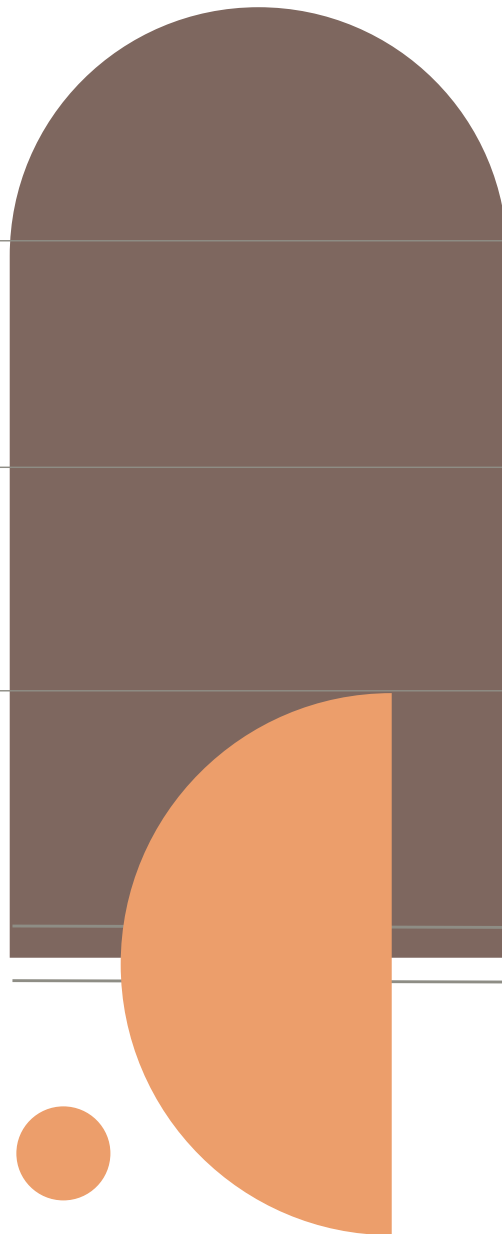
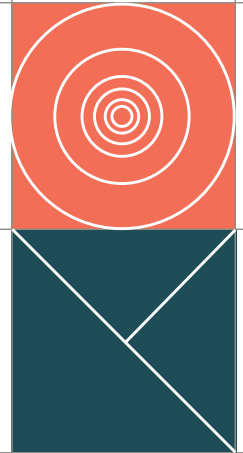
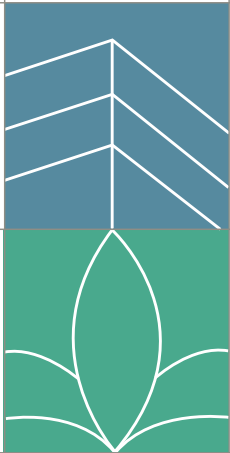


Roots of Authenticity



Integrated Annual Report

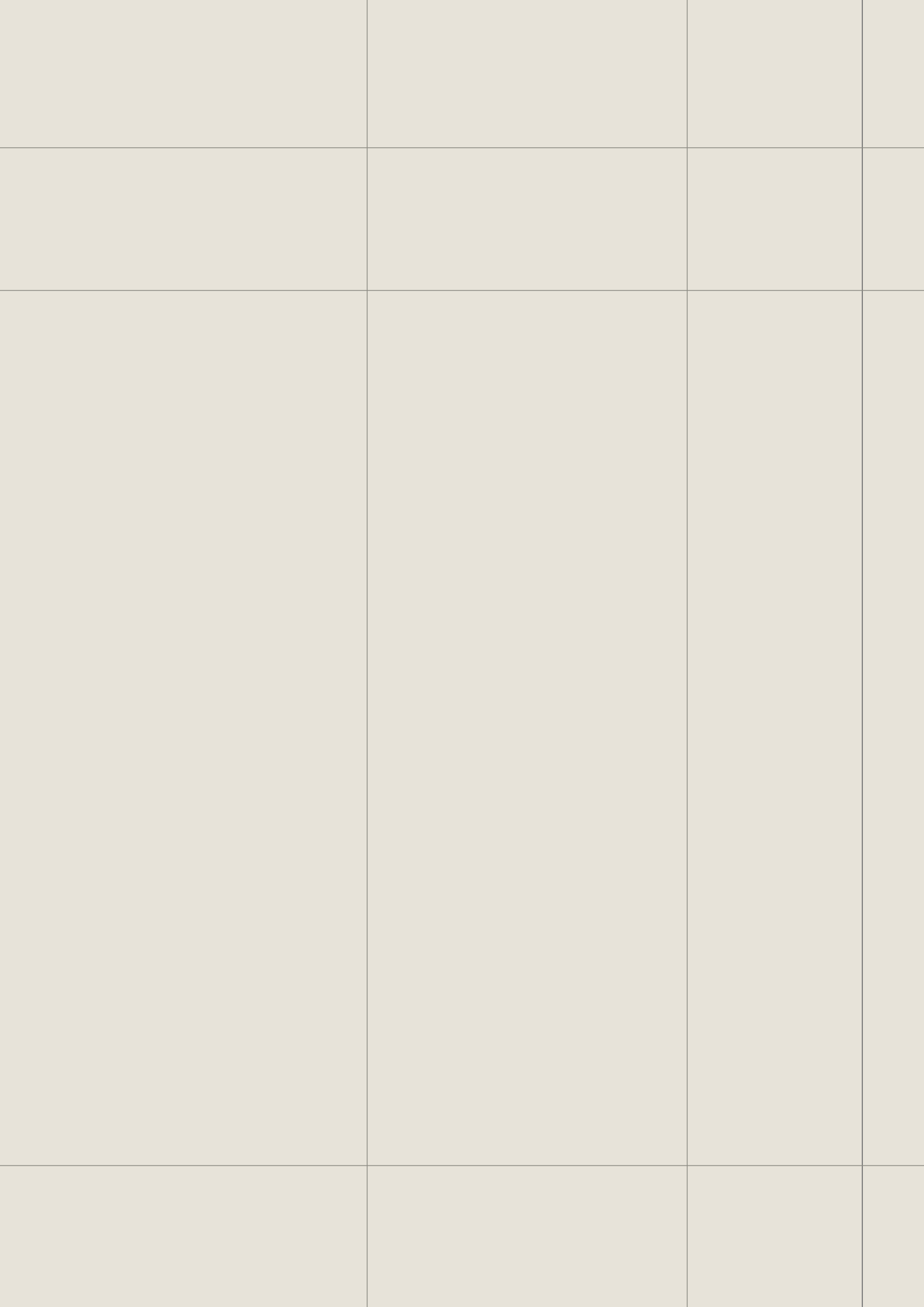
2022

/23

 **LANKATILES**

Fine Living Redefined

LANKA WALLTILES PLC



Roots of Authenticity

At Lanka Walltiles, we are pleased to announce that 2023 has been a prosperous year for the company, as we believe in the power of our authentic roots, which stem from beginnings of originality. Despite the tumultuous circumstances, we have overcome our battles and we pledge to continue nurturing our relationships with our valued stakeholders to deliver an authentic brand experience, diligently improving lifestyles across the nation.

For 2023, we march forward purposefully, proud to revitalise and modernise our brand image with Sri-Lankan values and traditions, uplifting our stakeholders and communities thus propelling our brand name into authentic horizons.

Because authenticity remains embedded in our roots.



Fine Living Redefined

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Director's
Message

About this Report

This is the 6th Integrated Annual Report of Lanka Walltiles PLC which seeks to present a comprehensive and balanced review of our financial performance for the year ended 31st March 2023 describing how the Group navigated a year of unprecedented challenges.

Scope and Boundary

This Report provides both financial and non-financial data that is essential for evaluating the performance of Lanka Walltiles PLC (the parent company) and 13 subsidiary companies operating in four different sectors. Collectively, these entities are known as “the Group” for the financial year ended 31st March 2023. This follows the most recent report for the year ended 31st March 2022, for which comparatives are presented where applicable.



Reporting Frameworks

Regulatory Frameworks

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

Voluntarily Adopted Frameworks

- <IR> Framework issued by the International Integrated Reporting Council
- GRI Standards issued by the Global Reporting Initiative in 2020
- Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- UN sustainable Development Goals

Assurance

Assurance on financial statements has been provided by Messrs Ernst & Young, Chartered Accountants and their reports are set out on page 104.

Reporting Principles

- Strategic focus and future orientation
- Stakeholder relationships
- Context
- Conciseness
- Comparability
- Materiality
- Connectivity of information
- Sustainability
- Accuracy
- Clarity
- Completeness

Feedback and Inquiries

We appreciate your feedback, and we are committed to enhancing the quality of our report. If you have any inquiries or comments, please do not hesitate to contact the following,

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

About the Report

Forward Looking Statements

Forward looking statements based on our perceptions, opinions and views of external and internal information available at present are included in this report to enable assessment of the Group's ability to create value in the future. These statements are associated with relatively high levels of uncertainty which can be confirmed only with the benefit of hindsight as they relate to future events, outcomes and impacts which are beyond our control but have a significant impact on our ability to create value. As governments around the world seek to manage often conflicting priorities in the aftermath of the COVID-19 pandemic, we wish to advise users of the heightened levels of uncertainty in forward looking statements, the fluidity of the markets and key economic indicators which remain extremely volatile. Users are advised to make their own judgements using the latest information available at the time of assessment. All forward looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the reasons enumerated above.

Significant Changes and Restatements

The Group's holding in Horana Plantations PLC, through which Group had a significant presence in the plantations industry was divested in during this financial year.

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 requiring restatements of financial or sustainability information during the reporting period other than the above.

The Statement of Responsibility

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

The Annual Report of the Board of Director includes an acknowledgement of the Directors' responsibility with regard to the Annual Report. The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that Integrated Annual Report of Lanka Walltiles PLC for the financial year ending 31st March 2023 is presented in accordance with the <IR> Framework 2021.

The Report was unanimously approved by the Board on 31st May 2023 and is signed on its behalf by the following officials of the Company.



A. M. Weerasinghe
Chairman



J. D. N. Kekulawala
Chairman - Audit Committee



J. A. P. M Jayasekera
Managing Director

Navigating our Report

The Capitals



Financial Capital



Human Capital



Intellectual Capital



Natural Capital



Social & Relationship Capital



Manufactured Capital

Stakeholders



Customers



Employees



Business Partners



Government & Regulators



Communities



Investors

Strategy



Business Growth



Business Sustainability



People Development



Technological Enablement



Improve Customer Experience & Productivity

About Us

With a market share of over 37% Lanka Walltiles PLC has established itself as one of Sri Lankas' leading tile manufacturers. Our manufacturing plants located in Meepe and Ranala are equipped with technology that is on par with global tile manufacturers and our systems and processes are certified with global standards. Our wide presence in the country through our distribution network has given us a competitive edge over the other tile manufacturers in the country. In addition to its core business of tile manufacturing, the Lanka Walltiles Group has investments in other industries such as tile adhesive aluminium, and packaging, which have also become leading players in their respective fields. This diversification has further strengthened the Group's position and presence in the market.



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 our inherited values

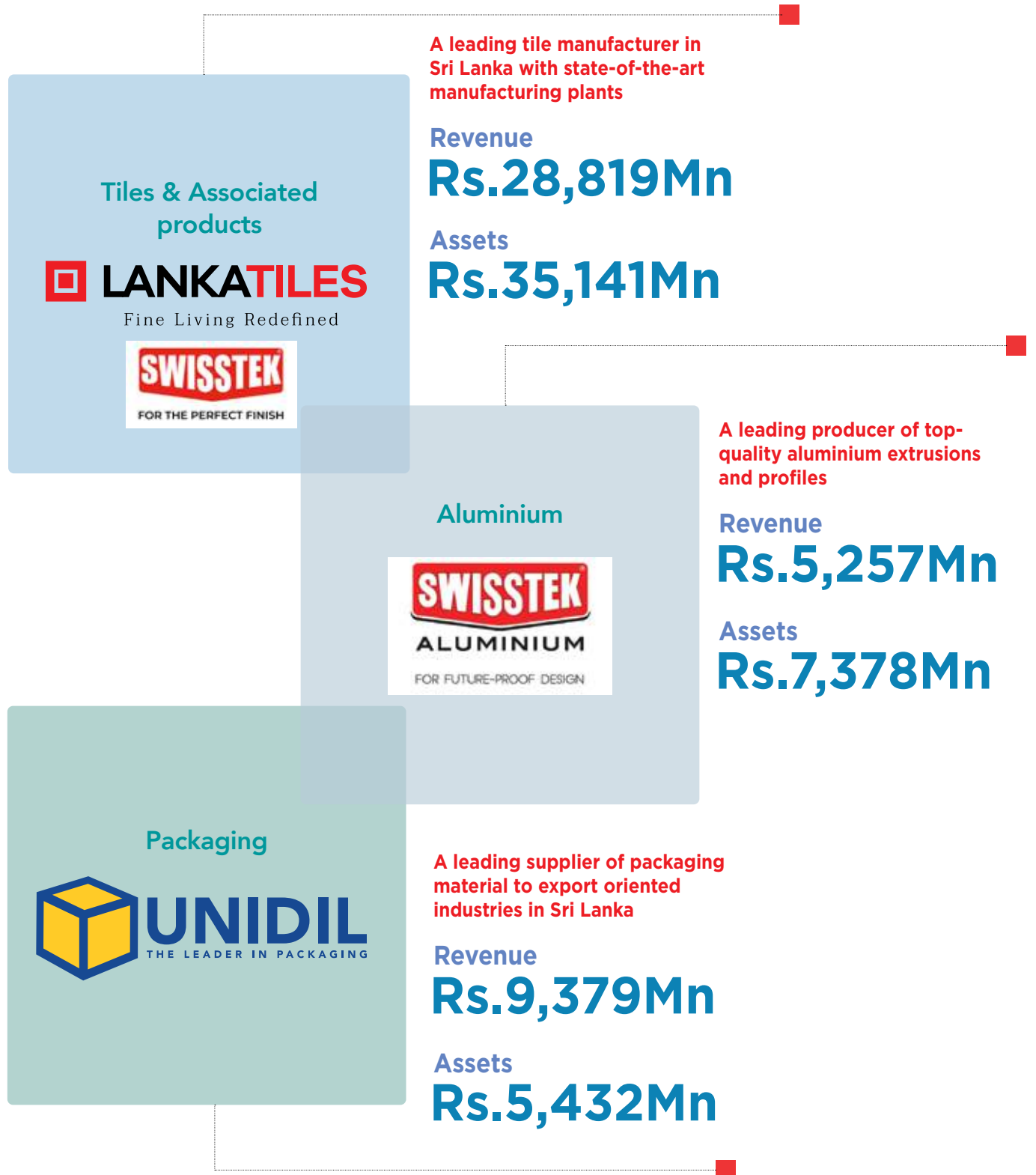


Values

Quality, Trust, Sense of heritage, Long standing relationships



Business Segments



Product Portfolio

Concrete

Solid Concrete Tile Collection



Xilosphy

The wood tile collection



Hearts of Earth

The crystal tile collection



Senses

Sense nature tile collection



Essential +

Fine art tile collection



Majestica

Finest finished, largest sized and porcelain tile collection








Mosaics

Mosaic modern and competitive tile collection



Performance Highlights

Financial highlights

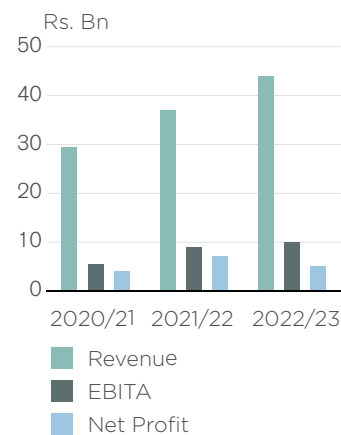
Revenue	16.6%	Rs.43.5 Bn 2023	Rs.37.3 Bn 2022	
Gross Profit	26.6%	Rs.16.5 Bn 2023	Rs.13.0 Bn 2022	
Total Assets	4.2%	Rs.45.4 Bn 2023	Rs.43.5 Bn 2022	
Value added	43.3%	Rs.19.2 Bn 2023	Rs.13.4 Bn 2022	
Dividend per share	16.5%	Rs.9.20 2023	Rs.7.90 2022	

Performance Highlights

Financial Performance

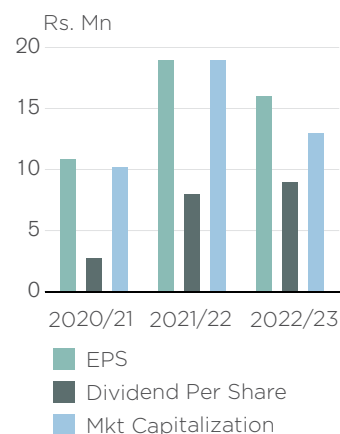
	Unit	2022/23	2021/22	%
Performance				
Revenue	Rs.Bn	43.5	37.3	17
Operating expenses	Rs.Bn	33.5	29.1	15
Operating profit	Rs.Bn	10.4	8.8	18
Profit before tax	Rs.Bn	7.6	8.7	(13)
Profit after tax	Rs.Bn	4.8	6.8	(29)
Gross profit margin	%	38	35	9
Operating profit margin	%	24	24	1

Group Personnel Costs



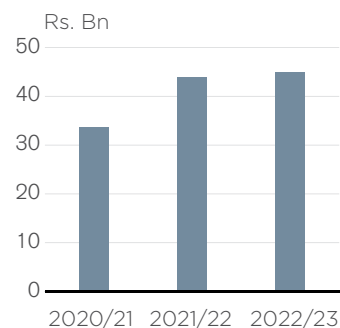
	Unit	2022/23	2021/22	%
Shareholder Returns				
Earnings per share	Rs.	15.97	18.83	(15)
Dividend per share	Rs.	9.2	7.9	16
Dividend payout ratio	%	58	42	38
Return on Equity	%	21	29	(28)
Market capitalization	Rs.Bn	13.03	19.03	(32)
Market value per share	Rs.	48.10	69.70	(31)

Shareholder Returns

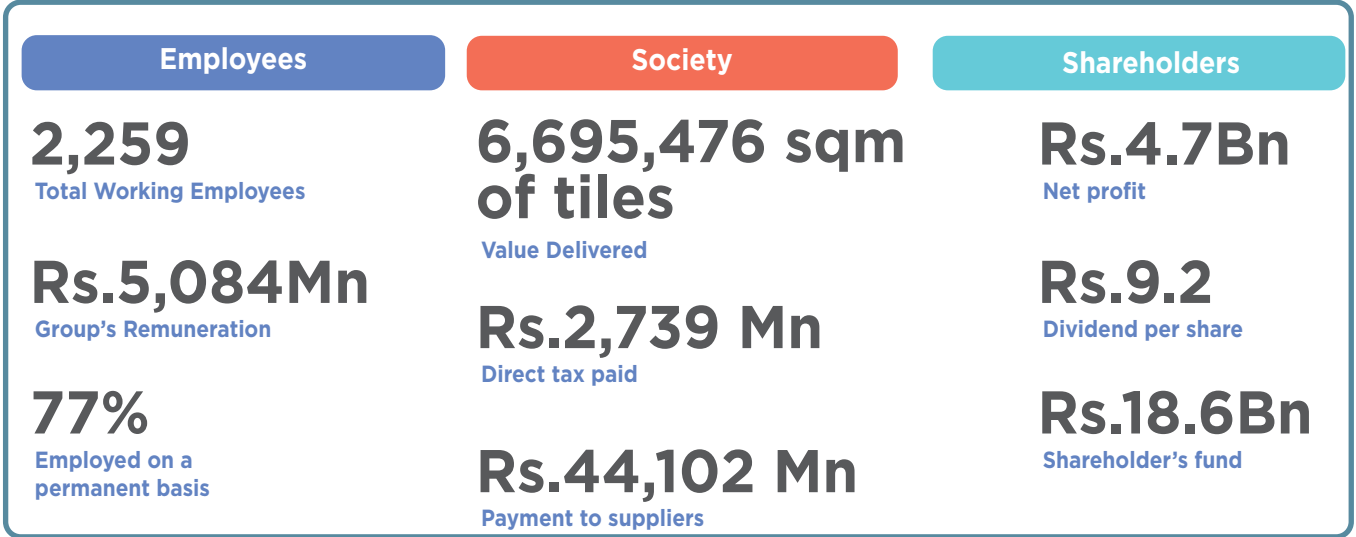


	Unit	2022/23	2021/22	%
Growth and Stability				
Total Assets	Rs.Bn	45.2	43.5	4
Shareholder funds	Rs.Bn	18.6	17.8	5
Total debt	Rs.Bn	21.7	20.1	8
Inventory	Rs.Bn	14.9	8.4	77
Net Assets per Share	%	68.25	65.26	5
Gearing ratio	%	55	45	22
Current Ratio	Times	1.5	1.5	-
Quick Assets Ratio	Times	0.61	0.97	(37)

Asset Base



Non-Financial Performance



ESG Highlights

Environmental



Energy Consumption

41 Mn Kwh



Energy Intensity

19%



GHG emissions

59,474 TCO2



Water Recycled

by 11%

Social



Female representation in workforce

13%



Increase in employee remuneration

12%



New Jobs created

608



CSR Spend of

Rs.5Mn

Governance



Zero Fines paid



Maintaining Board diversity in skills, age and gender



Timely submissions of all regulatory returns

Chairman's Message



“Lanka Walltiles Group has always valued its people, and has led us to think beyond frameworks and certifications for employment, truly understanding what it takes to deliver employee well-being.”

Working capital management will be key to managing profitability of the Group, minimising finance costs and borrowings. Building resilience in the balance sheet is also an objective that must be considered to counter potential pressures from external factors.

Dear Shareholders,

I am pleased to report that Lanka Walltiles Group delivered a resilient performance in a year of unprecedented volatility and converging risks. The Group recorded Profit after tax of Rs. 4.82 Bn by maintaining a steady course despite the sharp decline in the construction industry. The Group continued to innovate and The financial position of the Group remains healthy with sufficient headroom to increase leverage at need. The Group maintains its leadership of the market through expansion and innovation.

