	(334,292)	(207,473)	85,890	253,811
Share of results of associate-Net of Tax	7,888	82,602	286,545	402,764	(271,424)
<b>Profit before income tax</b>	<b>573,540</b>	<b>774,213</b>	<b>2,855,062</b>	<b>5,034,784</b>	<b>5,279,262</b>
Income tax expense	(169,925)	(193,316)	(410,388)	(913,924)	(1,583,154)
<b>Profit for the year</b>	<b>403,615</b>	<b>580,897</b>	<b>2,444,675</b>	<b>4,120,860</b>	<b>3,696,108</b>
<b>Profit attributable to the equity holders of the Company</b>					
Dividends	(167,109)	-	(856,764)	(1,856,763)	(2,228,116)
<b>Retained profit for the year</b>	<b>236,506</b>	<b>580,897</b>	<b>1,587,911</b>	<b>2,264,097</b>	<b>1,467,992</b>
Earnings per share - basic (Rs)	1.52	2.19	9.22	15.54	13.93

# FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

As at 31st March	2019	2020	2021	2022	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5,743,130	5,974,804	6,373,888	6,471,179	7,001,724
Right of Use Assets	-	106,187	63,878	65,378	19,510
Intangible Assets	-	12,594	11,295	8,970	92,155
Investment in subsidiary	6,242	6,242	6,242	270,242	327,326
Investments in associates	923,924	1,005,793	1,283,017	1,501,249	1,076,445
	6,673,296	7,105,620	7,738,320	8,317,018	8,517,160
<b>Current assets</b>					
Inventories	3,019,769	4,780,594	2,322,116	2,473,794	5,036,886
Trade and other receivables	1,801,542	1,702,492	1,638,223	975,691	4,028,941
Income tax assets	51,570	-	-	-	-
Cash and cash equivalents	132,717	64,953	2,316,965	4,919,853	790,371
	5,005,598	6,548,039	6,277,304	8,369,338	9,856,198
<b>Total assets</b>	<b>11,678,894</b>	<b>13,653,659</b>	<b>14,015,624</b>	<b>16,686,356</b>	<b>18,373,358</b>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Stated capital	900,968	900,968	900,968	900,968	900,968
Retained earnings	5,025,691	5,606,252	7,262,288	9,567,744	10,389,489
Revaluation reserve	730,515	730,515	1,122,372	1,115,159	1,002,318
Amalgamation reserve	460,151	460,151	460,151	460,151	460,151
	7,117,325	7,697,886	9,745,779	12,044,022	12,752,926
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	1,351,169	1,270,881	971,206	705,420	434,405
Deferred income tax liabilities	715,407	776,804	740,486	853,797	1,261,933
Defined benefit obligations	172,514	181,034	198,598	158,999	199,753
	2,239,090	2,228,719	1,910,290	1,718,216	1,896,091
<b>Current liabilities</b>					
Trade and other payables	1,571,590	1,382,482	1,774,881	1,867,905	2,097,881
Current income tax liabilities	-	2,222	262,947	293,821	310,577
Borrowings	750,889	2,342,350	321,727	762,392	1,315,883
	2,322,479	3,727,054	2,359,555	2,924,118	3,724,341
<b>Total liabilities</b>	<b>4,561,569</b>	<b>5,955,773</b>	<b>4,269,845</b>	<b>4,642,334</b>	<b>5,620,432</b>
<b>Total equity and liabilities</b>	<b>11,678,894</b>	<b>13,653,659</b>	<b>14,015,624</b>	<b>16,686,356</b>	<b>18,373,358</b>



# SHAREHOLDER INFORMATION

Year ended 31st March		2019	2020	2021	2022	2023
Authorised share capital	(Rs.Mn)	500.0	500.0	500.0	500.0	500.0
Stated capital	(Rs.Mn)	900.0	900.0	900.0	900.0	900.0
Shares in issue (as at end of year)	(Mn)	53.05	53.05	265.25	265.25	265.25
Shareholders						
- Institutions	(Number)	137	172	244	355	329
- Individuals	(Number)	1,625	2,084	3,083	4,277	5,476
Total		1,762	2,256	3,327	4,632	5,805
Shares held by						
- Institutions	(%)	93.26	90.10	87.40	90.93	88.92
- Individuals	(%)	6.74	9.89	12.60	9.07	11.08
Total		100.00	99.99	100.00	100.00	100.00

## DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2023

Size of shareholdings Number	Shareholders Number	Shares Number	Holdings %
1 - 1,000	3,374	1,035,573	0.39
1,001 - 10,000	1,861	7,130,526	2.69
10,001 - 100,000	502	14,071,361	5.30
100,001 - 1,000,000	58	14,352,385	5.41
Over - 1,000,000	10	228,662,205	86.21
	5,805	265,252,050	100.00

## CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	5,421	28,979,416	10.93
Local Institutions	319	235,077,130	88.62
Foreign Individuals	55	419,986	0.16
Foreign Institutions	10	775,518	0.29
	5,805	265,252,050	100.00

## PUBLIC HOLDING

The Percentage of shares held by the Public as at 31st March 2023 28.342%

No of public shareholders representing the above percentage 5,800

The float adjusted market capitalization as at 31st March 2023 is Rs. 3,240,196,151.50

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.14.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

# 25 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2023

NAME	31-03-2023		31-03-2022	
	Shareholding		Shareholding	
	Number	%	Number	%
1 Lanka Walltiles PLC	180,945,975	68.217	180,945,975	68.217
2 Employees Provident Fund	24,841,565	9.365	24,841,565	9.365
3 Royal Ceramics Lanka PLC	6,942,405	2.617	6,942,405	2.617
4 Sri Lanka Insurance Corporation Ltd-Life Fund	3,458,294	1.304	-	-
5 Amana Bank PLC/Mr.Mohamed Nayaz Deen	2,974,097	1.121	2,309,097	0.871
6 Employees Trust Fund Board	2,844,947	1.073	1,046,225	0.394
7 Mr A.A. Page	2,169,695	0.818	2,169,695	0.818
8 Mrs V. Saraswathi & Mr S. Vasudevan	2,000,000	0.754	1,825,631	0.688
9 Deutsche Bank Ag-National Equity Fund	1,362,775	0.514	1,362,775	0.514
10 Mr K.A.S.R. Nissanka	1,122,452	0.423	1,122,452	0.423
11 Seylan Bank PLC/Capital Trust Holdings Limited	958,068	0.361	3,029,535	1.142
12 DFCC Bank PLC A/C No.02	721,393	0.272	721,393	0.272
13 Sri Lanka Insurance Corporation Ltd-General Fund	700,000	0.264	-	-
14 Sampath Bank PLC/Aruna Enterprises Pvt Ltd.	642,500	0.242	-	-
15 Mr M.M. Udeshi & Mrs A.A. Merchant	625,000	0.236	625,000	0.236
16 Seylan Bank PLC/Mohamed Nayaz Deen	560,802	0.211	518,542	0.195
17 Acuity Partners (Pvt) Limited/Mr. Subramaniam Vasudevan	530,000	0.200	600,000	0.226
18 Mr N. Samarasuriya	420,000	0.158	420,000	0.158
19 Mr S.A.C. Keerthisinghe & Mrs D.M.J.S. Dissanayaka	400,000	0.151	-	-
20 Mr D.R. Ponnampereuma	398,822	0.150	398,822	0.150
21 Sezeka Limited	380,000	0.143	291,000	0.110
22 Dr A.C. Visvalingam & Mrs Y.I. Visvalingam	336,025	0.127	-	-
23 Code-Gen International Pvt Ltd	327,050	0.123	-	-
24 Asia Management Consultancy (Private) Limited	309,104	0.117	-	-
25 Hatton National Bank PLC/Sarravanan Neelakandan	283,058	0.107	413,009	0.156
<b>SUBTOTAL</b>	<b>236,254,027</b>	<b>89.068</b>	<b>229,583,121</b>	<b>86.553</b>
<b>OTHER 5,780 SHAREHOLDERS</b>	<b>28,998,023</b>	<b>10.932</b>	<b>35,668,929</b>	<b>13.447</b>
<b>ISSUED CAPITAL</b>	<b>265,252,050</b>	<b>100.000</b>	<b>265,252,050</b>	<b>100.000</b>

## DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2023

	No of Shares	%
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	12,500	0.005
Mr. J A N R Adhihetty	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-
Mr. J R Gunaratne	-	-
Ms. K A D Brindhiini Perera	-	-

# SHAREHOLDER INFORMATION

## SHARE PRICE FOR THE YEAR

Market price per share	As at 31/03/2023	As at 31/03/2022
Highest during the year	Rs. 72.00 (30-09-2022)	Rs. 127.50 (20-01-2022)
Lowest during the year	Rs. 33.00 (27-04-2022)	Rs. 38.00 (01-04-2021)
Last traded price	Rs. 43.10 (31-03.2023)	Rs. 59.70 (31-03.2022)
Number of Transactions during the year	27,556	
Number of Shares traded during the year	38,603,137	
Value of shares traded during the year (Rs.)	1,993,139,133.70	