A broad presence across the value chain

Lanka Walltiles Group has a significant presence across the construction sector value chain in the country. The Group manufactures tiles through Lanka Walltiles PLC and Lanka Tiles PLC which are both public listed companies. Swisstek Ceylon manufactures and sells flooring as well as manufacturing and selling grout and other materials associated with tiles. The disposal of Horana Plantations in March 2023 aligns the focus of the Group to the construction industry, clearly positioning the Group as a key player in the manufacturing sector.

Although the construction industry contracted during the year, it remains a key growth sector in the economy, accounting for between 7% to 9% of the economy. Its growth is driven by the demand for housing and rapid urbanization as well as other large infrastructure projects. The sector which recorded robust growth in 2021, recorded a slump in 2022 as delays in payments, high interest rates strained financials while new projects were deferred due to the rapid escalation in costs of construction. The global outlook for the sector remains robust and the country's sector is expected to revive as the economy improves.

As Sri Lanka has ball clay and feldspar deposits which are the principal raw materials used in manufacture of tiles, this is an important import substitution industry, saving the country significant foreign exchange. The Group continues to seek and develop opportunities to grow its export business.

Navigating turbulence

The year under review saw adverse movements in a number of key economic indicators. Foreign exchange liquidity and exchange rates were the first pain point which then led to import restrictions and difficulties in procuring foreign exchange for import of raw materials. Inflation also climbed sharply during the year to 73.7% before easing gradually over the second half of the financial year. Interest rates were a key policy tool used to curb inflation increasing finance costs to individuals and businesses alike. The decline in the country's sovereign rating and the negative media exposure also hurt the export business as customers want stable suppliers who are able to comply with their requirements. The US and China decoupling was an opportunity we hoped to seize but the country situation deterred many buyers unfamiliar with the resilience of the private sector. Increases in tax rates also had a significant impact on the bottom line of the Group. Energy and fuel price increases also had substantial impact on margins. The Government announced its intention to temporarily defer repayment of external debt and negotiate with the IMF for a financial facility.

The second half of the year saw a gradual easing off of the build up of static. Inflation, and interest Rates, Exchange rates eased by end February as dollar liquidity built up due to non-repayment of debt and reduced imports. The IMF facility was also approved and the first tranche was disbursed in March 2023. The social unrest that prevailed at the beginning of the year also abated to a large extent as inflation was brought under control.

Governance & Sustainability

The events of 2022 proved the importance of leadership and good governance. The Board met 11 times during the year to review performance, risk management and other matters. The Board also approved projects to install solar power at the two tile factories as part of an overall energy management programme. Initiatives launched by the Board in previous years such as Lean, Six Sigma and Total Productive Maintenance have also borne fruit, supporting reduced consumption and minimising wastage. The Board continues to recommend pursuit of ESG certification and reporting towards worthy objectives of reducing, reusing and recycling.

The resignation of Mr.K.D.D.Perera who led the Group as Chairman prior to my appointments was a loss for the Group as his business acumen was invaluable. We welcomed to the Board Ms.K.A.D.B.Perera during the year as a Non-Executive Director during the year who brings fresh perspectives to the Boardroom.

Geared for growth

The progress made in the fourth quarter of the year is encouraging as inflation and interest rates commenced a downward trend. Foreign exchange liquidity has eased and the rupee appreciated by the end of the financial year. Foreign exchange inflows from worker remittances and tourism have increased and are expected to soften the blow of reducing exports. A lacklustre forecast for the global economy is a concern as it impacts demand for exports from advance countries.

“The Lanka Walltiles Group adds more capacity in the year ahead and therefore it is critical that exports are explored with renewed urgency. The refreshed brand will provide it a unique and authentic identity to position itself in external markets.”

The Lanka Walltiles Group adds more capacity in the year ahead and therefore it is critical that exports are explored with renewed urgency. The refreshed brand will provide it a unique and authentic identity to position itself in external markets. Working capital management will be key to managing profitability of the Group, minimising finance costs and borrowings. Building resilience in the balance sheet is also an objective that must be considered to counter potential pressures from external factors.

Acknowledgements

The Board joins me in commending the team at Lanka Walltiles Group for their hard work while also coping with personal challenges, I thank my fellow Board members for their wisdom and insights in navigating this year. We appreciate the cooperation and goodwill of our stakeholders and count on their presence in the years ahead as we look forward to an era of shared prosperity.



A M Weerasinghe
Chairman

31st May 2023

Managing Director's Message



“The new brand will be conversational and youthful reflecting some common traits of our people, keeping the brand connected to the country and authentic.”

We took a fresh look at our brand and strengthened it to make it fit for purpose. The brand has always been associated with the country as a uniquely Sri Lankan product and we built our brand around this.

Dear Stakeholder,

Lanka Walltiles Group was able to steady profits in an unpredictable environment while maintaining our focus on the medium to long term prospects of our business. It was a year in which we saw the long waiting times for tiles reverse completely as disposable incomes of consumers declined sharply. Strong performances in the previous two years had strengthened our financial position, providing the safety margins required to navigate an extraordinarily challenging year. I am also pleased that Brands Finance ranked LANKATILES as one of the country's Top 50 brands, affirming the work done by many.

Strengthening our brand

 **LANKATILES**

Fine Living Redefined

We took a fresh look at our brand and strengthened it to make it fit for purpose. The brand has always been associated with the country as a uniquely Sri Lankan product and we built our brand around this. The new tag line

Fine Living Redefined is a highly nuanced but important change as our intent is to redefine what fine living can look like. The new brand will be conversational and youthful reflecting some common traits of our people, keeping the brand connected to the country and authentic.

The brand articulates the kind of bond we want with our stakeholders, underpinned by brand values that will help us be cultural ambassadors as well as capable guides to help customers redefine the art of living. Collections will reflect the beauty of Sri Lanka while showrooms will provide exceptional in-store customer experiences. Our communications will also reflect the strong sense of heritage that underpin our brand. During the year we conducted various activities to increase brand awareness among employees, creating brand citizenship within the team.

Innovation & Technology

Innovation is a critical competitive advantage for the Group as we seek to create imaginative spaces, catering to the latest design trends. Designers are key influencers and we work with architects to ensure that our products are current and adaptable for their contemporary work. Given the mood that prevailed during the year, we introduced a few designs including new mosaic designs.

We worked closely with the overseas technical partner to improve our product line. Our portfolio needed a new dimension to compete effectively with the high end mosaic products available in the market. This enabled us to introduce a new range of products which gained the interest of 5-6 new American buyers who want to work with us.

Technology plays a key role. We were hampered by the legacy systems and carried out some innovations with a local consultant to improve the product. Tile recipes were changed by the consultant, facilitating production with raw materials available in the market without compromising quality. Due to this truly innovative project, we are able

to use raw materials of different sources without rejecting them by varying the tile recipes according to the properties of the available raw material. This is a key sustainable innovation that reduces waste and retards resource depletion which is a key concern in the industry.

We implemented SAP within the Group which was a success and LANKATILES became a regional case study for SAP for its implementation.

Undulating terrain

Group revenue increased by 17% largely due to price increases taken to offset rising costs. Sales volumes of tiles declined by 15% during the year of tiles the woes of the construction industry and the sharp decline in disposable income as inflation, taxes and interest rates increased rapidly during the year. Gross profit increased by 27% to Rs. 16 Bn as margins improved due to price increases. Despite high inflation, we were able to curtail costs to a large extent through Groupwide initiatives and mindful interventions. Interest costs increased by 912% due to high interest rates and expansion of short term debt to fund expansion of inventory and receivables. Profit before tax decreased by 13% to Rs. 7.56 Bn, delivering a steady profit in a turbulent economy. Taxation increased by 51% despite the decline in profits due to the increase in tax rates and the impact on deferred tax balances brought forward. Accordingly, Profit After tax declined to Rs. 4.8 Bn recording a decline of 30% over Rs. 6.8 Bn recorded in the previous year.

The Group balance sheet remains healthy and recorded marginal total asset growth of 4% to Rs. 4.5 Bn. Plant & Machinery represents 40% of the Group's assets amounting to Rs. 18 Bn reflecting its core competence and key capital. Inventories increased by 78% to Rs. 14.89 Bn as demand declined. Production was reduced to manage working capital as the expansion was largely funded by conversion of liquid assets and increased borrowings. Trade and other receivables also increased by 28% as distributors and franchise partners faced significant

“Our communications will also reflect the strong sense of heritage that underpin our brand.”

challenges, elevating credit risk. Cash and cash equivalents decreased by 95% to Rs. 0.3 Bn as the working capital expanded. The Equity remained unchanged at Rs. 23 Bn. Group's debt equity ratio remains at a healthy 44% with further room for borrowing if needed.

Swisstek Aluminium had a difficult year as markets and the construction industry both collapsed. Plans are underway to commence exports which will restore top line growth and margins. Grout and accessories did well as we introduced new products and managed margins. A new skim coat and water proofing solutions and silicon were added to the range.

Creating value for employees

The year was a challenging one for employees as they faced high food inflation, reduced purchasing power, long power cuts, fuel and gas shortages which added to the daily strife. The collective bargaining agreement was signed for 3 years, incorporating the necessary salary adjustments for non-executive staff. We provided some relief to all staff categories to soften the impact of a contracting economy. We were able to maintain executive staff turnover at 1% amidst a brain drain as skilled and professional employees sought routes for economic migration.

We signed an agreement with the Centre for Creative Excellence to train 6 employees every year in Singapore and the first batch has now returned. It has been rewarding to observe the change and the impact of the coaching on their outlook and performance.

Managing Director's Message

Managing Our Impacts

Resource depletion is a key concern in the industry and the innovation described above supports use of lower quality materials, reducing the rate at which ball clay and feldspar is mined. This is a major step that will benefit the entire industry and reduce our impact on biodiversity.

Lanka Walltiles PLC installed rooftop solar with a capacity of 1,500 kva generating power for the main grid which will be offset against our use. We are also planning to install a further 2,500 kva at Lanka Tiles PLC which will add to the renewable energy generation.

We also looked to add value to our stakeholders and the Tiler's Club which supports Tilers now has a dedicated person managing this, supporting value creation for them. We also introduced a loyalty card for architects, supporting these key influencers with benefits.

The way forward

The economy has made a tenuous recovery from the chaos that marked 2022. While significant uncertainties remain, the policies are having the desired effect at present as inflation, interest rates and exchange rates are easing gradually. The debt restructuring is not yet finalized, leading to uncertainty over its outcome. However, the prescription is clearly a contraction in consumption to manage the balance of payments and the current account deficit. The country situation is key to exports as we woo buyers as reliability of supply is key.

Within this scenario, exports become an imperative as domestic consumption is likely to remain subdued. We also expect a gradual increase in activity within the construction sector as the demand for housing remains high. Construction costs have increased exponentially and the

financial stability of key players in the sector will be key determinants of the pace of activity. Housing and renovations continues to be the main source of demand but it is insufficient to sustain growth.

The Group will increase production capacity of large format tiles by 80% by October 2023 as expansions are completed. It is imperative that inventory movement picks up pace prior to this to ensure adequacy of liquidity buffers.

Acknowledgements

I wish to thank all the employees of Lanka Walltiles Group for their unstinted cooperation and commitment amidst personal challenges in the year under review. The Board provided invaluable guidance which has supported the steady performance delivered during the year. I am grateful to our stakeholders for the role played in delivering this performance. I count on the support of these key stakeholders in delivering results in the year ahead.



J A P M Jayasekera
Managing Director

31st May 2023

MAJESTICA

Sri Lanka's largest sized,
polished, vitrified
porcelain wall and floor tiles.



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 Tiles 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 Aluminum Limited.



MR. J A P M JAYASEKERA
Managing Director

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC 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 Jayawardenapura and is a fellow Member of the Institute of Chartered Accountants of Sri Lanka. He holds a Master of Arts degree in Buddhist studies (Distinction Pass) from the University of Kelaniya.

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



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 also serves on the following listed companies as a Director: Lanka Tiles PLC, Commercial Bank of Ceylon 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 (Pvt) Ltd, Fentons Ltd and Swisstek Aluminium Ltd, among others. He has been credited as a proven business innovator across industries. A marketer by profession, he was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).



MR. K D G GUNARATNE

Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Provincial Council during the period 1989 to 2009. He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd (Sheraton Colombo) and Urban Investments & Development Company (Pvt) Ltd. He also serves as a Director of Lanka Tiles PLC, Lanka Ceramic PLC, Dipped Products PLC, Swisstek (Ceylon) PLC, Singer Industries Ceylon PLC and Regnis Lanka PLC and as an Alternate Director at Horana Plantations PLC.



MS. A M L PAGE

Director

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

Ms. Page has 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 also serves as a Director of Lanka Tiles PLC and Lanka Ceramic PLC.

Board of Directors



MR. R N SOMARATNE

Director

Mr. W R Nandajith Somaratne currently serves as a Director of Lanka ceramic PLC and Hayleys Fabrics PLC. He is currently employed as the Director - Manufacturing for Royal Ceramics Group, and responsible for the manufacturing operation of the Group. He served in Ansell Lanka (Pvt) Ltd and in Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr Somaratne counts more than 30 years of experience in the manufacturing sector and leading major expansion projects in the Group. He is an expert in manufacturing and technology with vast experience and in-depth academic background. Mr Somaratne holds an MBA from the University of Colombo, a Post Graduate Diploma in Industrial Engineering from NIBM and a Post Graduate Diploma in Business Finance and Strategy from the Business School of CA Sri Lanka and a B.Sc. Degree in Physical Science from the University of Peradeniya. He has undergone several corporate leadership training programs including the Corporate Leadership Program conducted by HIDA Japan.



MR. J D NIHAL KEKULAWALA

Director

Mr. Kekulawala has held senior positions in the Hatton National Bank PLC including Chief Financial Officer and the Senior Deputy General Manager Strategy and Compliance. He worked as the lead consultant responsible for commencing commercial banking operations in the Solomon Islands and also functioned as the inaugural CEO of the Bank in Solomon Islands. Mr. Nihal Kekulawala is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Bankers in England. He holds a MBA from the University of Manchester.



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 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 Ceramic Lanka PLC, Lanka Tiles PLC, Lanka Ceramics PLC, Swisstek Aluminium Limited, Uni Dil Packaging Limited and Horana Plantation PLC.

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



MR. S R JAYAWEERA

Director

Mr. Jayaweera was appointed to the Board of Lanka Walltiles 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 Tiles PLC, Royal Ceramics PLC and Delmage Ltd.

He has also been a member of the Group Operating Committee (GOC) of John Keels Holdings PLC from July 2005 to June 2018



MS. K 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 Tiles PLC, Haycarb PLC, Dipped Products PLC, Meyleys fabric Ful, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the board of Eurocarb Products Lid (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

Corporate Management



MAHENDRA JAYASEKERA
Managing Director



NANDAJITH SOMARATNE
Director - Manufacturing



SHIRLEY MAHENDRA
Director - Group Marketing



SAJEEVANI AMARASINGHE
General Manager (Finance)



PRASAD KEERTHIRATNA
Assistant General Manager (IT)



STANLEY YALEGAMA
Assistant General Manager (Technical)



KAUSHALYA SUDASINGHE
Assistant General Manager (Sales)



DAMINDA PERERA
Group Head of Marketing



ANURA RATNAYAKE
Group Business Development Manager



B A M THILAKASIRI
Group Stores Manager



ATHULA HEWAPATHIRANA
Group HR Manager



KAPILA RANATUNGA
Group Commercial Manager



NILANGA FERNANDO
Group Financial Accountant



Discernments of Vision

THE STRATEGIC REPORT

Our Strategy 25 | Value Creation 26 | Stakeholder Engagement 28
Materiality 30 | Risk Management Review 31 | Operating Environment 36

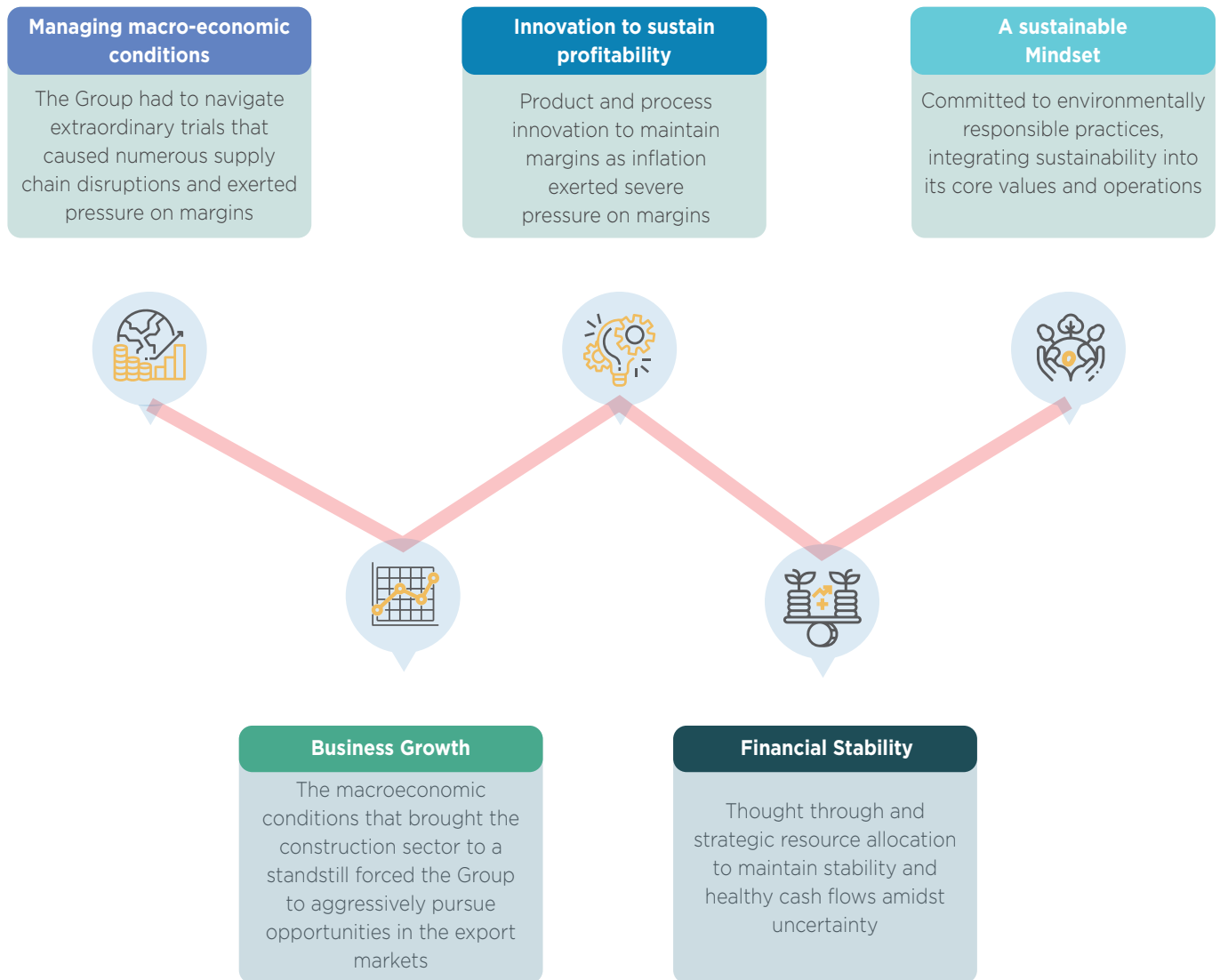


MAJE

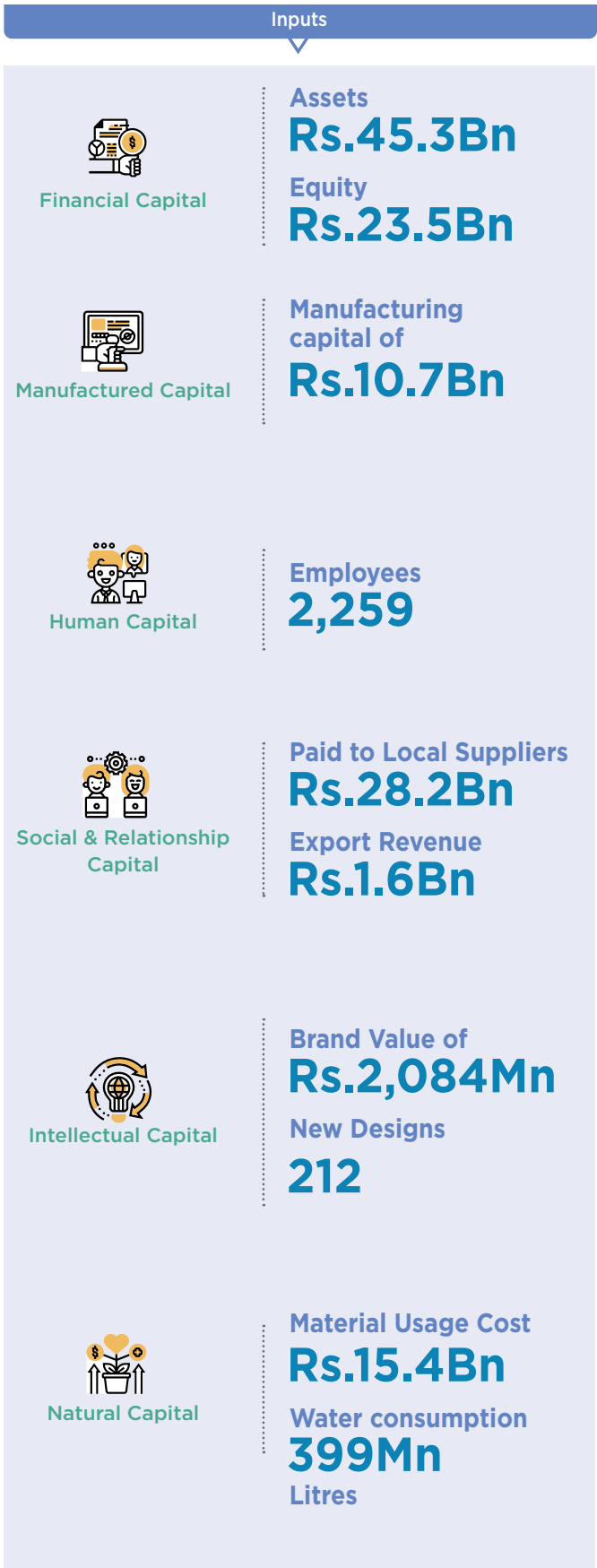
Sri Lanka's
polished
porcelain wall

Our Strategy

The Group was forced to take an agile approach to strategy as we had to navigate unprecedented headwinds during the year. We were faced with numerous supply chain challenges and margins were put under pressure as the country faced extraordinary inflation. The domestic construction industry came to a standstill as economic activities across many industries slowed down significantly. The Group strengthened our effort in product and process innovation to maintain our profits margin while aggressively pursuing export opportunities to sustain our growth momentum.

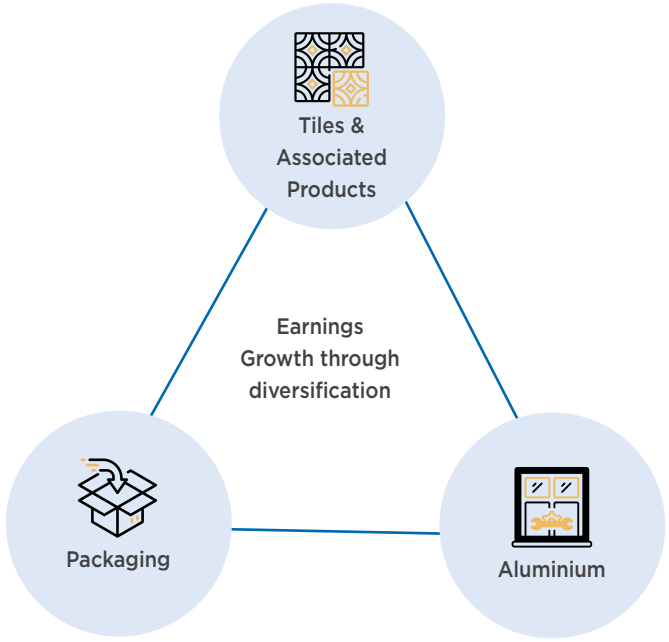
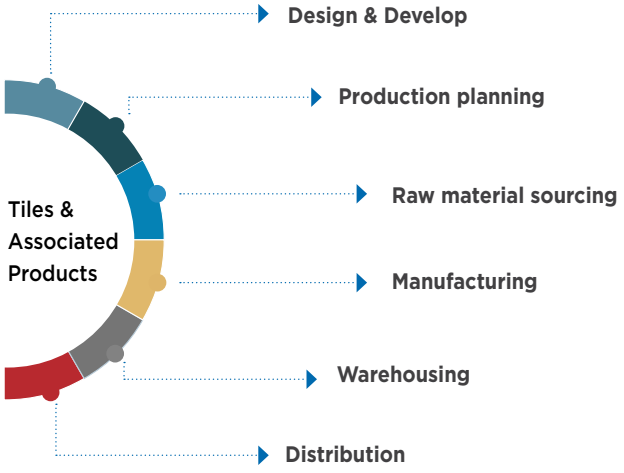


Value Creation



Value Creation

Risk Management



Output



Tiles and Associated Products

SQM of tiles
6,695,476

MT of grouts
1,169

MT of Mortar
101,928



Aluminium

MT of aluminium products

3,013



Packaging

MT of corrugated cartons

20,577

MT of paper sacks

5,698

Outcome

Economic

Economic value added by the Group

Rs.19,179Mn

Tax payments of

Rs.5,428 Mn

Environmental

22,861

MT of waste discharged

127,262,539

litres of water discharged

10,944,541

Kg of renewable energy

12,201

MT of Disposal Solid Waste-Reused

Social

Direct and indirect employment opportunities

Community development initiatives

Value Delivered



Shareholder

Share holder's fund **Rs.18.6Bn**

Dividend per Share of **Rs. 9.2**



Customers

Delivery of high quality, innovative designs
Customer support



Employees

Employee remuneration of **Rs.5,084Mn**

Rs.25Mn investment in training and development

Healthy and safe workplace

An inclusive workplace



Suppliers

Rs.28.2Bn payments to local suppliers

Rs.15.9Bn payments to overseas suppliers



Communities

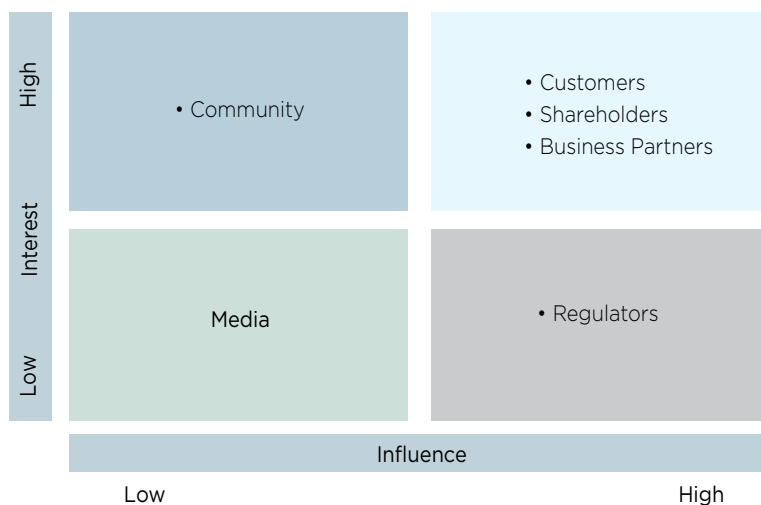
Recruitment of **608** new employees

CSR spend of **Rs.5Mn**

Stakeholder Engagement


The uncertainties in the operating environment required reinforced stakeholder engagement. This was crucial for uninterrupted operations and sustainable value creation. Our stakeholder engagement process involves identifying, mapping and prioritizing stakeholders to determine the best channels of communication while making the optimum use of the available resources.


The table below sets out the engagement platforms used by the Group and how we manage stakeholder expectations.




	Customers	<ul style="list-style-type: none"> • Direct customers • Fabricators 	<ul style="list-style-type: none"> • Tilers • B2B customers 	<ul style="list-style-type: none"> • Architects
	Engagement Platforms	<ul style="list-style-type: none"> • Showrooms • Call centre • Corporate website 	<ul style="list-style-type: none"> • Direct visits • Tiler Club • Variety 	<ul style="list-style-type: none"> • Trade fairs • Social media • Availability
	Stakeholder Concerns	<ul style="list-style-type: none"> • Product quality • Value for money 	<ul style="list-style-type: none"> • Customer service 	<ul style="list-style-type: none"> • Presence
	Our Strategy	<ul style="list-style-type: none"> • Comprehensive product portfolio with variety in size and designs • Supreme quality products • Island wide presence through our distribution network • Effective customer service 		
	Value delivered	<ul style="list-style-type: none"> • 6,695,476 SQM of tiles • 20,577MT of corrugated cartons 	<ul style="list-style-type: none"> • 3,013 MT of aluminium • 5,698 MT of paper sacks 	

	Business Partners	<ul style="list-style-type: none"> • Distributors • Suppliers 	<ul style="list-style-type: none"> • Dealers 	<ul style="list-style-type: none"> • Franchisees
	Engagement Platforms	<ul style="list-style-type: none"> • Direct meetings • Annual events 	<ul style="list-style-type: none"> • Dedicated service teams • Telephone/email communication 	
	Stakeholder Concerns	<ul style="list-style-type: none"> • Timely payments • Logistics 	<ul style="list-style-type: none"> • Support for growth • Rewards & other benefits 	
	Our Strategy	<ul style="list-style-type: none"> • Competitive and fair remuneration • Trainings and development • Timely payments • Support for growth 		
	Value delivered	<ul style="list-style-type: none"> • 15,559 training hours 		

 Investors	Shareholders	Lenders
Engagement Platforms	<ul style="list-style-type: none"> Quarterly & annual reports Annual General Meeting 	<ul style="list-style-type: none"> Press releases Corporate website
Stakeholder Concerns	<ul style="list-style-type: none"> Performance and stability Timely repayments 	<ul style="list-style-type: none"> Share price Dividends and other returns
Our Strategy	<ul style="list-style-type: none"> Growth prospects Maintaining a strong balance sheet Comprehensive governance structure Sustainable growth through effective strategic planning and execution 	
Value delivered	<ul style="list-style-type: none"> Dividend of Rs.2,512Mn Interest payments of Rs.3,369Mn 	<ul style="list-style-type: none"> Dividend per share of Rs.9.2

 Employees		
Engagement Platforms	<ul style="list-style-type: none"> Open-door policy CSR events 	<ul style="list-style-type: none"> Staff meetings Staff appraisals
Stakeholder Concerns	<ul style="list-style-type: none"> Competitive and fair remuneration Work-life balance Fair and secure workplace 	<ul style="list-style-type: none"> Career progression Job security Skill development
Our Strategy	<ul style="list-style-type: none"> Competitive and fair remuneration Facilitating career progression Training and development opportunities Inclusive, fair and safe workplace Encouraging work-life balance 	
Value delivered	<ul style="list-style-type: none"> Remuneration of Rs.5,084Mn 117 promotions 	<ul style="list-style-type: none"> 15,488 Training hours

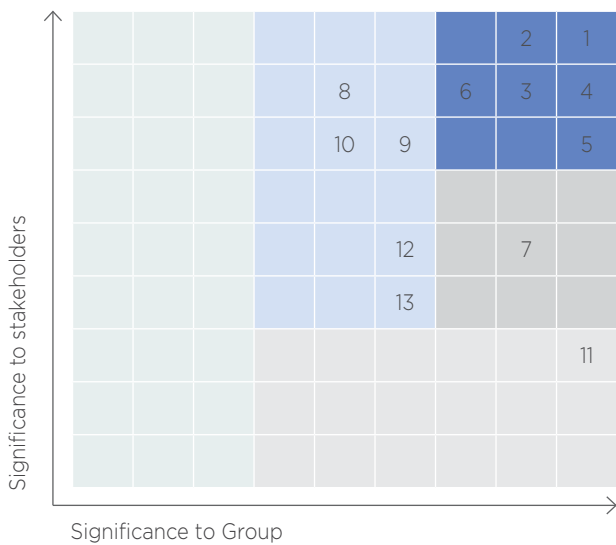
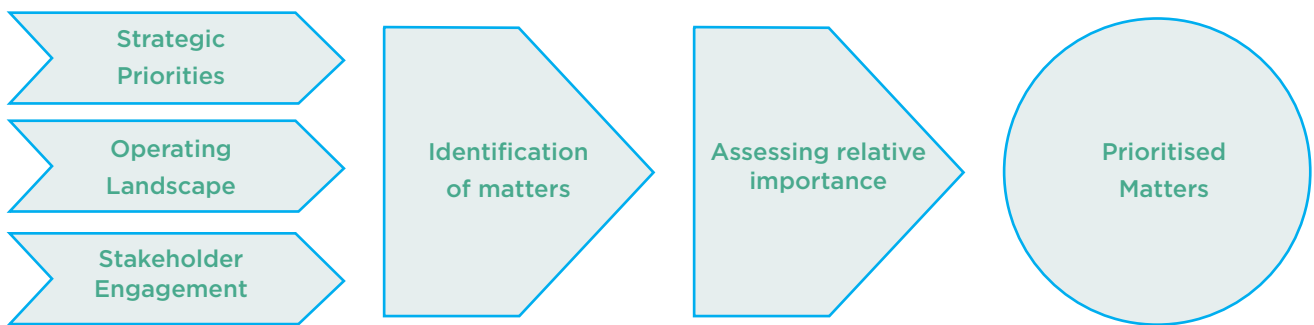
 Regulator		
Engagement Platforms	<ul style="list-style-type: none"> Periodic filings Tax filings 	<ul style="list-style-type: none"> Meetings Visits
Stakeholder Concerns	<ul style="list-style-type: none"> Compliance Timely payments 	<ul style="list-style-type: none"> Industry growth
Our Strategy	<ul style="list-style-type: none"> Compliance with all regulatory requirements Collaboration with industry bodies Timely payments 	
Value delivered	<ul style="list-style-type: none"> Income Tax payments of Rs.2,609Mn 	

 Community		
Engagement Platforms	<ul style="list-style-type: none"> CSR events Press releases Corporate website 	<ul style="list-style-type: none"> Digital, print and social media Marketing and promotional events Community development
Stakeholder Concerns	<ul style="list-style-type: none"> Sustainable business practices Job opportunities CSR projects for community development Effective governance structure Sustainable business practices 	<ul style="list-style-type: none"> Transparency
Value delivered	<ul style="list-style-type: none"> CSR spend of Rs.5Mn 	<ul style="list-style-type: none"> Direct and indirect job opportunities

Materiality

We have selected material topics based on their ability to influence our value creation process. Topics are identified based on stakeholder concerns, dynamics in the operating environment and the Group’s strategic priorities.

The process adopted in determining materiality is presented below. Issues are identified following stakeholder engagement, opportunities and risks in the operating environment and the Group’s strategic direction. These matters are assessed based on the likelihood and the potential impact to the Group. The prioritised list is created based in the influence on decisions of stakeholders and the impact on our strategy and operations.



	Material Topic	Our Response	Page
1	Earnings Growth	Financial Capital	54
2	Uninterrupted energy supply	Risk Management	31
3	Foreign exchange liquidity	Risk Management	31
4	Managing macroeconomic conditions	Risk Management	31
5	Stability	Financial capital	54
6	Health and Safety	Human Capital	58
7	Efficiency	Financial capital	54
8	Product quality	Intellectual Capital	73
9	Technology and innovation	Intellectual Capital	73
10	Regulatory and environmental compliance	Corporate Governance	81
11	Capital Infusion	Manufactured Capital	69
12	Sustainable business practices	Natural Capital	77
13	Disaster recovery	Risk Management	31

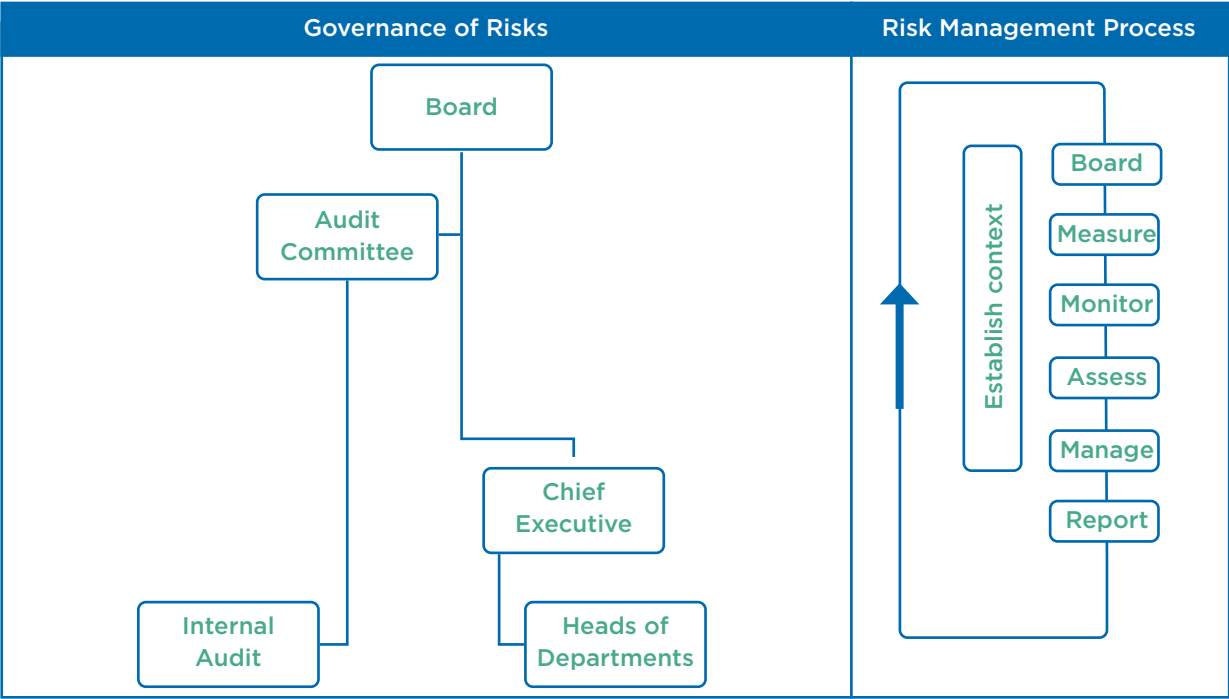
Risk Management Review

Opportunities & Risks

The year under review was marked by unprecedented challenges for businesses. The pandemic and the economic downturn highlighted the need for more robust and resilient risk management practices. One of the sectors that experienced both the positive and negative impacts of the crisis was the local tile manufacturing industry. The import restrictions imposed by the government boosted the demand for locally produced tiles, but also affected the availability of raw materials and the payment cycle of the government projects. The construction sector, which is a major consumer of tiles, also faced a slowdown due to the same factors. These fluctuations in demand and supply, along with the geopolitical and environmental uncertainties, created a complex and dynamic risk environment for the tile manufacturers.

Oversight of Risk Management

The risk governance structure of Lanka Walltiles involves the Board, the Audit Committee, the subsidiary Boards and the Senior Management. The Board has ultimate authority and responsibility to collectively manage risk. They delegate oversight functions to the Audit Committee as per its Terms of Reference. The Chief Executive Officer and Senior Management are in charge of implementing an effective risk management process and is a major topic at Senior Management meetings where they discuss the impacts of developments on risk and the plans to mitigate them.



A Volatile Risk Landscape

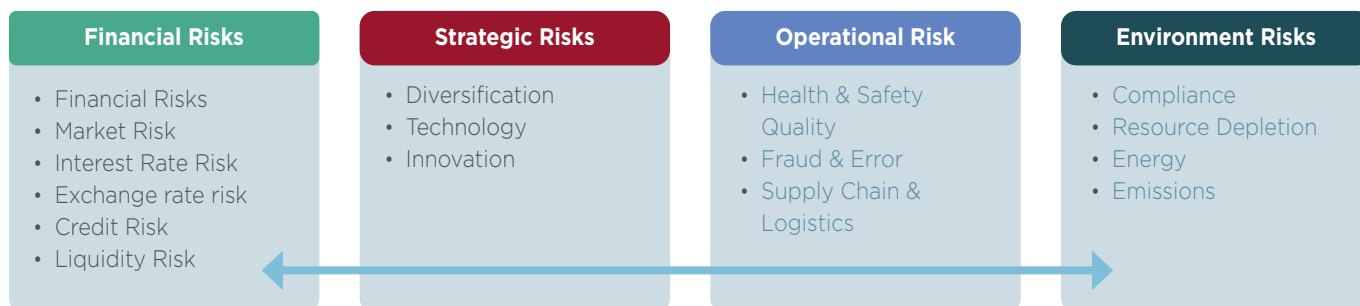
Operating in the construction sector with a significant presence across the value chain, the Group is impacted by the global supply chains and the local socioeconomic and political developments. The most significant of these are briefly captured below.

Risk Management Review

Global economic outlook	The moderating global economic outlook is a concern as we plan to increase exports.
Economic vulnerabilities in Sri Lanka	Sri Lanka has made a fragile recovery but needs to make further progress on structural reforms, finalise the external and domestic debt restructuring to steer the economy towards a clear path to growth.
Foreign exchange liquidity and a vulnerable rupee	While import restrictions have eased, the large items remain in place indicating the fragility of the foreign exchange liquidity position at present. While increasing tourist arrivals and worker remittances will support liquidity, a decline in exports and repayment of debt can create further stress.
Energy security and affordability	The country is reliant on imports of fossil fuel and needs to urgently implement measures to reduce this dependency as set out in the CEB's long term generation plans which seek to harness solar and wind energy. The costs of energy increased by more than 140% during the year which has been a shock to many businesses highlighting the need to address affordability of energy.
Talent pipelines	The country's talent pools diminished significantly during the year as many young people migrated due to the decline in their purchasing power. Inflation, exchange rates, taxation and interest rates continue to exert pressure on salaries and wages and will be a key factor in the year ahead as well.
Resource depletion	Resource depletion is a key factor which has affected the quality of ball clay used in the manufacture of tiles. Recent innovations for new tile recipes have reduced the wastage which goes a long way to reduce the impact.
Technology	We need to continuously upgrade our technology and continue process innovations to manage resource efficiency and keep up to date with design trends
Design trends and customer lifestyles	These are key drivers for the industry and the Group needs to stay in touch with current trends to remain competitive.

Key Risks

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



Financial Risks																		
Risk that involves financial loss to firms generally arising from instability and losses in the financial market caused by movements in stock prices, currencies, interest rates, commodities and more.																		
Market Risk Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises: <ul style="list-style-type: none"> Interest rate risk, Exchange rate risk, Commodity price risk and Equity price risk. 	Interest Rate Risk Movements - The financial year 2022-23 witnessed a steep rise in interest rates due to a series of policy rate hikes by the central bank. The policy rates were raised by 700 basis points in April 2022 and another 200 basis points later in the year. This led to a surge in the AWPLR, from 9.85% in March 2022 to 27.89% in November 2022. The AWPLR moderated slightly to 21.4% by the end of March 2023, as the liquidity situation improved marginally in the domestic market. Impact in 2022/23 - Interest rate movements had the highest impact on the Group as it increased the cost of borrowing to extremely high levels, compounded by the increased borrowings.																	
	<table border="1"> <thead> <tr> <th></th> <th>Change in basis points</th> <th>Company Decrease in PBT Rs. 000</th> <th>Group Decrease in PBT Rs. 000</th> <th>Mitigating Activities</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>100 (1%)</td> <td>2,963</td> <td>97,854</td> <td rowspan="2"> <ul style="list-style-type: none"> Repayment of Rs.20 bn in loans by Group Leverage of Group at a comfortable 55% </td> </tr> <tr> <td>2023</td> <td>100 (1%)</td> <td>24,678</td> <td>128,996</td> </tr> </tbody> </table>		Change in basis points	Company Decrease in PBT Rs. 000	Group Decrease in PBT Rs. 000	Mitigating Activities	2022	100 (1%)	2,963	97,854	<ul style="list-style-type: none"> Repayment of Rs.20 bn in loans by Group Leverage of Group at a comfortable 55% 	2023	100 (1%)	24,678	128,996			
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2023	100 (1%)	24,678	128,996															
Exchange Rate Risk Movements - The financial year saw a sharp decline in the value of the Sri Lankan rupee, which fell by 11.32% against the US dollar. The exchange rate fluctuated throughout the year, reaching a high of Rs.365 per dollar in February 2023, up from Rs.293.87 at the end of the previous financial year. However, the rupee recovered some of its losses in the following months and ended the year at Rs.327.14 per dollar. Impact - The Group is exposed to currency risk as high value raw materials are imported.																		
<table border="1"> <thead> <tr> <th></th> <th>Further depreciation of Rupee vs USD</th> <th>Company Decrease in PBT Rs.000</th> <th>Group Decrease in PBT Rs.000</th> <th>Mitigating Activities</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>5%</td> <td>29,793</td> <td>125,948</td> <td rowspan="2"> <ul style="list-style-type: none"> Increased stocks of imported raw materials Forward exchange contracts when appropriate Growth of exports </td> </tr> <tr> <td></td> <td>10%</td> <td>59,585</td> <td>251,896</td> </tr> </tbody> </table>						Further depreciation of Rupee vs USD	Company Decrease in PBT Rs.000	Group Decrease in PBT Rs.000	Mitigating Activities	2023	5%	29,793	125,948	<ul style="list-style-type: none"> Increased stocks of imported raw materials Forward exchange contracts when appropriate Growth of exports 		10%	59,585	251,896
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Risk Management Review

Credit Risk	Overall receivables have increased significantly as waiting times reduced and distribution partners faced difficulties in settlement. The Group maintains tight control over credit reinforced with strong relationships with distributors and franchise partners to manage this key exposure.
Liquidity Risk	Liquidity tightened during the year as inventory and receivables increased resulting in increased borrowings and decreased cash and cash equivalents. The debt equity ratio increased from 45% to 55% but remains at a healthy level.