# STATEMENT OF VALUE ADDED

For the year ended 31st March	2019		2020		2021		2022		2023	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%	Rs'001	%
Sales	7,008,992		6,694,824		12,626,485		14,591,620		18,684,042	
Other income	25,328		26,833		42,624		94,420		52,382	
Less:										
Cost of materials & services bought in	(4,447,365)		(3,761,960)		(7,540,481)		(7,270,691)		(9,884,905)	
<b>Value added</b>	<b>2,586,955</b>		<b>2,959,697</b>		<b>5,128,628</b>		<b>7,415,349</b>		<b>8,851,519</b>	
<b>Distribution of Value Added</b>										
Employees as remuneration & welfare	588,870	22.76	719,188	24.30	1,017,259	19.83	1,315,973	17.75	1,783,242	20.15
Government as taxes	1,214,934	46.96	985,604	33.30	774,179	15.10	1,890,390	25.49	2,954,467	33.38
Lenders of capital as interest	40,740	1.57	316,693	10.70	223,839	4.36	88,126	1.19	256,402	2.90
Shareholders as dividends	167,109	6.46	-	-	856,764	16.71	1,856,764	25.04	1,989,401	22.48
<b>Retained in the business as</b>										
- Depreciation/deferred tax	346,685	13.40	440,154	14.87	393,526	7.67	572,123	7.72	510,955	5.77
- Profits	228,617	8.84	498,058	16.83	1,863,060	36.33	1,691,973	22.82	1,357,052	15.33
<b>Total</b>	<b>2,586,955</b>	<b>100.0</b>	<b>2,959,697</b>	<b>100.0</b>	<b>5,128,628</b>	<b>100</b>	<b>7,415,349</b>	<b>100</b>	<b>8,851,519</b>	<b>100</b>

# GRI INDEX

Statement of use	Lanka Tiles PLC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023					
GRI 1 used	GRI 1: Foundation 2021					
Applicable GRI Sector Standard(s)	There is no applicable sector standard.					
			OMISSION			GRI SECTOR STANDARD REF. NO.
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	Page	REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
<b>General disclosures</b>						
GRI 2: General Disclosures 2021	2-1 Organizational details	2				
	2-2 Entities included in the organization's sustainability reporting	3				
	2-3 Reporting period, frequency and contact point	3				
	2-4 Restatements of information	3				
	2-5 External assurance	92				
	2-6 Activities, value chain and other business relationships	29				
	2-7 Employees	52				
	2-8 Workers who are not employees	52				
	2-9 Governance structure and composition	7				
	2-10 Nomination and selection of the highest governance body	71				
	2-11 Chair of the highest governance body	71				
	2-12 Role of the highest governance body in overseeing the management of impacts	71				
	2-13 Delegation of responsibility for managing impacts	6				
	2-14 Role of the highest governance body in sustainability reporting	12				
	2-15 Conflicts of interest	70				
	2-17 Collective knowledge of the highest governance body	20				
	2-18 Evaluation of the performance of the highest governance body	12				
	2-19 Remuneration policies	88				
	2-20 Process to determine remuneration	88				
	2-21 Annual total compensation ratio	147				
	2-22 Statement on sustainable development strategy	24				
	2-23 Policy commitments	3,70				
	2-24 Embedding policy commitments	70-80				
	2-25 Processes to remediate negative impacts	70-80				
	2-26 Mechanisms for seeking advice and raising concerns	51				
	2-27 Compliance with laws and regulations	86				
	2-28 Membership associations	61				
	2-29 Approach to stakeholder engagement	29				
	2-30 Collective bargaining agreements	51				
	<b>Material topics</b>					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	27-28				
	3-2 List of material topics	27-28				

Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	32				
	201-2 Financial implications and other risks and opportunities due to climate change	36				
	201-3 Defined benefit plan obligations and other retirement plans	51-55				
	201-4 Financial assistance received from government		GRI 201-4	Not Applicable	No such assistance received from government.	
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
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 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	46-50				
	203-2 Significant indirect economic impacts	36				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	32				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	31				
	205-2 Communication and training about anti-corruption policies and procedures		GRI 205-2	Not Available	The group does not track this information at present.	
	205-3 Confirmed incidents of corruption and actions taken		GRI 205-3	Not Applicable	All managers hired from local community.	
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				