Strategic Risks	
Strategic risk is the risk that failed business decisions may pose to a company.	
Diversification	The Group is primarily focused on the Sri Lankan market where it has enjoyed a leadership position for many years. Exports account for 4% of revenue. As the Sri Lankan economy and the country's construction sector are in a downturn, the Group needs to redouble its efforts to pursue export growth to diversify its markets.
Technology	The Group continues to invest in updating its manufacturing facilities and will increase capacity by 80% in October 2023 for large format tiles. As the Group has invested in technology upgrades over the past 5 years, this risk is mitigated to a large extent. The Group also uses Total Productive Maintenance to drive process efficiencies to existing technology, driving resource efficiency.
Innovation	Innovation is key in terms of design and manufacturing processes. Both are well integrated into the operations of the Group, institutionalizing these aspects. This year, we worked with a consultant to develop new tile recipes which significantly enhance the resource efficiencies, vital to manage depletion of ball clay deposits. It is necessary to drive focused innovation and the Group continues to create a culture conducive to ideation to encourage employees to explore new possibilities.

Operational Risks	
The risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events, differ from the expected losses	
Health & Safety	Health and safety of employees is a key risk as our factories. All factories have health and safety protocols which strictly reinforced including wearing of PPE in designated areas. There were no major injuries during the year as employee health and safety and well-being is integrated into the Group's employee value proposition with significant resources dedicated to minimising identified risks.
Quality	The Group has invested in obtaining local and global certifications for quality management to ensure that the Group is benchmarked with global standards. Total Productive Maintenance enhances the product quality focus, engaging a wider pool of employees in our quality journey.
Fraud & Error	The Board Audit Committee and Internal audit are key pillars that support review of the comprehensive system of internal controls established within the entities of the Group. We keep an open mind to the potential of fraud and error given the high levels of stress due to prevailing economic conditions in the country. The programme of comprehensive support to our staff during this period is a compensating factor but we recognise the increased motivation and are conscious of the need to minimise the opportunities for the same.
Supply Chain & Logistics	Supply chain and logistics issues that hindered operations at the beginning of the year eased towards the latter half. Stabilisation of freight costs and resolution of fuel shortages in the country also contributed to a decrease in this risk.

Environmental Risks	
These are the risks associated with potentially harmful effects to human health or to ecological systems	
Compliance	All factories are required to comply with requirements of the Environment Protection License obtained for operation of factories from the Central Environment Authority.
Resource Depletion	Ball clay and feldspar are key raw materials that are mined by third parties from lands after securing a license for the purpose from the Department of Geology and Mining. The Lanka Walltiles Group works with suppliers whose licenses are checked to ensure that they are valid. The Group has also purchased a land with ball clay deposits for its future needs. The Aluminium sector uses recycled aluminium increasing the circularity of this metal.
Energy	Energy security and costs were key issues during the year as the year commenced with planned power cuts which eased towards the close of the year. Energy prices increased by 75% in August and 65% in February significantly impacting operational costs for the Group, its distributors and franchise partners, The Group is investing in solar energy with the ability to store energy and even power generators, reducing the country's dependency on LP Gas, furnace oil and diesel. These investments will also serve to reduce emissions and the Group's environmental footprint.
Emissions	Global warming is an increasing concern as it drives extreme weather events and permanent climate change that widen inequalities. Governments are increasing regulation and reporting requirements to transform countries into low carbon economies. The Group's early adoption of ESG reporting and investments in reducing emissions support this trend. We continue to monitor developments in this regard to identify early action that needs to be implemented.

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 presenter 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 materially) 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

Global Economy

2022, the global economy faced a multitude of challenges, including the ongoing impact of the COVID-19 pandemic, geopolitical uncertainties, and the consequences of climate change. These factors created a high level of uncertainty, affecting economies worldwide. Despite these challenges, the global economy managed to achieve a growth rate of 3.4%. However, the International Monetary Fund (IMF) has projected a more pessimistic outlook for 2023.

The year 2022 witnessed the slowest economic growth since 2002, excluding the periods of the global financial crisis and the acute phase of the pandemic. This slowdown was particularly prominent in the world's largest economies. Additionally, the fight against inflation and Russia's conflict in Ukraine added to the complexities faced by the global economy.

Looking ahead to 2023, the early signs indicate a fragile recovery. The major factors that have influenced the world economy are still present, albeit with varying levels of intensity. Inflation has begun to decrease as central banks have responded by raising interest rates. Furthermore, the commodity prices that surged following Russia's invasion of Ukraine have started to stabilize.

Domestic Economy

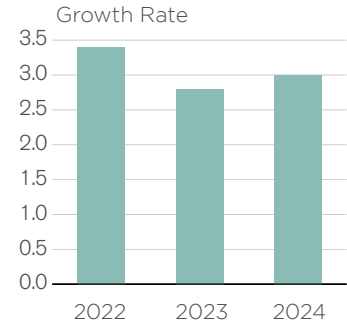
In 2022, the Sri Lankan economy faced its most challenging year since gaining independence, with a range of economic difficulties causing significant impact and

leading to public distress and political turmoil. The year saw a contraction of the country's real GDP by 7.8%, a sharp contrast to the positive growth of 3.5% observed in the previous year.

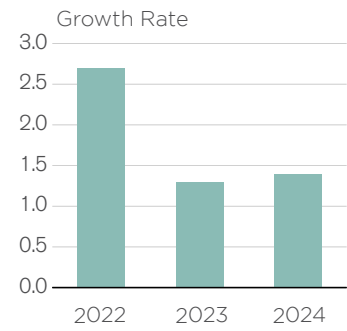
The agriculture sector, which had been experiencing sluggish performance since 2019, contracted by 4.6% in 2022. This decline was primarily driven by several factors, including the severe shortages of chemical fertilizers and other agrochemicals, increased costs of raw materials, and disruptions in supply networks. These challenges had a detrimental effect on agricultural production and overall sector performance.

The industry sector also experienced a significant contraction of 16% in 2022. This contraction was primarily driven by the dampened performances of the construction and manufacturing subsectors. Acute shortages in raw materials and escalating input costs contributed to the challenges faced by these industries, leading to a decline in their output and overall sector performance.

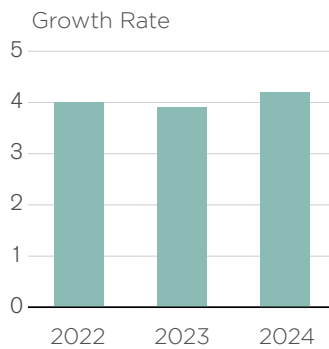
Global Economy



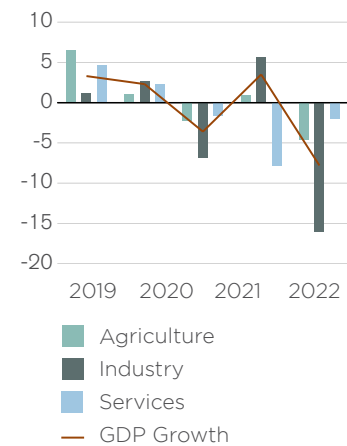
Advanced Economies



Emerging Markets and Developing Economies



GDP Growth



Despite a resilient performance in the first quarter, the service sector also contracted by 2% during the year. This contraction can be attributed to various factors, including the overall economic challenges faced by the country, reduced consumer spending, and disruptions in service-oriented industries due to lockdown measures and restrictions imposed to contain the spread of COVID-19.

Overall, the Sri Lankan economy encountered significant setbacks in 2022, with contractions observed in major sectors. The challenges related to shortages, rising costs, and disruptions in supply chains had a profound impact on economic performance. These developments resulted in public distress and political unrest as the country grappled with the economic hardships.

While stability has been restored, as the coordinated policy initiatives by the Government and the Central Bank prevented further escalation of the situation, it remains fragile with high levels of uncertainty in key aspects. The key concerns having a significant impact on Rocell groups' performance together with our responses are summarized below,

Instability in the external sector

The negative impact of the COVID-19 pandemic on foreign reserves continued in 2022, leading to a depletion of usable official reserves to nearly nonexistent levels. As a result, the government had to take measures to address the situation, including suspending certain imports and payment terms. The government also announced the suspension of all external foreign currency debt repayments and sought assistance from the International Monetary Fund (IMF).

As part of the efforts to address the economic situation, the artificial control of the exchange rate was removed. This resulted in a significant devaluation of the Sri Lankan rupee by nearly 80% during a relatively short time span. The devaluation of the currency had wide-ranging effects on various sectors of the economy and the overall purchasing power of the population.

However, in early 2023, there were signs of a recovery in the value of the Sri Lankan rupee. This recovery was supported by improved market sentiments, particularly in anticipation of the finalization of the IMF agreement. The prospect of IMF assistance and the implementation of necessary economic reforms helped restore some confidence in the currency and contributed to its stabilization.

Exchange Rate Movement



Implications to Lanka Walltiles

Challenges in the external sector caused disruptions to Groups' supply chain as Banks restricted acceptance of Letters of Credit (LC) and Documents against Acceptance (DA) terms for imports while suppliers demanded advance payments due to uncertainty. Further, margins came under pressures due to devaluation of the currency. These concerns were managed by,

- Reinforcing supplier relationships to negotiate more flexible terms.
- Use of export earnings to meet payment to overseas suppliers
- Increasing raw material inventory levels.
- Driving productivity and efficiency to ease the pressure on profit margins

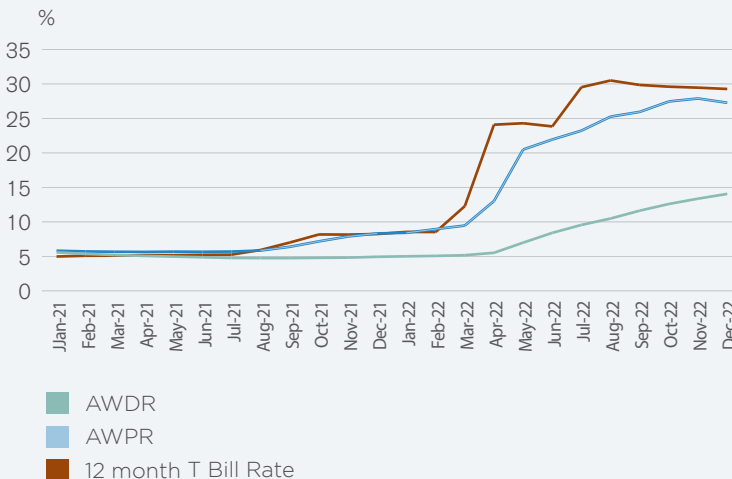
Operating Environment

Sharp increase in interest rates

In response to the escalating price pressures and persistent acceleration of inflation, the Central Bank of Sri Lanka took significant measures to tighten the monetary policy in 2022. This included increasing the policy interest rates by 950 basis points throughout the year. As a result of the tightening monetary policy, yields on government securities, such as government bonds, experienced a considerable increase in 2022. This was driven by both the sharp increase in the policy interest rates and the increased borrowing requirement of the government. When the central bank raises policy rates, it affects the overall interest rate environment, including government bond yields.

The increase in yields on government securities also had an impact on market interest rates, causing them to adjust upward. Higher market interest rates can influence borrowing costs for businesses and individuals, impacting investment and consumption decisions in the economy.

Movement in Interest Rates



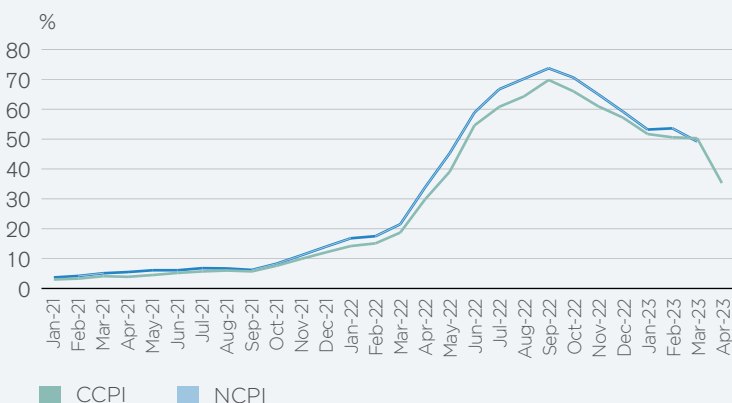
Implications to Lanka Walltiles

- Risk of increase in borrowing cost was negated by Groups' conscious decision in the past to convert floating rate borrowings to fixed rate terms
- Benefited as Groups' strong financial position resulted in substantial growth in interest income
- Delaying large scale expansion projects due to increased cost of borrowing

Record High Inflation

The acceleration of inflation that was observed since end 2021 continued at a notable pace in 2022 leading to historically high levels of inflation. Substantial supply side disruptions both locally and globally, control price adjustments, sharp depreciation of the Sri Lanka rupee against the US dollar, and aggregate demand pressures associated with the lagged impact of monetary accommodation are major factors attributable to the recent surge in inflation. However, the policy intervention aimed at stabilising has been effective as inflation has shown signs of moderating since Q4 of 2022.

Inflation



Implications to Lanka Walltiles

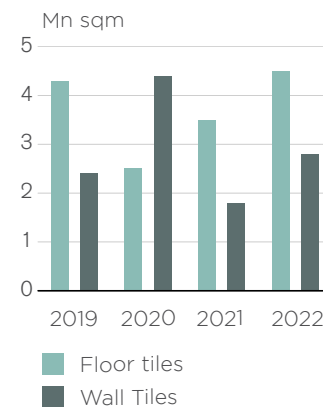
- Driving productivity and efficiency to ease the pressure on profit margins
- Increased investments in renewable energy generation
- Use of innovation and technology to reduce energy intensity
- Negotiating payment terms with suppliers

Construction Sector

The construction sector in Sri Lanka faced significant challenges in 2022, resulting in a mostly stagnant performance. Several factors contributed to this situation. The sector was impacted by raw material shortages and a surge in the cost of inputs. Supply chain disruptions, both domestically and globally, affected the availability and affordability of construction materials, leading to delays and increased costs for construction projects.

The rising interest rates and tight fiscal conditions also had a negative impact on the construction sector. Higher interest rates made borrowing more expensive, affecting the affordability of housing loans and dampening the demand for new construction projects. Tight fiscal conditions, including the suspension of external foreign currency debt repayments, also limited the government's ability to invest in large-scale construction projects. As a result, large-scale government construction projects came to a standstill due to fiscal challenges, further contributing to the contraction of the construction sector.

Domestic Demand for Tiles



Tiles Sector

The domestic tile manufacturing industry in Sri Lanka is largely dominated by four major companies: Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, and Macktiles Lanka (Pvt) Ltd. Currently, 100% of the local demand for tiles is fulfilled by domestic manufacturers.

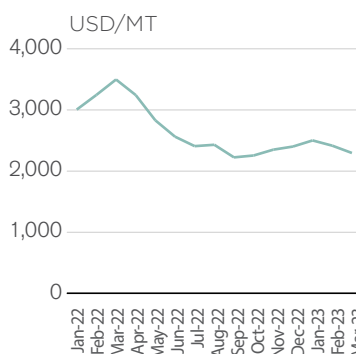
Despite the ban on imports and increased production capacities, the tile industry faced challenges in fully capitalizing on the market opportunities. The lacklustre performance of the construction industry had a direct impact on the demand for tiles. Furthermore, the tile manufacturing industry encountered disruptions in sourcing imported raw materials and fuel, which are crucial for production processes. Difficulties in obtaining these inputs, along with extended power outages, caused production delays and disruptions. The unreliable energy supply further hampered the industry's ability to operate at optimal capacity and meet market demand.

In addition to the operational challenges, the tile manufacturers faced intense pressure on profit margins due to record-high inflation and significant increases in energy and fuel costs. The rising input costs eroded profit margins, making it more challenging for companies to maintain their profitability levels.

Aluminium Industry

The domestic aluminium extrusion industry in Sri Lanka encountered significant challenges in 2022, primarily due to its strong reliance on the local construction industry, which experienced stagnation during that period. The standstill of large-scale construction projects had a direct impact on the demand for aluminium products in the domestic market. With the construction industry being a major consumer of aluminium extrusions, the lack of new projects and investments contributed to the decline in demand for aluminium products.

Aluminium Prices



The aluminium extrusion sector also faced supply chain disruptions and cost escalations. The import restrictions and rupee devaluation in Sri Lanka had a significant impact on the sector's operations.

Difficulties in importing necessary raw materials and components, as well as the depreciation of the Sri Lankan rupee, led to increased costs for aluminium extrusion manufacturers.

Packaging

The packaging industry in Sri Lanka is highly competitive and comprises over 40 manufacturers. Its performance is closely linked to several key sectors such as FMCG (Fast-Moving Consumer Goods), garments, cement, tea, rubber, and tiles, among others. The industry faced significant challenges in 2022, primarily due to the downturn in the economy, which adversely affected major export industries. This resulted in a considerable decline in demand for packaging materials.

One of the key challenges faced by the packaging industry was the surge in paper prices. Paper prices reached record high levels in 2022, adding pressure to the cost structure of packaging manufacturers. However, it is currently on a downward trend. Despite this downward trend the price margins of the domestic packaging industry remain under pressure due to the price sensitive nature of the industry. Value of paper imports which accounted for 2.5% of Sri Lanka's total imports reached \$466Mn during 2022.



Perceptions of Strength

BUSINESS LINE REVIEWS

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Aluminium 48 | Plantations 51

Business Line Reviews

Tiles and Associated Products

Our brand ‘Lanka Tiles’ continued its market dominance in the domestic tile industry while steadily expanding our export destinations. Our state-of-the-art manufacturing facilities, expertise of the world-renowned designers together with our efforts in innovation has enabled us to deliver superior quality products that allows us to stay ahead of our competition. At present, the Group accounts for 72% and 34% of the domestic wall tiles and floor tiles markets respectively.



Highlights

		2023	2022	%
Revenue	Rs. Mn	28,819	23,753	21
Profit after tax	Rs. Mn	4,802	5,790	(17)
Total assets	Rs. Mn	35,141	33,382	5
Total Liabilities	Rs. Mn	11,719	11,369	3
Capacity utilization	%	79	89	(11)
Capital expenditure	Rs.Mn	2,590	1,798	44
No. of suppliers	No.	1,247	1,276	(2)
No. of Distributors	No.	54	54	-
No. of franchisees	No.	52	49	6

		2023	2022	%
No. of employees	No	1,433	1,405	2
Total remuneration	Rs.Mn	2,522	2,115	19
Training hours	Hrs	20,026	4,445	351
Investment in Training	Rs.Mn	19.2	2.3	733

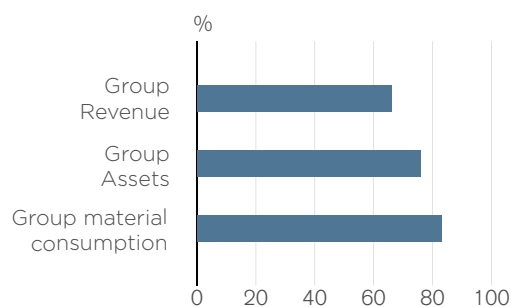
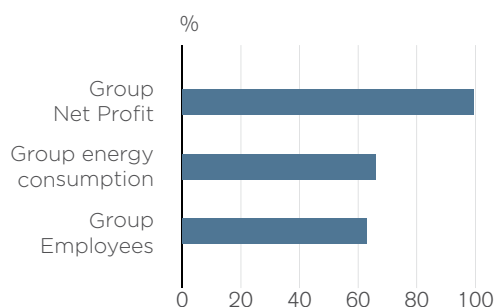
ISO 9001 : 2015 Certification

ISO 14001 : 2015 Certification

SLS 1181 Certificate

		2023	2022	%
Material consumption	MT	182,146	203,264	(10)
Water discharged	Ltr Mn	60.19	48.47	24
Energy	Kwh	33.28	36.02	(8)

Relevance to the Group



Strategic Priorities

- Expansion of production facilities
- Ensuring timely sourcing of raw materials
- Exploring export opportunities
- Increasing productivity and efficiency to minimise the pressure

Impacts from the operating environment

- Disruptions to supply chain due to import restrictions and lack of foreign reserves in the country
- Severe pressure on profit margins due to Rupee devaluation and inflation.
- Demand for tiles being negatively affected due to dull performance of the construction industry

Our strategy

- Aggressively pursuing export opportunities to sustain the growth momentum
- Reinforcing relationships with suppliers to minimise disruptions to supply chain
- Driving productivity and efficiency with the use of innovation and technology

Performance overview

The tile sector showed resilience amidst extraordinary challenges in the macro-economic environment. Despite the continuing import restrictions on tiles, the domestic demand weakened due to the grim performance of the construction industry.

Ensuring the timely supply of imported raw materials proved difficult due to the scarcity of foreign reserves in the country. This led to factory shutdowns, production delays

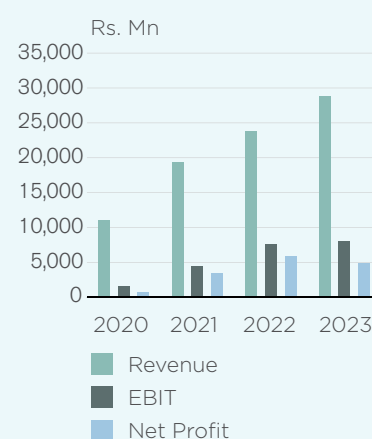
and lower production volumes. Challenges in the external sector and domestic economy also forced the Group to pause the expansion plans for factory in Meepe as costs escalated and importing machinery became difficult.

Innovation played a key role during the year as we needed to revamp our product line to sustain our market leadership and to ease the pressure on profit margins. The Group introduced new product range with collaboration with our Chinese technical

partner that gained the interest of several potential buyers from USA. Our Mosaic tile range was further expanded with the assistance of both foreign and local expertise. Maintaining product quality that is on par with internationally renowned manufacturers became a challenge due to the scarcity and varied quality of raw materials that was available during the challenging times. The Group sought the assistance of our suppliers to maintain the quality and to increase productivity.

- The sector reported a revenue of Rs.28,819 Mn, recording a growth of 21%. Revenue from exports increased by 11% to reach Rs.1,568 Mn. Gross profit margin increased to 45% on the back of increased raw material and energy prices.
- Operating profit margin declined to 28% as both distribution costs and administrative expenses increased by 30% and 64% respectively. The tile sector reported an operating profit of Rs.8,041 Mn for the year, compared to Rs.7,382 Mn in the previous year.
- Finance cost increased by 415% to reach Rs.919 Mn while finance income grew by 189% to reach Rs.545.4Mn, owing to the high interest rates and increased borrowings
- Profit before tax increased by 4% to reach Rs.7,672 Mn Net profit for the year decreased by 17% to Rs.4,801 Mn as the effective tax rate increased to 30% from the previous year's 24%.
- Total assets base grew by 18% to reach Rs.34,225 Mn with capital expenditure amounting to Rs. 2,436Mn, compared to Rs. 1,676 Mn in the previous year.

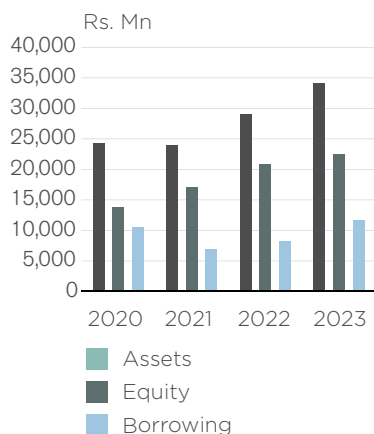
Sector Performance



Business Line Reviews

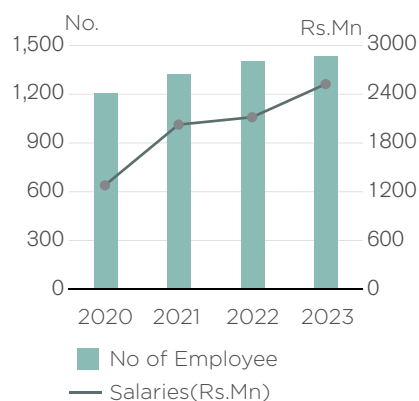
Relevance to the Group

Sector Financial Position

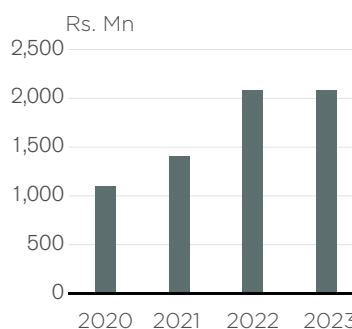


- Revamped the brand 'LANKATILES' by changing the brand logo.
- Brand Value of Rs.2,084Mn (Brand Finance)
- Fastest growing brand among the Top 100 Most Valuable Brands 2022

Value to Employees

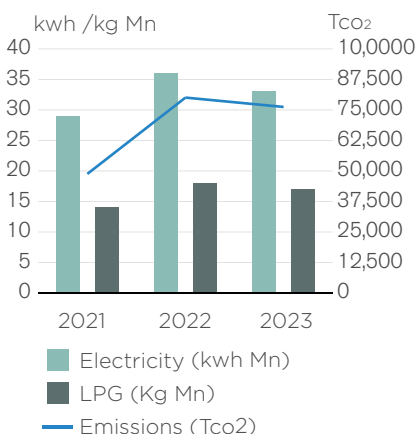


Brand value



- Energy consumption decreased by 2.7Mn Kwh.
- Energy Cost increased by 76%.
- Material consumption decreased by 21,048MT.

Energy Consumption & Emissions



Outlook

We maintain hope that the Government will intervene and take proactive measures to revive the domestic construction industry, and we are prepared to seize the opportunities that arise from this recovery. The sector is fully aware of the strain on our supply chain and has taken proactive steps to increase raw material inventory as a precautionary measure. Additionally, we are exploring alternative supplier options to mitigate any potential disruptions.

Although the operating landscape for the coming year appears uncertain, we approach it with cautious optimism. With our agile strategy and strong financial position, we believe that the sector will successfully navigate through the challenges that lie ahead.

Packaging

Unidil has built a strong brand name in Sri Lanka as one of country's' top manufacturers of paper sacks and corrugated cartons. The company has built a loyal client base with its customer specific products.



Highlights

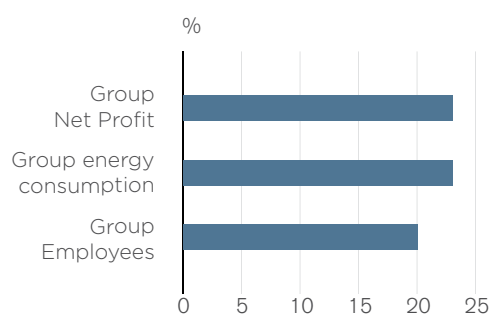
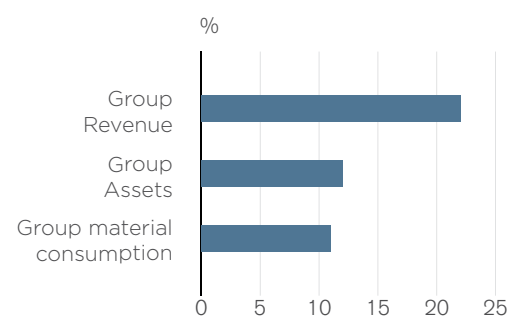
		2023	2022	%
Revenue	Rs.Mn	10,086	6,578	53
Profit after tax	Rs.Mn	1,088	596	83
Total assets	Rs.Mn	5,432	5,190	5
Total Liabilities	Rs.Mn	2,988	3,042	(2)
Capacity utilization	%	45	60	(26)
Capital expenditure	Rs.Mn	195	214	(9)
No. of suppliers	No.	510	789	(35)
No. of Customers	No.	545	590	(8)

		2023	2022	%
No. of employees	No	457	519	(12)
Total remuneration	Rs.Mn	618	536	15
Training hours	Hrs	1,200	788	52
Investment in Training	Rs.Mn	0.65	0.15	349

Gold awards at National Convention on Quality & Productivity NCQP - 2022

ISO 14001				
		2023	2022	%
Material consumption	MT	23,668	31,234	(24)
Water discharged	Ltr Mn	13	18	(28)
Energy consumption	Kwh Mn	2.8	2.5	12

Relevance to the Group



Business Line Reviews

Strategic Priorities

- Focus on increasing direct exports
- Expanding product range
- Creating brand loyalty through customer specific products and increased engagement

Impacts from the operating environment

- High inflation and rupee devaluation having a negative impact on profit margins
- A decline in demand due to slowdown in economic activities and reduction in exports

Our strategy

- Driving cost efficiencies and minimizing wastage through TPM initiatives.
- Actively pursuing direct export opportunities.

Performance Overview

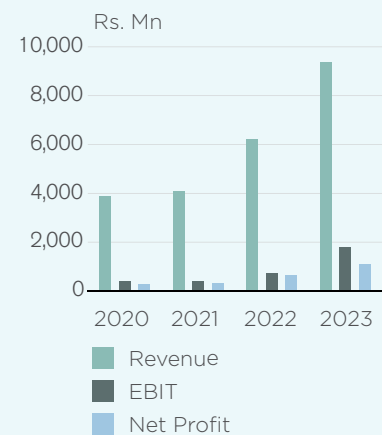
At the start of the year, there was a strong demand for packaging material. However, as economic conditions worsened, the demand for packaging material declined, resulting in significant price reductions. This was primarily due to the industry's high competitiveness.

During the year Unidil strengthened its production capabilities by enhancing the capacity of paper sacks to 200,000/month and corrugated products to 5,000MT/month. Paper prices increased to record highs during the year, however, was on a downward trend towards the latter part

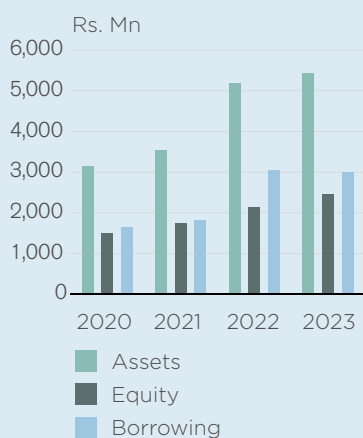
of the year. In order to maintain our profit margins amidst high inflation we continued to drive efficiency with the 45% capacity utilization.

- Revenue increased by 50.64% to Rs. 9.4Bn driven mainly by increased prices as sales volume declined during the second half of the year. Domestic sales accounted for 100% of the total revenue.
- Distribution expenses and administrative expenses increased by 71% and 50% respectively leading to a 29% increase in operating expenses.
- Operating profit for the year amounted to Rs. 1,785Mn, recording a growth of 147% driven mainly by improved revenue and GP margin.
- Finance expenses increased by 6373% due to the increase in interest rates.
- Packaging sector reported a net profit of Rs. 1,087Mn for the year, recording an impressive growth of 83%.

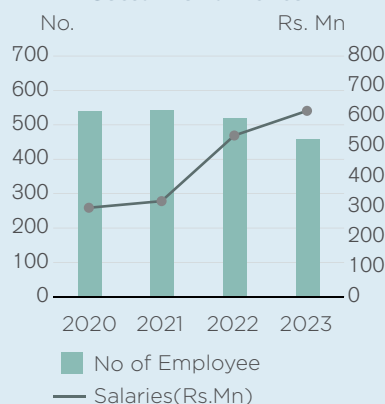
Sector Performance



Sector Performance

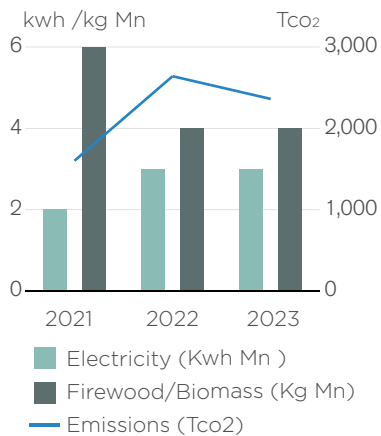


Sector Performance



- Investment in training increased by 0.51Mn.
- Staff remuneration increased by 15%

Energy Consumption & Emissions



Outlook

We will pursue new market opportunities both in the domestic and export markets to take advantage of our enhanced capacity. Unidil will strengthen our efforts to increase productivity through innovation and cost-saving mechanisms. Despite the uncertainty we are cautiously optimistic about the coming year and will closely monitor our operating environment.



Business Line Reviews

Aluminium

Known for its superior quality and extensive product range, Swisstek Aluminium has established itself as one of Sri Lanka's leading aluminium extrusion companies. We rely on our stringent quality assurance processes that are accredited with international quality assurance standards and certifications. Over the years we have developed a value-added product range that is suited for Asian weather patterns and is preferred by most high-rise construction projects in Sri Lanka.

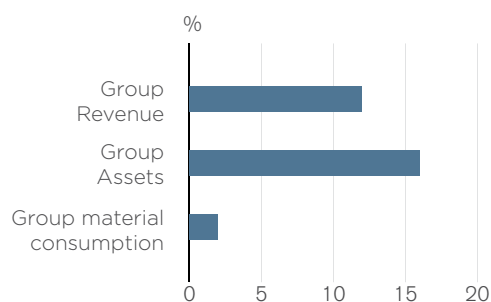
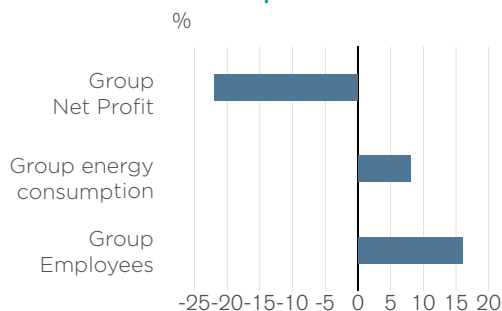
Political	Economical	Social	Technological	Environmental	Legal
Political unrest during 1Q affecting economic activities across most industries	Slowdown in the construction sector having a severe negative impact on demand for aluminium products	Social unrest at the beginning of the year and talent migration	Innovation and technology playing a key role in enhancing productivity	Minimising the negative impact to the environment through sustainable business practices.	High levels of ESG compliance and certifications support market access

Highlights

		2023	2022	%
Revenue	Rs.Mn	5,257	7,315	(28)
Loss after tax	Rs.Mn	(1,069)	454	(335)
Total assets	Rs.Mn	7,378	7,522	(2)
Total Liabilities	Rs.Mn	6,812	5,898	16
Capacity utilization	%	36	81	(55)
Capital expenditure	Rs.Mn	143	207	(31)
No. of suppliers	No.	317	400	(21)

		2023	2022	%
No. of employees	No	369	408	(10)
Total remuneration	Rs.Mn	420	459	(9)
Training hours	Hrs	2192	52	4,115
Investment in Training	Rs.Mn	0.25	0.11	136
SLS ISO 9001				
SLS 1410				
		2023	2022	%
Material consumption	MT	3,936	8,990	(56)
Water discharged	Ltr Mn	9	20	(51)
Energy consumption	Kwh Mn	4	7	(46)

Relevance to the Group



Strategic Priorities

- Expanding our product range by driving innovation
- Pursuing export opportunities
- Increasing productivity through various cost saving initiatives.
- Strengthening relationships with our supplier base.

Impacts from the operating environment

- Dull performance of the construction sector having a negative impact on demand for aluminium products.
- Severe pressure on profits margins due to Rupee devaluation as 85% of raw materials are imported.

Our strategy

- Manufacturing our own 7 inch aluminium billets instead of importing
- Driving cost efficiencies with the implementation of Kaizen and TPM

Performance Overview

Aluminium sector was faced with several headwinds during the year as the domestic economy contracted. The 20.9% contraction of the construction sector led to a drop in demand for aluminium products, forcing the company to look for new opportunities in export markets.

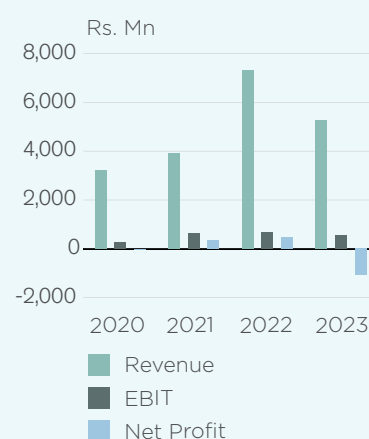
As an industry that is heavily dependent on imported raw material, the substantial devaluation of the Rupee had severe

repercussions on our profit margins and was forced to revise prices twice within the year to sustain our profitability. The lack of foreign reserves led to factory closures as we were unable to secure the required raw material on time. Further, the company incurred substantial forex losses as most banks refused to open Letters of Credit and payments to overseas suppliers had to be done via Telegraphic Transfers.

Despite the challenges faced, Swisstek Aluminium achieved positive outcomes during the year. The company started manufacturing its own 7 inch billets, which were previously sourced from overseas. This required modifications to the manufacturing plant, but ultimately resulted in cost savings of over Rs. 200Mn. Additionally, the company continued to implement Kaizen and TPM concepts, leading to significant cost savings throughout the year.

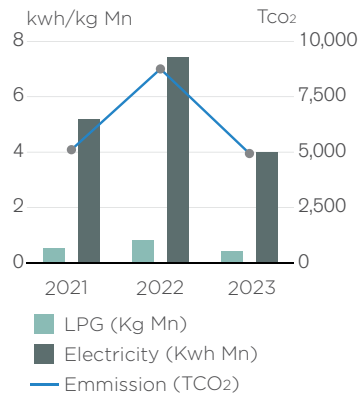
- The Aluminium segment generated revenue of Rs. 5,257Mn. This decline was primarily attributed to poor sales resulting from the lacklustre performance of the construction industry.
- Gross profit also declined by 12% to reach Rs. 1,280Mn
- Operating expenses decreased by 28% driven by inflationary pressures leading to a 8.8% decline in operating profit
- Finance costs increased by more than 10 folds due to increased borrowings on the back of telegraphic transfers made to settle dues to overseas suppliers. Finance costs for the period amounted to Rs.1,877 Mn, compared to a cost of Rs. 145Mn in the previous year.
- Aluminium segment reported a net loss of Rs. 1,069Mn, having reported a profit of Rs. 454mn in the previous year.
- Total assets base decline by 3.8% to reach Rs. 7,378Mn with capital expenditure amounting to Rs. 135Mn.

Sector Performance

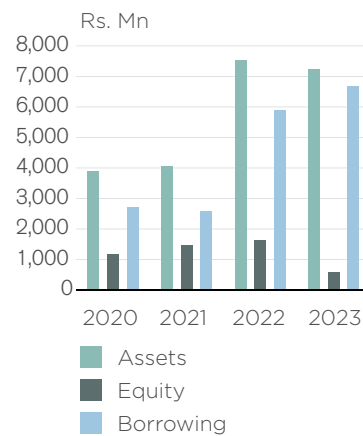


Business Line Reviews

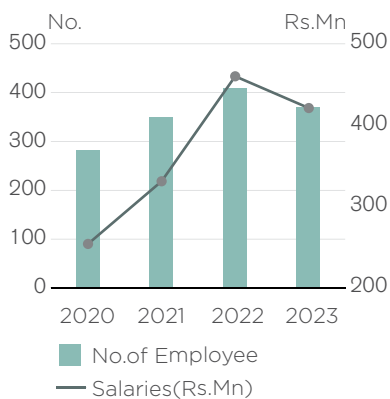
Energy Consumption & Emission



Sector Performance



Sector Performance



Outlook

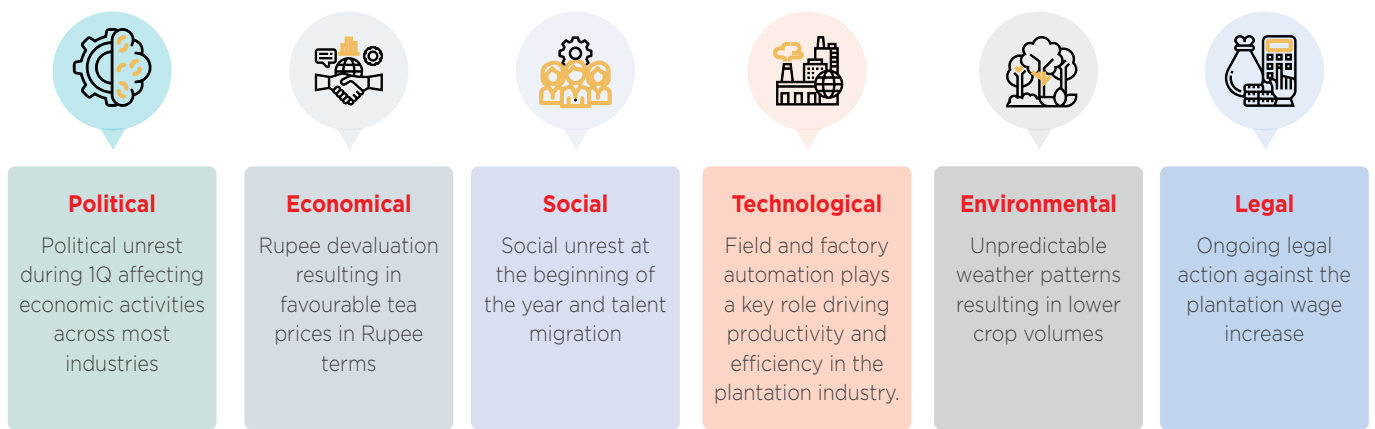
We maintain hope that the Government will intervene and take proactive measures to revive the domestic construction industry, and we are prepared to seize the opportunities that arise from this recovery. The sector is fully aware of the strain on our supply chain and has taken proactive steps to increase raw material inventory as a precautionary measure. Additionally, we are exploring alternative supplier options to mitigate any potential disruptions.

Although the operating landscape for the coming year appears uncertain, we approach it with cautious optimism. With our agile strategy and strong financial position, we believe that the sector will successfully navigate through the challenges that lie ahead.

Plantations

The Group's stake in Horana Plantations PLC, through which the Group had a significant presence in the plantations industry, was divested in during the fourth quarter of this financial year.

Spanning over 6,500 hectares in low and high elevations, Horana Plantations PLC has 14 estates. The company is considered as only of the largest plantation companies in the country and has built a strong reputation for producing some of Ceylon's finest teas is accredited with several international quality standards.