# GRI INDEX

GRI 207: Tax 2019	207-1 Approach to tax	102,131				
	207-2 Tax governance, control, and risk management	102,131				
	207-3 Stakeholder engagement and management of concerns related to tax	29-31				
	207-4 Country-by-country reporting		GRI 207-4	Not Applicable	Operating only locally	
<b>Materials</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 301: Materials 2016	301-1 Materials used by weight or volume		GRI 302-2	Not Applicable	The group does not track this information at present	
	301-2 Recycled input materials used	65-69				
	301-3 Reclaimed products and their packaging materials	65-69				
<b>Energy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 302: Energy 2016	302-1 Energy consumption within the organization		GRI 302-2	Not Available	The group does not track this information at present.	
	302-2 Energy consumption outside of the organization	65-69				
	302-3 Energy intensity	65-69				
	302-4 Reduction of energy consumption	65-69				
	302-5 Reductions in energy requirements of products and services	65-69				
<b>Water and effluents</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	65-69				
	303-2 Management of water discharge-related impacts	65-69				
	303-3 Water withdrawal	65-69				
	303-4 Water discharge	65-69				
	303-5 Water consumption	65-69				
<b>Emissions</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	67				
	305-2 Energy indirect (Scope 2) GHG emissions	67				
	305-3 Other indirect (Scope 3) GHG emissions	67				
	305-4 GHG emissions intensity	67				
	305-5 Reduction of GHG emissions	67				
	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 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	65-69				
	306-2 Management of significant waste-related impacts	65-69				
	306-3 Waste generated	65-69				
	306-4 Waste diverted from disposal	65-69				
	306-5 Waste directed to disposal	65-69				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	51-55				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	51-55				
	401-3 Parental leave	51-55				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	51-55				
	403-2 Hazard identification, risk assessment, and incident investigation	51-55				
	403-3 Occupational health services	51-55				
	403-4 Worker participation, consultation, and communication on occupational health and safety	51-55				
	403-5 Worker training on occupational health and safety	51-55				
	403-6 Promotion of worker health	51-55				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51-55				
	403-8 Workers covered by an occupational health and safety management system	51-55				
	403-9 Work-related injuries	51-55				
	403-10 Work-related ill health	51-55				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	51-55				
	404-2 Programs for upgrading employee skills and transition assistance programs	51-55				
	404-3 Percentage of employees receiving regular performance and career development reviews	51-55				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	51-55				
	405-2 Ratio of basic salary and remuneration of women to men	51-55				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				

## GRI INDEX

GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		GRI 409-1	Not Applicable	No such incidents during the FY 2022/23	
<b>Local communities</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	56-61				
	413-2 Operations with significant actual and potential negative impacts on local communities	56-61				
<b>Supplier social assessment</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	51-55				
<b>Customer health and safety</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	51-55				
	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 2022/23	
<b>Marketing and labeling</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	56				
	417-2 Incidents of non-compliance concerning product and service information and labeling		GRI 417-2	Not Applicable	No such incidents during the FY 2022/23	
	417-3 Incidents of non-compliance concerning marketing communications		GRI 417-3	Not Applicable	No such incidents during the FY 2022/23	
<b>Customer privacy</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	27-28				
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 2022/23	



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Nineth (39th) Annual General Meeting of Lanka Tiles PLC will be held by way of electronic means on the 30th day of June 2023 at 9.30 a.m. centered at the Board Room of Royal Ceramics Lanka PLC, No.20, R A de Mel Mawatha, Colombo 03 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2023 and the Report of the Auditors thereon.
2. To declare a final dividend of Rs. 1.10 per share as recommended by the Board of Directors.
3. To re-elect Mr. A M Weerasinghe, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company
4. To re-elect Mr. S R Jayaweera, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
5. To re-elect Mr. J R Gunaratne, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
6. To elect Ms. K A D B Perera, who retires by rotation in terms of Articles 109 of the Articles of Association, as a Director of the Company.
7. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine Donations for the ensuing year.

By Order of the Board  
LANKA TILES PLC



**PW Corporate Secretarial (Pvt) Ltd**  
Director / Secretaries  
At Colombo  
31st May 2023

Notes:

- 1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy need not be a member of the Company.
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

# FORM OF PROXY

\*I/We ..... of .....  
 being a \*Shareholder /Shareholders of Lanka Tiles PLC, do hereby appoint .....  
 ..... of ..... or failing him/her\*

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

as \*my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th June 2023 at 9.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To declare a final dividend of Rs. 1.10 per share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. A M Weerasinghe , who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. S R Jayaweera who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. J R Gunaratne who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To elect Ms. K. A. D. B Perera who retires in terms of Article 109 of The Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-appoint M/s. Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7) To authorize the Directors to determine donations for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
 Signature

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

### **INSTRUCTIONS AS TO COMPLETION**

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

# CORPORATE INFORMATION

## NAME OF THE COMPANY

Lanka Tiles PLC

## LEGAL FORM

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

## DIRECTORS

Mr. A M Weerasinghe (Chairman)  
Mr. J A P M Jayasekera (Managing Director)  
Mr. Dhammika Perera (Resigned w.e.f. 10th June 2022)  
Dr. S Selliah  
Mr. T G Thoradeniya  
Mr. K D G Gunaratne  
Ms. A M L Page  
Mr. J A N R Adhihetty  
Mr. S M Liyanage  
Mr. S R Jayaweera  
Mr. J R Gunarathna  
Ms. K A D B Perera (Appointed w.e.f. 19th October 2022)

## SECRETARIES

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

## REGISTERED OFFICE

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

## FACTORY

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

## BANKERS

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

## AUDITORS

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

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**LANKATILES PLC**  
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