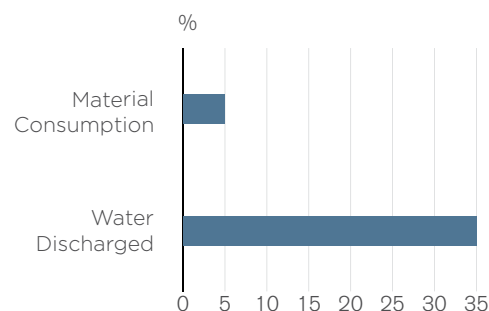
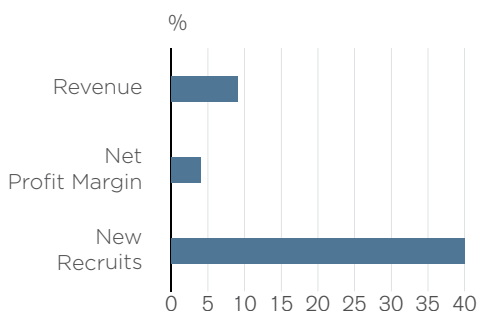
Highlights

		2023	2022	%
Net Profit Margin	%	4	2	171
Capacity utilization-Tea	%	73	94	(22)
Capacity utilization-Rubber	%	63	63	-
Capital expenditure	Rs.Mn	436	122	257
Payment to Suppliers	Rs.Mn	361	234	54
No of SME Suppliers	No.	15	7	114

		2023	2022	%
New Recruits	No	241	54	346
Total remuneration	Rs.Mn	1,524	1,435	6
Training hours	Hrs	7,629	12,293	(38)
Investment in Training	Rs.Mn	5	1	440

		2023	2022	%
Material consumption	MT	10,464	13,679	(24)
Water discharged	Ltr Mn	44	42	5
Firewood/Biomass	Kg Mn	6.96	6.78	3

Relevance to the Group



Business Line Reviews

Strategic Priorities

- Field and factory automation in enhancing productivity
- Diversifying revenue streams
- Ongoing investments in renewable energy projects
- Sustainable and innovative agricultural practices to increase yields.

Impacts from the operating environment

- Devaluation of the Rupee resulting in favourable tea prices.
- Crop volumes declined due to scarcity of fertilizer.
- Talent migration resulting high turnover of skilled labour.

Our strategy

- Successful completion of a pilot project for coffee cultivation.
- Rehabilitation of two mini hydro plants.
- Significant investments in rooftop solar power systems in factories and bungalows

Performance Overview

The plantation sector navigated a year with mixed sentiments as crop volumes across industry declined due to shortage of fertilizer and other agro chemicals while the talent migration in the country led to high turnover of skilled labour. However, the negative effect from shortage of fertilizer was offset to a certain extent by the rainfall received during the dry season. Further, high prices of fuel and fertilizer exerted pressure on profit margins. On the positive side, the devaluation of the Rupee resulted in more attractive prices at the Colombo Tea Auction in Rupee terms.

Sectors' efforts in crop diversification continued with the expansion of coconut and cinnamon cultivations while enhancing the yields of oil palm cultivations through various agricultural methods. Horana Plantations successfully carried out a pilot project for coffee cultivation and we expect to commence commercial cultivation next year.

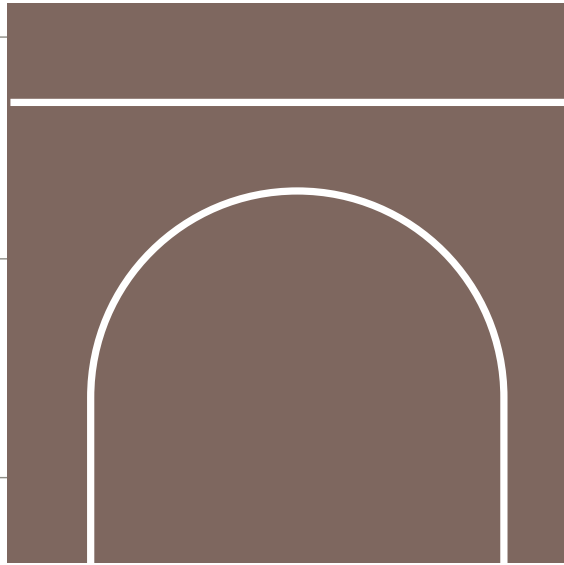
The plantation sector achieved significant cost savings through our efforts in renewable energy with the majority of the estate bungalows now being fitted with rooftop solar panels. Horana Plantations also rehabilitated two mini hydro plants at a cost of Rs.10Mn and expected to be commissioned by next year.

Tea production experienced a decline of 23% owing to a shortage of fertilizer, while sales volume also contracted by 25% primarily due to the invasion of Ukraine by Russia, two of the biggest buyers of Sri Lanka's bulk and orthodox teas. Despite the decrease in production and sales volume, the revenue from tea with a 57% increase, reaching to Rs. 2.912 Mn. This positive outcome was driven by the favourable prices in Rupees obtained at the auction.

The introduction of rain guards led to improved yields, causing a slight increase in rubber production. In addition, the Horana

Plantation encountered fewer issues with the rubber tree disease that negatively impacted other plantations' rubber output. Consequently, the rubber supply in the market was limited, which resulted in higher prices throughout the year.

The Group divested its stake in Horana Plantations PLC during the last quarter of this financial year. The Sector made a contribution of Rs.386Mn to the Groups' bottom line during the year.



Rewards of Originality

CAPITAL MANAGEMENT REPORTS

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Capital Reports



Financial Capital



The Group showed resilience recording a robust topline growth of 17% for the financial year amidst a contraction of the local economy. The year began with a short supply of tiles in the market. However, with the slowdown of the construction sector witnessed during the second half of the year the inventory levels began to build up. The Group reinforced its efforts in developing exports and has been successful in gaining the interest of several potential buyers.

Total assets of the Group grew by 4% to reach Rs.45Bn with inventory levels increasing by 78% on the back of enhanced capacities and lower demand. Managing working capital effectively became crucial for optimising production costs and maintaining competitiveness in both local and export markets. Total borrowings increased by 20% while the Group's liquidity position remained strong with a current and quick asset ratio of 1.3:1 and 61%.

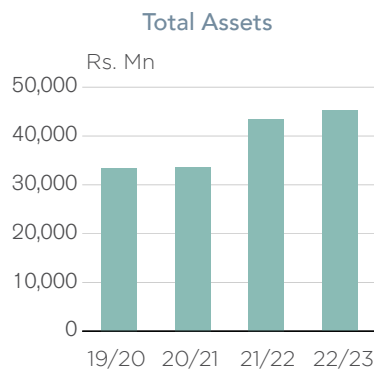
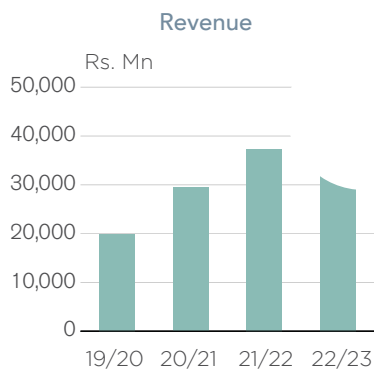
Tiles and associated products continued to be the largest contributor with a topline contribution of 66%. Packaging sector delivered a strong performance with a growth in net profit of 83%. However, the aluminium sector struggled amidst high production and finance costs.

Rs.Mn	Tiles & Associated Products			Packaging			Aluminium		
	2023	2022	%	2023	2022	%	2023	2022	%
Revenue	28,819	23,753	21	10,086	6,578	53	5,257	7,315	(28)
Profit after tax	4,802	5,790	(17)	1,088	596	83	(1,069)	454	(335)
Assets	35,141	33,382	5	5,432	5,190	5	7,378	7,522	(4)
Liabilities	11,719	11,369	3	2,987	3,042	(2)	6,812	5,898	13
ROA	14%	20%	(30)	20%	11%	82	(15%)	6%	(150)
ROE	21%	28%	(25)	45%	28%	61	(189%)	28%	(575)

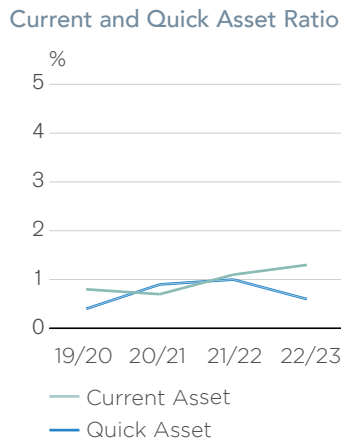
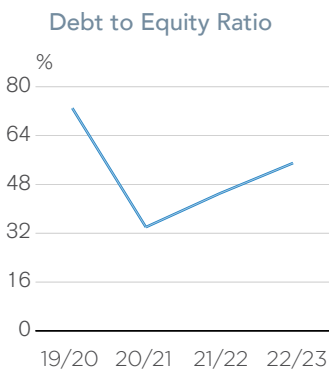


Gross profit for the year grew by 27% to Rs.16.5Bn driven by revenue growth across all sectors and improved margins in aluminium and packaging sectors. The tiles segment reported a gross profit of Rs.13Bn, a growth of 22%. Gross profit from the packaging sector grew by 126% to reach Rs.2.2Bn

Maintaining Growth Momentum



Resilient amidst challenges



Revenue

The Group reported a commendable topline growth of 17% to reach Rs. 43Bn amidst unprecedented challenges. This growth was mostly fuelled by price increases across all sectors as dreary performance of the construction sector had an adverse impact of volumes across tiles and aluminium sector while packaging sector too was affected from the slowdown in export-oriented industries witnessed during the second half of the year.

The tiles and associated products sector was the largest contributor to revenue with a 66% contribution and a 21% growth in revenue. Revenue from packaging sector reported an impressive growth of 53% driven by a strong performance in the first half of the year. Revenue from the aluminium sector declined by 28% during the year. Accordingly, the tiles, packaging and aluminium sectors reported revenues of Rs.28.8Bn, Rs.10Bn and Rs.5.2Bn respectively.

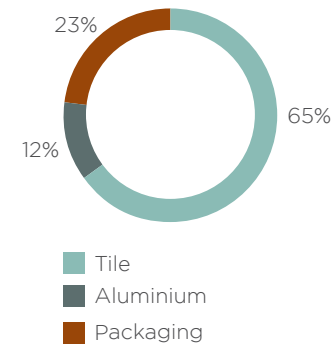
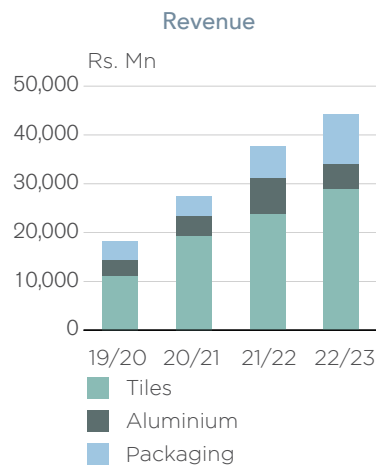
Gross Profit

Gross profit for the year grew by 27% to Rs.16.5Bn driven by revenue growth across all sectors and improved margins in aluminium and packaging sectors. The tiles segment reported a gross profit of Rs.13Bn, a growth of 22%. Gross profit from the packaging sector grew by 126% to reach Rs.2.2Bn while the aluminium sector reported a gross profit of Rs.1.2Bn, recording a negative growth of 12%.

Financial Capital

Operating Profit

Operating expenses escalated across all three sectors amidst intense inflationary pressures. Tiles sector reported an operating profit of Rs.8Bn recording a growth of 9% as operating profit margin declined to 28% from previous years' 31%. Operating profit from the aluminium segment reported a negative growth of 21%, reaching Rs. 552Mn. Packaging sector reported an operating profit of Rs.1.8Bn, an impressive growth of 147%. Operating profit margin in aluminium sector declined marginally by 1% while packaging sector declined by 7%. The Group reported an operating profit of Rs. 10.3Bn, recording a growth of 18%



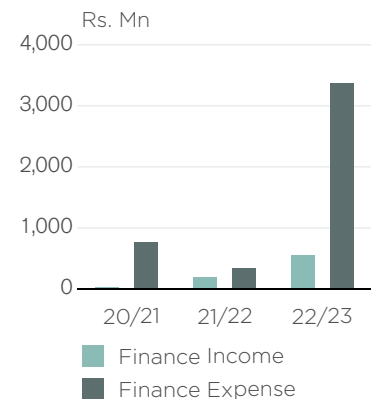
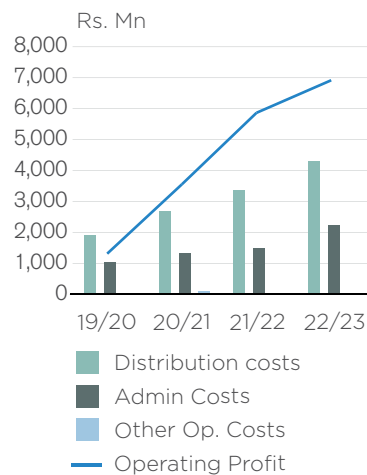
Finance Costs

Finance costs escalated across all sectors driven by the high interest rates and increased borrowings. Aluminium sector reported a finance cost of Rs. 1.88Bn due to the forex losses incurred when executing telegraphic transfer to settle dues to overseas suppliers.

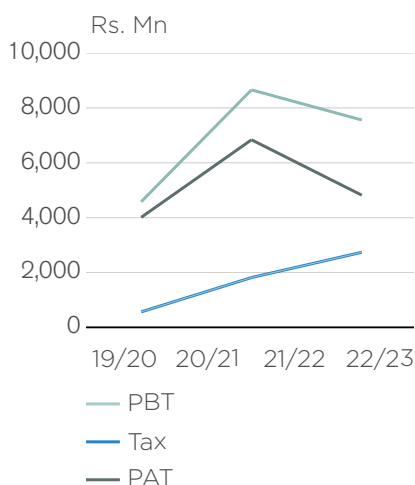
Profit before and after tax

The Group reported a pre-tax profit of Rs.7.5Bn, a contraction of 13% compared to the previous year. Post tax profit declined by 30% to reach Rs.4.8Bn owing to contraction in operating profits and higher tax rates. The tiles sector, the largest contributor with a net profit of Rs. 4.8Bn, recording a negative growth of 17%. Packaging sector reported a strong performance with a net profit of Rs. 1Bn, a growth of 83%. Aluminium sector recorded a net loss of Rs.1.1Bn amidst substantial forex losses. Profit share from Horana Plantations which was disposed during the year amounted to 386Mn.

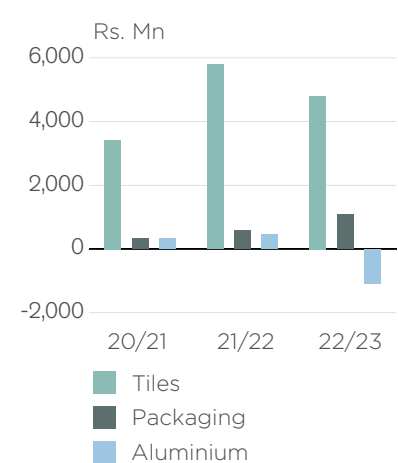
Operating Expenses and Profit



Pre and post tax profits



Segmental Profits



Cash Flows

Operating activities generated a negative cash flow of Rs. 2.6Bn owing to rising inventory levels. Investment activities reflect the investments in capital expenditure and proceeds from the disposal of Horana Plantations. Cash flows under financing activities reflect borrowings of Rs. 24Bn during the year and repayments of Rs. 20Bn and dividend payments of Rs. 2.5Bn.

Highlights

		2023	Increase/(Decrease) %
Property, plant & Machinery	Rs.Bn	18.15	4
Investments in Associates	Rs.Mn	186	5
Inventories	Rs.Bn	14.89	78
Cash & cash equivalents	Rs.Bn	2.1	70
Equity	Rs.Bn	23.51	0.3
Interest bearing loans and borrowings	Rs.Bn	12.87	22
Contact Liabilities	Rs.Mn	112	2

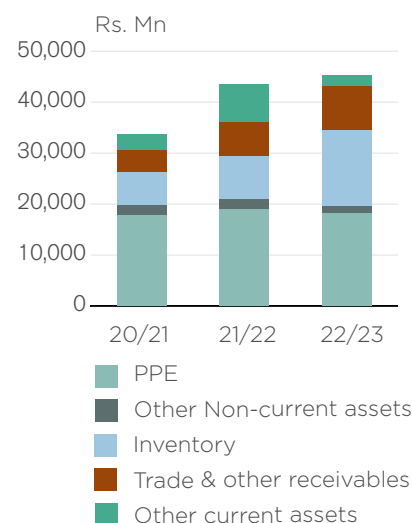
Total assets of the Group increased by 4% to Rs. 45Bn, driven mainly by the 78% increase in inventory due to prudent increase in all stock levels to manage any supply chain disruptions and drop in demand. Property, plant and equipment decreased by 4% while investments in associates increased by 5%. The Group invested Rs. 2.9Bn in acquisition of PPE across all sectors. Cash balances reduced by 95% due to the build up of inventory as production continued at the same pace. Group's current asset ratios remain stable at 1.3:1. However the quick asset ratio declined to 0.61% from previous years' 0.97% due to the build up of high inventory levels.

52% of the Group's balance sheet is funded by equity and 28% is accounted for by interest bearing liabilities. Borrowings increased by 22% during the year on the back of Rs.10.52 Bn. This led to an increase in gearing ratio to 55% from last year's 45%

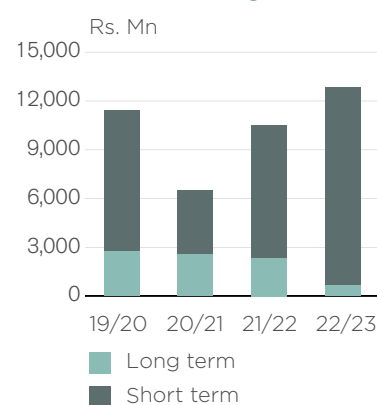
Shareholder Returns

In line with the reduced profits, earnings per share declined by 15% and dividend per share increased by 16% respectively. The share price declined by 31% to reach due to the dull performance of the Colombo Stock Exchange led by negative investor sentiment. Market capitalization at the end of the year stood at Rs.3.8 Bn.

Composition of Assets



Borrowings

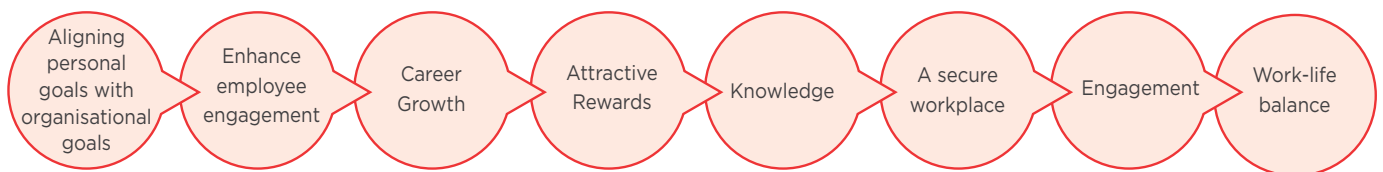


Human Capital



The expertise, skills and attitude of our employees have played a vital role in ensuring the Group's resilience and sustainability during this period of extreme volatility. We have recognized the importance of nurturing our employees by offering a holistic value proposition that aligns their personal goals with the organisational goals. This commitment has been unwavering, and it has contributed to our ability to navigate through challenging times and maintain a strong workforce.

Employee Value Proposition



Strategic Priorities

- Ensuring the availability of the required skill set to achieve Group's strategic objectives
- To create a legal framework to protect both the organisation and the employee while creating a conducive environment through better employee and industrial relations
- Improving employee engagement to boost employee morale and motivation during the challenging times

Progress made during the year

- Recruitment of 608 employees to fill up vacant positions
- Designing training and development programs to suit the skill gaps identified through the performance evaluation
- Enhancing employees engagement and encouraging work-life balance through various initiatives
- Digital transformation of HR process to ensure analytical and data driven decision making process.

Way Forward

- We will prioritize training and development initiatives to nurture their skills and capabilities, enabling them to adapt to future challenges and drive our growth plans. Our focus will also be on facilitating career progression opportunities, providing a clear pathway for employees to advance within the organization. Additionally, we will continue to strengthen employee engagement efforts, fostering a motivated and cohesive team



The HR Department collaborates closely with divisional heads to ensure that our HR strategy aligns with the overall business strategy. Our policy framework reflects our commitment to a performance-driven culture and incorporates international and industry best practices.

Management Approach

We have made it a priority to establish a work environment that is supportive and conducive for all employees. Our HR strategy and policies are carefully crafted to foster a performance-driven culture within an empowered and equitable setting. The HR Department collaborates closely with divisional heads to ensure that our HR strategy aligns with the overall business strategy. Our policy framework reflects our commitment to a performance-driven culture and incorporates international and industry best practices. We not only comply with all relevant laws but also

strive to surpass regulatory requirements, aiming to create an exceptional workplace. Furthermore, it is important to note that our Group strictly adheres to the policy of not employing individuals below the age of 18, and no deviations have been reported or observed in this regard.

The Group places great importance on addressing employee concerns and operates grievance mechanisms that provide multiple channels for employees to raise their concerns and report instances of discrimination. There were no reports of discrimination reported during the year.

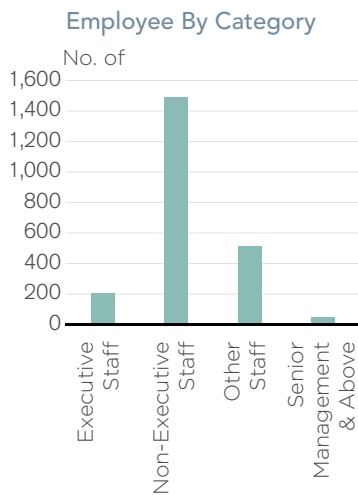
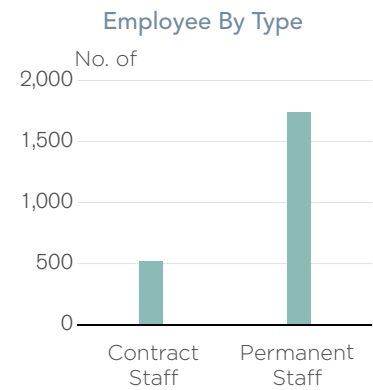
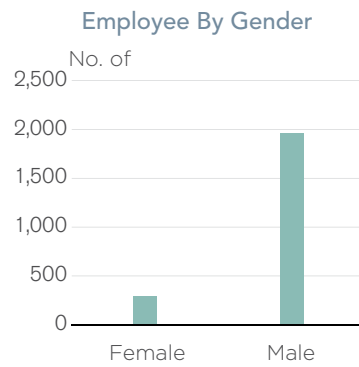
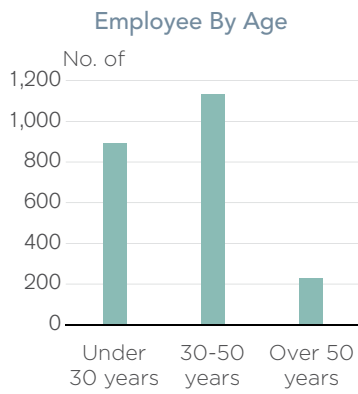


Human Capital

Our Team

The Group has a total of 2259 employees working across the three sectors, with 77% of them being employed on a permanent basis. We maintain positive and strong relationships with trade unions, as 16% of our workforce, spread throughout the Group, are covered by 553 collective bargaining agreements. Further, employees are given adequate notice regarding any operational changes taking place in the Group.

As a committed equal opportunity employer, we uphold non-discrimination principles based on gender, age, religion, or race. This approach has enabled us to successfully attract, nurture, and retain exceptional talent within our group. The profile of our team is outlined below:

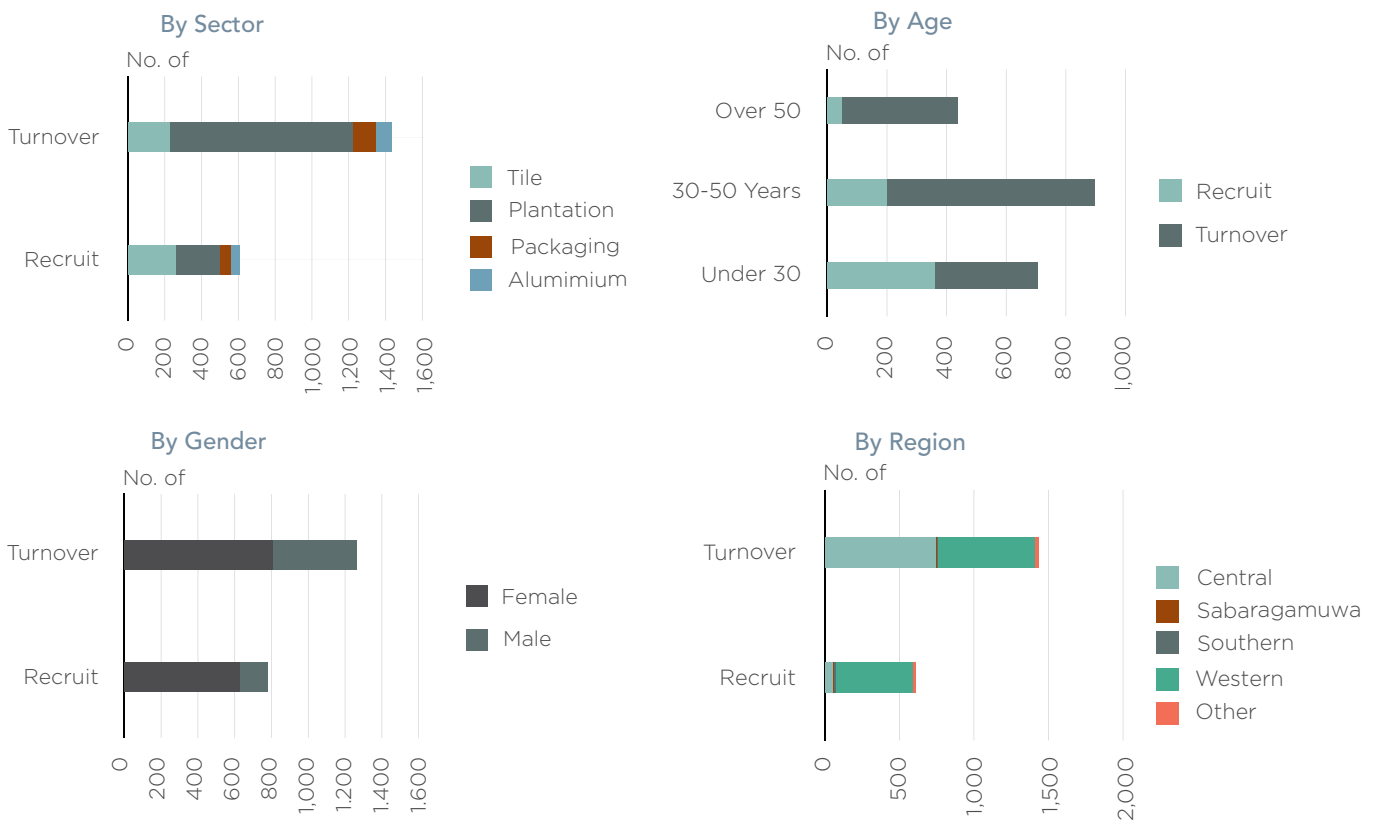


Staff Mobility

In the year, we expanded our team by hiring a total of 608 employees across all sectors. These recruitments were carried out in line with our strategic direction, ensuring that we brought in individuals who align with our goals and objectives. Our recruitment process is carefully designed to prioritize transparency and objectivity. It involves a series of assessments and interviews to select the most qualified candidates.

All recruits in the staff and above categories go through a structured corporate induction program. This program encompasses a comprehensive briefing on the company's code of conduct, health and safety procedures, and includes a visit to our manufacturing facilities. The induction program ensures that new recruits are well-informed and equipped with the necessary knowledge and understanding of our organization's policies and practices.

The economic crisis in the country led to a significant increase in migration, posing challenges for employee recruitment and retention throughout the year resulting in 1435 employee resignations and retired during the year.



Staff Remuneration

To attract and retain top talent, we provide all employees with appealing and competitive remuneration packages that comply with regulatory requirements and align with industry standards and linked to employee performance. The Group's remuneration for the year amounted to Rs. 5,084 Mn, which is a increase compared to the Rs.4,544 Mn spent in the previous year. Our remuneration structure includes a fixed pay component, which encompasses basic salary, allowances, and statutory pension contributions. Additionally, the variable component comprises both monetary and non-monetary benefits, as listed below:

Supporting Our People during the Economic Crisis

- Transport facilities were provided during the fuel crisis
- All employees were paid their full salaries, bonuses and increments and there were no redundancies during the year.
- All employees were paid additional one month salary.

Human Capital

We did not face any penalties due to non-compliance with labour laws and regulations. We also maintained an adequate notice period prior to any significant operational changes.

Fixed pay

- Basic Salary
- Qualification Allowance

Variable pay

- Production and Attendance Incentive
- Sales incentives and overtime

Reimbursable expenses

- Festival Advance
- Educational Course fee

Other Prerequisites

- Medical insurance scheme
- Parental leave

Retirement benefits

- EPF/ETF
- Gratuity

Of the above, some variable & Reimbursable expenses are not provided to employees on contract basis



Recognition and career Progression

As part of our performance management system, all employees undergo annual performance appraisals. These appraisals serve multiple purposes, including identifying individual training needs, recognizing and rewarding outstanding performance, and facilitating career progression. Employees are evaluated based on key performance indicators (KPIs) that are aligned with our business strategy, assessing their contributions to the organization. Our Group policy prioritizes internal promotions for vacant positions, encouraging career growth within the company. In the past year, 117 employees were promoted.

Furthermore, all employees have a variable pay component that is directly linked to their performance as assessed through the performance management system. This variable pay ensures that employees are incentivised to strive for excellence and contribute significantly to the success of the organization.

Health and Safety



Considering the nature of the Group's operations, the safety and well-being of our employees is of utmost importance. We prioritize the implementation of rigorous health and safety controls and adhere to high standards that align with international best practices. These measures have been consistently applied across all our manufacturing facilities, resulting in a progressively safer workplace environment over the years. By maintaining stringent health and safety practices, we strive to create a conducive work environment where employees can thrive and be protected from workplace risks.

Key initiatives taken to ensure safety standards

- Health & Safety Committees in all manufacturing facilities
- Rs.13.7Mn spent on health and safety during the year
- Periodic safety audits
- Training Programs on Occupational Health & Hygiene, First Aid & Work Life Balance
- Fogging treatments to prevent Dengi & other illnesses

Work Related Injuries	2022/23
Tiles	5
Aluminium	117
Plantation	129
Packaging	27
Total	278

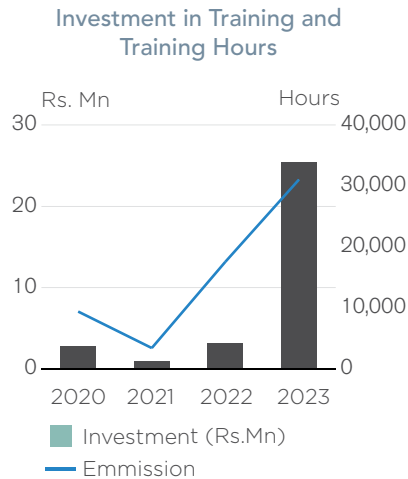
- Medical camps
- Medical insurance for all permanent employees

Learning Opportunities

We identify learning requirements through employee performance appraisals, ensuring alignment with our overall business strategy. Based on these assessments, we develop training programs to address specific skill gaps and enhance employee capabilities. The cost incurred for training and development during the year amounted to Rs. 25Mn, and we dedicated 31047 training hours to these initiatives. By investing in employee growth and development, we aim to foster continuous learning and equip our workforce with the skills necessary to contribute effectively to the organization's

success.

Further, Lanka Walltiles entered in to an agreement with The Centre for Creative Leadership to train 6 chosen employees each year giving recognition and an opportunity to high performing employees with leadership skills to foster their abilities.



The following training programs were carried out during the year,

Training Programme	Total Hours
Increase CDC Children	48
5'S & Productivity Improvement	256
5S Auditor Training	147
5S Training	46
7 QC Tools Training	40
Other Training for Staff	1,459
Allergen Management	83
Automobile test for drivers	56
Awareness programme regarding future plan	362
Basic knowledge of MS Office	30
Basic Quality Functions & Testing Methods	6
Ceramic technology	38
Certificate Course in International Trade Commencing	68
Certificate Programme in Labour Law and Industrial Relations	96
Chemical Health	38
Chemical Safety	60
Chemical Sprayers	20

Training Programme	Total Hours
Coconut Cultivation - Value-added products	90
Correct Road Disciplines for Drivers	7
Developing Supervisory Abilities of Newly Promoted Supervisors	14
Economic races	75
Effective Dealing with Employee Misconduct and Domestic Inquiry Procedures	8
Efficient Operation of Waste Water Treatment Plants and Handling of Treated Water, Solid Waste and Air Emissions	14
Energy Management	115
Excel training	36
Eye Checkup	2,064
Fairtrade Certification Programme	40
Fire Drill	112
Fire Training	68
FirsDeveloping Supervisory Abilities of Newly Promoted Supervisors	7
First Aid Programme	368
Food Defence /FSSC	41
Forest Carbon Accounting	12
GHG Auditee Training	72
Great place to work	670
Hadlind Employee Absenteeism	3
Health & Safety Training	27
Health Camp	80
Health Training Programme	250
Home Garden	1,448
Hygenic Programme	68
Importance of breastfeeding	10
Increase CDC Children	54
Internal Audit Program (ISO 9001/22000)	6
Introduction to ceramics	74

Training Programme	Total Hours
Introduction to powder preparation department	60
Introduction to press operation	111
Introduction to TPM	107
ISO 22000 FSMS	20
Key Performance Indicator	13
Labour Law	2
Lead the Digital Transformation of HR	6
Leopard Awareness & Education Program	372
LMS awareness program	90
Medical Checkup	516
Mosaic training	78
Mothers Clinic & Well women Clinic	48
Motivational Programme	1,282
Multi-purpose cash assistance (Welfare Officer raining)	28
MURI Identification	12
National Green Reporting System	6
Nomination For Energy Saving Tips for Operators & maintenance Technicians	80
Occupational Health and Hygiene	18
Occupational Health and safety	15
OHS Training	38
Operation & Preventive Maintenance of Diesel Generators	7
Orientation Program	8
Outbound Training for Supervisors & Staff	756
Outbound Training for Supervisory Assistants	672
Plucking outturn and incentive	66

Human Capital

Training Programme	Total Hours
Plucking Training	81
Powder prep. Quality meeting	15
Programme to create a quality work environment in tea factories @ Tea Plantation companies to strengthen the employee relations	400
Prospective Tax Changes 2022 & its Impact to the Industry	6
Quality meeting Powder Pre. Dept	30
RA& Fairtrade	98
Resource Efficiency & Circular Economy	128
Safe Operation and Maintenance of Forklift Trucks According to OSHA Standard	14
Sexually Transmitted Diseases Training	118
Solid Work	9
STD Training	60
Supervisory Development Programme	480
Tapping Development Programme	12
TPM Certificate Course	128
TPM for Supervisors	32
TQM Goal Setting	174
Trade Union Act and its behaviour	72
Training on Drafting Letters of Appointment	3
Training Program for International Women's Day - 2023	160
Training Program for Sales Team	15,559
Training Session on Fire Fighting	75
Training Session on Taxes for non-financial information	6
Waste Management	160
Webinar on Workmen's Compensation Act with New Amendments Programme	12
Weighing Programme	71
Work Life Balance (Online)	30
WRAP Social compliance awareness	17

Training Programme	Tiles and associated products	Packaging	Plantation	Aluminium	Total
By Gender					
Male	7,644	1,055	2,608	2,084	13,391
Female	12,382	145	5,021	108	17,656
Total	20,026	1,200	7,629	2,192	31,047
By Employee category					
Senior management and above	12	100	257	24	393
Executive	426	202	768	182	1,578
Non-executive	3,793	898	2,096	298	7,085
Other	15,795	-	4,508	1,688	21,991
Total	20,026	1,200	7,629	2,192	31,047

Employee Engagement

In response to the unprecedented challenges and uncertainties faced last year, the Group implemented various engagement initiatives to boost employee morale and motivation. We recognize the importance of addressing employee concerns and have established multiple formal and informal mechanisms for engagement. These mechanisms serve as platforms for open communication, allowing employees to voice their concerns, provide feedback, and actively participate in shaping the organization's direction. By fostering a culture of engagement, we strive to create a supportive and inclusive work environment that keeps our workforce motivated and committed during challenging times.

We actively encourage employees to share any grievances they may have through our open-door policy. They have the option to report their concerns to their line managers, as well as access to the HR department or the Managing Director. All grievances are treated with the utmost confidentiality and are addressed through a structured resolution process.

We are pleased to note that no significant grievances were reported during the year, which reflects our commitment to maintaining a positive and harmonious work environment.

We encourage our employees to maintain a healthy work-life balance and conducted several welfare events during this year to promote this.

- Annual Trip (For all categories)
- Cricket Match (For all categories)
- Volleyball Match (For all categories)

- Annual Get Together (For Executive & Staff Grade)
- International Women's Day Event
- International Health Day

Diversity and Inclusion

Our HR policy framework is designed to uphold equal opportunities and create a non-discriminatory workplace environment for all employees, regardless of their age, gender, ethnicity, and other factors. We are committed to maintaining a gender-balanced workforce, and we have achieved a ratio of 1:1 for the basic salary of women compared to men.

In terms of training, development, and career progression, we have established a system that does not impose any gender limitations, ensuring equal opportunities for all employees. Our goal is to foster an inclusive and merit-based culture that recognizes and rewards talent and potential, regardless of gender.

Paternal leave	2023
Employees entitled to maternity leave	2,263
Employees on maternity leave	50
Employees who returned after maternity leave	6
Employees still in employment 12 months after rerunning on maternity leave	39

Social & Relationship Capital

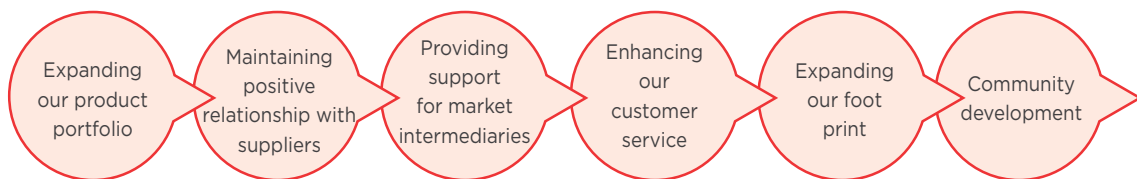


Social & Relationship Capital



The importance of effective relationships with our stakeholders was highlighted during the year as we had to rely on these relationships to minimize any disruptions to our operations. Our goal is to cultivate mutually beneficial relationships with our customers, suppliers, and the community. To achieve this, we have established a well-defined relationship management process in place. This process ensures that we effectively engage and collaborate with our stakeholders, fostering positive and sustainable partnerships.

Nurturing our Social and Relationship Capital



Strategic Priorities	Progress made during the year	Way Forward
<ul style="list-style-type: none"> Enhancing engagement with existing suppliers Looking for alternative suppliers Pursuing alliances with world renowned tile manufacturers Product innovation 	<ul style="list-style-type: none"> Product innovation with assistance from technical partners Gained interest of several potential international buyers Expanded our supplier base to minimise any disruptions 	<ul style="list-style-type: none"> Strengthen supplier chain to minimise any potential supply chain disruptions Expand our product portfolio with products with better yield and more environmentally friendly. Expand our export destinations.

Social & Relationship Capital

Value Delivered to Stakeholders

Customers

- 6,695,476Sqm of tiles
- 101,928 MT Mortar
- 26,272 MT of packing material
- 3,013 MT of aluminium

Suppliers

- Rs.28,191Mn Mn paid to local suppliers
- Rs.15,911Mn paid to foreign suppliers
- Transparency
- Timely payments.

Regulators

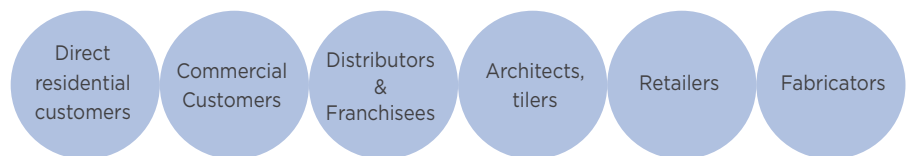
- Rs.2,739 Mn of Direct Taxes
- Export revenue of Rs.1,568Mn

Community

- CSR spend of 5Mn
- Direct and indirect employment opportunities

Delivering value to our customers

Due to the diverse nature of the Group's business segments, we cater to a wide range of customers with unique and specific requirements. We recognize the importance of understanding the distinct needs and preferences of each customer segment. By adapting our products and solutions to meet their individual requirements, we aim to provide tailored value propositions that effectively address their diverse needs. Our customer-centric approach allows us to build strong relationships and deliver value that is aligned with the unique demands of each customer segment.



We actively engage with our customers through various communication channels to gain insights into their demand patterns and expectations. This continuous dialogue allows us to stay attuned to their evolving needs and make necessary adjustments to our product portfolio. By aligning our offerings with customer preferences, we ensure that we are delivering value and maintaining a strong competitive edge in the market.

Customer Touchpoints

Tiles & Associated Products

- 2 own showrooms
- 9 hybrid stores
- 20 factory outlets
- 60 dealers
- 52 Franchisees
- Tiler club

Packaging

- B2B Customers

Aluminium

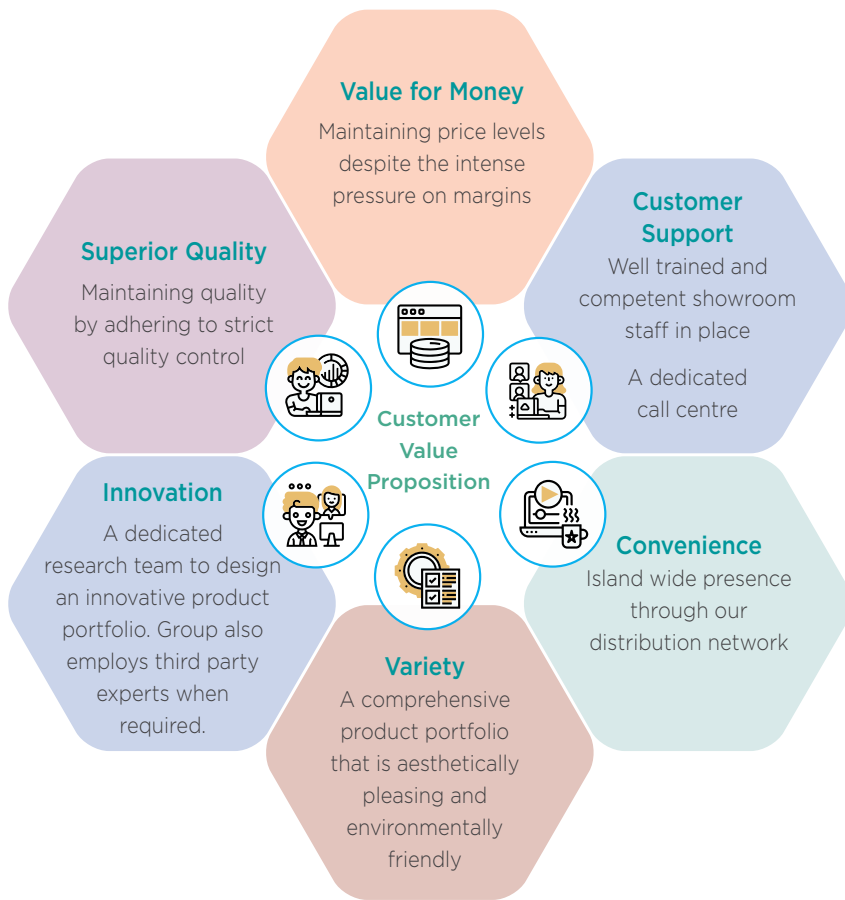
- 1 own store
- 16 Franchisees
- 18 distributors
- 177 dealers
- Digital, print & social media

Customer satisfaction is of paramount importance to us, as our market dominance relies on it. We place great emphasis on meeting and exceeding customer expectations. To achieve this, we continuously strive to expand our product portfolio in line with customer preferences. Additionally, we maintain stringent quality control measures to ensure that our end products consistently meet high standards of quality.

In response to customer demand, we expanded our production of larger size tiles during the year. This initiative demonstrates our commitment to adapting to customers' preferences and providing them with the products they desire. By actively listening to our customers and aligning our offerings with their needs, we aim to enhance their satisfaction and strengthen our position in the market.

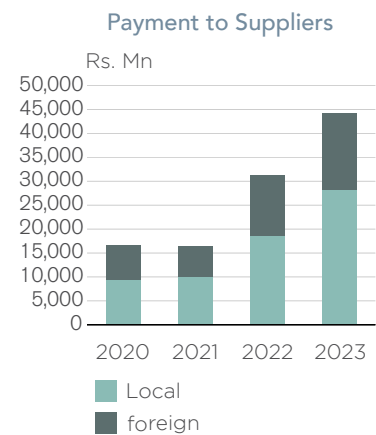
Despite the challenges posed by inflationary pressures, we maintained our price levels. To counteract the impact on margins, we have implemented a range of cost-saving measures aimed at enhancing productivity and efficiency. These measures allow us to optimize our operations without compromising on quality. By carefully managing costs and improving operational efficiency, we have been able to sustain competitive pricing for our products and services.

A graphical illustration of Groups' value proposition to our customer base is given below.



To safeguard against potential supply chain disruptions, the Group also maintained larger inventory levels as a precautionary measure. This enabled us to have a buffer of essential materials and ensure uninterrupted operations. We also took initiatives to,

- Granting interest-free loans to purchase clay and feldspar lands or purchase vehicles
- Providing company transport during fuel shortage
- Flexible payment options to assist suppliers with their cash flow issues



Engaging with our suppliers

Managing the supplier base was a critical focus during the year due to the numerous supply chain disruptions resulting from challenging macroeconomic conditions. In response, we strengthened our engagement with our existing suppliers and actively sought out alternate suppliers to ensure the timely availability of required raw materials.

This approach helped mitigate potential disruptions to our operations.

Furthermore, we sought technical support from our suppliers to enhance the productivity of our operations. By leveraging their expertise and assistance, we aimed to ease the pressure on our profit margins and improve overall efficiency.



Social & Relationship Capital

Through these measures, we prioritized effective supplier management, collaboration, and contingency planning to navigate the challenging market conditions and uphold the continuity of our operations.

The Group maintains a transparent and consistent procedure when selecting new suppliers. We prioritize a thorough evaluation process that ensures transparency and fairness in supplier selection. This procedure typically involves the following steps:



Strategic Partnerships

We proactively pursued partnerships with renowned global brands. These collaborations have proven to be valuable, as they have opened up opportunities in new export destinations and generated interest from potential buyers. By forming alliances with world-renowned brands, we have been able to leverage their reputation, expertise, and market presence to expand our reach beyond the domestic market. This strategic approach allows us to tap into international markets where demand for our products may be more favourable.

Additionally, we prioritized reinforcing our relationships with industry and technical experts to enhance our productivity and efficiencies. By collaborating with these experts, we aimed to tap into their specialized knowledge and insights to drive improvements within our operations. Through these partnerships, the Group was able to achieve significant advancements in process optimization, productivity enhancements, and quality improvements.

Industry Collaborations

We actively engage in collaborations with professional bodies in our industry to foster growth and development. By

partnering with these organizations, we aim to contribute to the advancement of our industry as a whole. We encourage our employees to actively participate in professional forums and events organized by these bodies. This provides them with opportunities to network, learn from industry peers, and exchange knowledge and best practices.

- Sri Lanka Customs
- Ceylon Chamber of Commerce
- Ministry of Industries
- Geological Survey and Mines Bureau
- Department of Commerce

Giving back to the community

We are committed to making a positive impact on the community in which we operate. Throughout the year, we have undertaken various initiatives aimed at contributing to the development and well-being of the community. Some of the key projects and initiatives we have undertaken during the year include:



Manufactured Capital



Manufactured Capital







The Group's manufactured capital comprises tangible assets, including buildings, plant and machinery, showroom fixtures, and fittings. These assets are essential components of the Group's value creation process. The total value of the Group's manufactured capital amounts to Rs. 10.7Bn, representing 24% of the Group's total assets.

Nurturing our Manufactured Capital



Strategic Priorities	Progress made during the year	Way Forward
<ul style="list-style-type: none"> Operating production facilities without disruptions Expanding our showroom network Achieving optimum capacity utilisation Completion of Meepe production facility expansion 	<ul style="list-style-type: none"> Capacity expansion by streamlining processes CAPEX of Rs.3,333Mn 	<ul style="list-style-type: none"> Completion of expansion project of Lanka Walltiles factory in Meepe Installation of a new kiln in Lanka Tiles factory in Ranala.

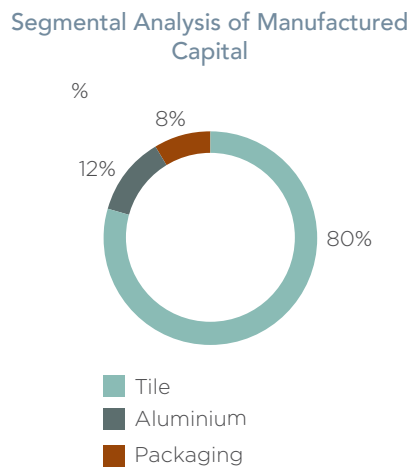
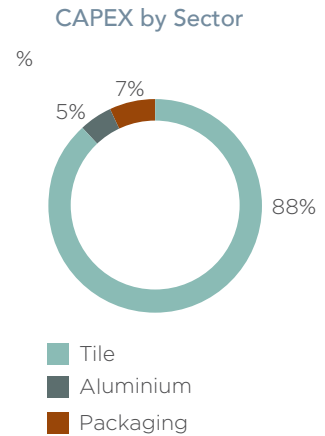
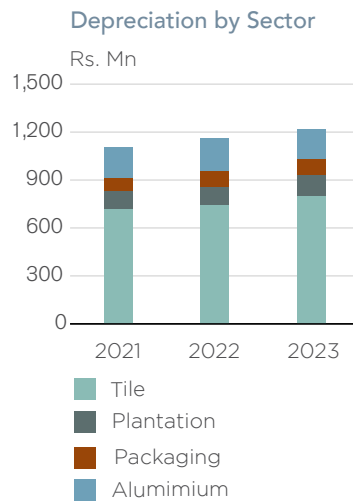
 <p>Land & Buildings</p> <p>Rs.9,475Mn</p>	 <p>Plant & Machinery</p> <p>Rs.5,547Mn</p>	 <p>Transport & Communication Equipment</p> <p>Rs.193Mn</p>	 <p>Office Equipment</p> <p>Rs.506Mn</p>	 <p>Water Supply, Electricity Distribution Scheme</p> <p>Rs.264Mn</p>
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Manufactured Capital

The Group recognizes the importance of continuously improving its manufacturing capabilities to maintain a competitive edge in the market. To achieve this, a significant amount of monetized capital is dedicated to enhancing the Group's manufacturing facilities and processes. The Board plays a crucial role in guiding the Group's expansion plans. They consider various factors such as market demand, design trends, technological advancements, and return on investment when making decisions about expanding manufacturing capabilities. These considerations help ensure that the Group's investments align with market needs and contribute to long-term growth and profitability.

While the Group had several ongoing expansion projects at the beginning of the year, external factors such as forex issues and macroeconomic challenges necessitated a reevaluation of these plans. The expansion of our plant in Meepe that began last year over ran cost estimations by due Rupee devaluations and lack of foreign reserves in the country.

The tile sector, which represents a significant portion of the Group's manufacturing capital, achieved a capacity utilization rate of 79% during the year, compared to 89% in the previous year. The decrease in capacity utilization can be attributed to the impact of import restrictions, which resulted in disruptions within the supply chain.



Our Manufacturing Facilities

Tiles and Associated Products

Meepe - Lanka Walltiles PLC



Produces wall and floor tiles in a variety of colours, textures and sizes including mosaic tiles, special trim tiles and decorated tiles, as well as handmade tiles.

Modifications during the year

Current Capacity

2,848,184 SQM

Capacity Utilisation

82%

Ranala - Lanka Tiles PLC



The largest tile manufacturing facility in Sri Lanka, produces floor tiles with single firing technology.

Modifications during the year

Current Capacity

5,468,250 SQM

Capacity Utilisation

90%

Ballumhara - Swisstek (Ceylon) PLC



Produce tile grouts, tile mortar and decorative pebbles.

Modifications during the year

Current Capacity

85,075 MT

Capacity Utilisation

66%

Dompe - Swisstek Aluminium Limited



Provide top-of-the-line aluminium products including aluminium windows, aluminium doors for commercial, industrial, residential, and architectural requirements, manufactured and produced right here in Sri Lanka.

Modifications during the year

Packaging

Dekatana - Unidil Packaging



Established in 1994, UNIDIL is Sri Lanka's leading corrugated carton manufacturer.

Modifications during the year

Current Capacity

33,000 MT

Capacity Utilisation

63%

Tonnage

Bags

21,600 Bags

26%

Intellectual Capital



Intellectual Capital



The Group recognizes the value of its intangible assets, which serve as a competitive edge and contribute to maintaining its market position and upholding its reputation for delivering superior quality products. The skills and expertise of the Group's team members play a vital role in its success and our flagship brand has established itself as a market leader among local tile manufacturers

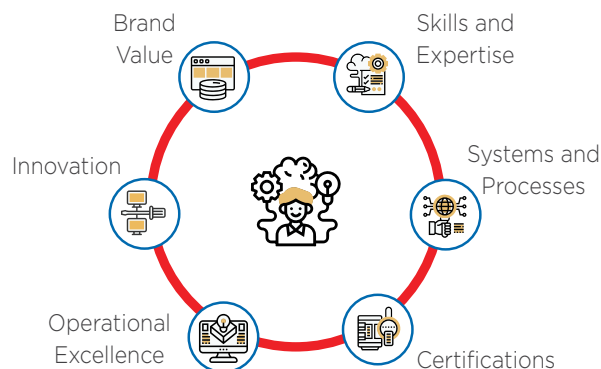
Nurturing our Intellectual Capital



Strategic Priorities
<ul style="list-style-type: none"> • Relaunching our logo with campaigns to increase brand visibility • Driving operational efficiency through innovation and technology • Product innovation to maximise yield

Progress made during the year
<ul style="list-style-type: none"> • Implementation of the new ERP system • Cloud migration • Introduction of a new logo

Way Forward
<ul style="list-style-type: none"> • Enhancing existing systems and processes with the latest technologies • Product and process innovation



Intellectual Capital

Brand Value

During the year, we initiated a comprehensive identity revamp for our flagship brand, LANKATILES. This revamp encompassed various aspects, including a change to the brand logo and the overall branding of our showrooms, factory outlets, and distributor/dealer outlets throughout the country.

As part of the identity revamp, we also developed a new brand personality for LANKATILES focusing on the characteristics of being youthful, cheerful, contemporary, and conversational. This shift in brand personality reflects our commitment to staying current and engaging with our target audience in a meaningful way.

Both Swisstek and Unidil have established themselves as top contenders in their respective industries. They have achieved this through their commitment to excellence, innovation, and delivering high-quality products or services.

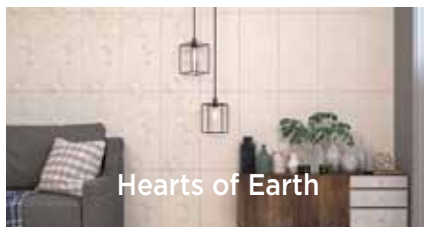
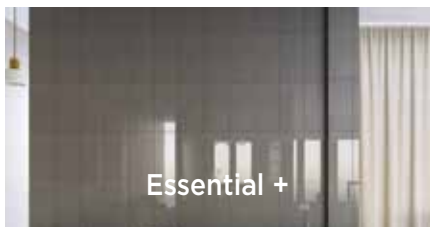
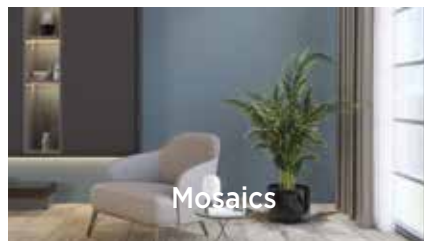


Within the Top 50
brands - Brand Finance
Lanka

Innovation

To maintain our market leadership and sustain growth, we recognise the importance of product and process innovation, particularly in the current challenging economic landscape. As part of our strategy, the Group actively collaborates with our business partners to leverage their expertise and drive innovation. We engage our suppliers as valuable partners in the pursuit of innovation and productivity improvement. By tapping into their knowledge and experience, we aim to enhance our production processes, introduce new technologies, and develop innovative products that meet the evolving needs and preferences of our customers.

We introduced six themes as inspirations for our product designs. These themes, namely Urban, Island Living, Heritage, Spiritual, Mountains, and Forests, serve as creative influences for our product development. Each theme provides a distinct aesthetic and design direction, allowing us to offer a diverse range of products that cater to different customer preferences and interior design styles.



Operational Excellence

During the year, the Group recognized the need to drive efficiency in its production process due to the impact of high inflation on profit margins. To mitigate the effects of the increasing cost of raw materials, the Group implemented several measures that resulted in significant cost savings. Some of these cost savings include:

The Group's ongoing efforts in implementing Total Productive Maintenance (TPM) have yielded substantial cost savings and improved productivity. TPM is a comprehensive approach that aims to maximize the efficiency and effectiveness of the production process by involving all employees in equipment maintenance and improvement activities.

Skills and Expertise

The Group's ability to attract and retain the required skill sets to meet customer expectations has been facilitated by implementing an efficient recruitment process and offering a comprehensive employee value proposition. This ensures that the Group can attract top talent and provide them with a rewarding and fulfilling work environment.

Additionally, the Group recognizes the importance of investing in the training and development of its employees. Ongoing training programs and development initiatives are provided to enhance the skill sets of team members, enabling them to deliver high-quality products that meet customer expectations. By continuously improving their knowledge and expertise, the team members contribute significantly to the value creation process.

The Group has actively fostered tacit knowledge over the years, which has provided opportunities to contribute to the growth of the industry through active participation in various industry forums. Several members of our senior management play leadership roles or participate in the following industry bodies, sharing their expertise for the sustainable development of the industry:

Ranala Plant	<ul style="list-style-type: none"> • Elimination of talc from body formula • Reducing the glaze of certain designs by finding alternative materials
Ranala Plant	<ul style="list-style-type: none"> • Reducing bald edge wastage by 30% in plant A&B • Bring down the cost by reducing the thickness of floor tiles

Systems and Processes

The Group remains committed to process innovation and consistently upgrades its systems to incorporate the latest technologies, with the primary objective of enhancing productivity and efficiency. Lanka Walltiles has developed robust systems that have been refined over the years, providing the company with a competitive edge to maintain its market dominance.

Furthermore, the Group continuously evaluates its systems and processes to identify areas for improvement and implement necessary upgrades. This proactive approach ensures that we stay at the forefront of technological advancements in its industry, enabling it to deliver high-quality products efficiently and meet the evolving demands of its customers.

Initiatives carried out during the year are,

- Implementation of SAP S/4 HANA ERP system enabling realtime data insights
- Cloud migration



Intellectual Capital

Certifications

Given below is a list of certifications we complied with during the year covering areas related to product quality, health and safety and sustainability. These certifications facilitate benchmarking with global industry best practice, ensuring that our processes evolve continuously to the highest standards for the respective products or processes. These certificates support our brands, enhancing customer confidence in our production processes.

Paternal leave	Lanka Walltiles PLC	Lanka Tiles PLC	Swisstek Ceylon	Swisstek Aluminium	Uni dil Packaging
SLS ISO 14001 Certificate of the Environmental Management System by the Sri Lanka Standards Institution	✓	✓			✓
SLS ISO 9001 Quality Management Certification	✓	✓	✓	✓	✓
SLS 1181 Certificate of Conformity issued by Sri Lanka Standard Institute for ceramic tiles.	✓	✓			
CE Marking Certificate of Conformity to European standards issued by Euro Veritas Limited – Glazed Ceramic Tiles.	✓	✓			
Green SL Labelling System Certificate for environmental performance issued by the Green Building Council of Sri Lanka	✓	✓			
ISO 22000: 2018 Food Safety Management Systems and HACCP Certification					✓
SLS 1474 Certification Food safety related risk					✓
SLS 1492 Certification Food safety related risk					✓
SLS 1410 Certificate of conformity issued by Sri Lanka Standard Institution for Swisstek Aluminium brand extruded aluminium alloy profiles				✓	
Qualicoat Certification Authorisation to use the quality sign of 'Qualicoat'				✓	
SLS 1375 certification for Tile adhesive Certification for Tile adhesive			✓		
SLS 1376 Certification for Tile adhesive			✓		
SLS 1376 Certification for Tile adhesive			✓		
SMETA-SEDEX Certificate Certificate for Ethical Trade Audit					✓
Worldwide Responsible Accredited Production certification Certification for assurance of socially responsible production					✓
FSSC 22000 certification for Food Safety Management Systems					✓

Natural Capital

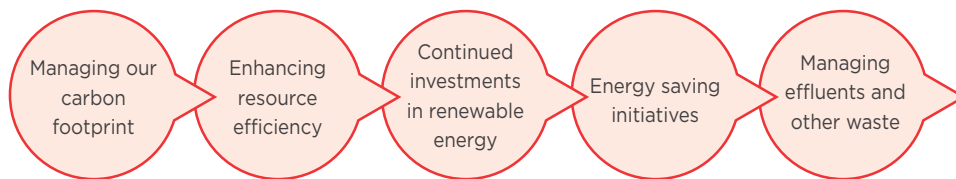


Natural Capital



As a manufacturing organization and the nature of our operations, we recognize our environmental impact from natural resource consumption and operational outputs. We are committed to minimizing our footprint and creating positive effects through resource efficiency and innovation.

Nurturing our Intellectual Capital



Strategic Priorities
<ul style="list-style-type: none"> • Ongoing investments in renewable energy • Group-wide energy saving initiatives • Minimising our carbon footprint

Progress made during the year
<ul style="list-style-type: none"> • Expect to installation of 2000MW solar power at Lanka Walltiles PLC and 631MW solar power at Lanka Tiles PLC • Continuation of heat recovery system • Our treatment plant is continuously upgraded with the latest technology to ensure right quality levels are maintained.

Way Forward
<ul style="list-style-type: none"> • We are committed to continually exploring methods to enhance our responsibility in the consumption of raw materials, energy, and water. Our aim is to minimize our environmental impact through practices such as reusing, recycling, and ensuring the safe disposal of waste and effluent discharge.

Our Approach

We are dedicated to minimizing the impact of our operations on the environment by responsibly utilizing resources for the overall benefit of society. Our environmental approach is influenced by the ISO14001: 2015 standard for Environmental Management Systems, which directs our environmental strategy.

Monetised Natural Capital

The Group holds a significant land reserve, comprising of clay mining areas and other freehold properties utilised for commercial purposes such as manufacturing facilities, showrooms, and warehouses. The Group held significant extents of agricultural lands through its holding in Horana Plantation PLC. However, the Group's stake in Horana Plantations was divested during the last quarter of this financial year. Consequently,

this section excludes the impacts of the divested operations.

Material Consumption

To sustain our operations, we rely on finite resources like ball clay, feldspar, and kaolin. Throughout the year, we utilized 182,146MT of non-renewable resources, including clay, silica, and feldspar. Aware of the limited availability of these resources, we have implemented several initiatives to minimise

Natural Capital

waste and promote material reuse whenever feasible. In the year, we prioritized improving the efficiency of raw material usage through process innovations. Additionally, we sought the expertise of our suppliers and other third-party experts to drive productivity. Further, we continue to carry out TPM initiatives to drive productivity and reduce wastage.

Material consumption by type (MT),

	Renewable Material		Non-renewable Material		
	2022/23	2021/22	2022/23	2021/22	
Billet	3641	8,302	Ball Clay	45,211	49,751
Chemicals	222	557	Feldspar A	72,489	82,204
Cornstarch	440	596	Frit c/0107161	195	-
Field Latex Rubber	534	747	Grey Cement	19,211	20,776
Green Leaf	9,930	12,932	Kaolin	8,483	14,357
Ink	74	98	Silica Sand Dark	35,575	34,833
Paper	2,3154	30,540	White Cement	982	1,343
Powder	73	131			

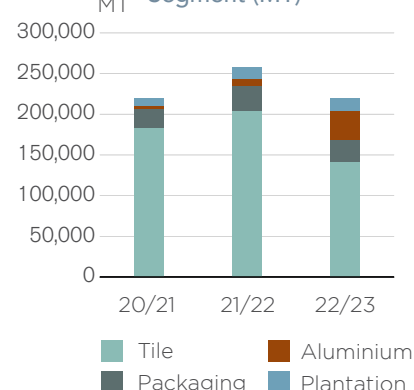
Energy Consumption by Type

Type		2022/23	2021/22
Renewable			
Firewood/Biomass	Kwh	10,944,541	11,040,534
Hydro Power	Kg	1,175,055	583,774
Non Renewable			
Diesel	Litre	1,543,674	1,073,665
Petrol	Litre	26,893	124
Furnace oil	Litre	355,156	573,519
LPG	Kg	17,783,683	19,107,516
Electricity	Kwh	40,696,704	48,659,040
Kerosene	Litre	68	2,269

Our Environmental Strategy

- Comply with all regulatory requirements, standards and business practices relevant for our business segments
- Committed to minimise any negative impact to the environment
- Monitor and review progress on environmental objectives
- Educating stakeholders

Material Consumption by Segment (MT)



Energy Management

As a group heavily involved in manufacturing, our operations require a significant amount of energy. The rise in production levels and the implementation of more automated processes have led to an increase in energy consumption within our operations. In response, the group has taken proactive measures to effectively manage our energy usage.

Energy cost increased by 101% during the year due to were further affected as fuel prices and electricity tariffs also witnessed substantial increases.

Despite the overall decrease in energy consumption during the year by 7,962,336 KWh, the energy intensity levels of the group have increased from 10.09 to 19.02. This reduction indicates our continuous efforts to minimise the use of energy derived from non-renewable sources.

- 1 Installing high energy class motors which use invertors to reduce consumption when it is not required to run at full speed
- 2 Installation of skylights to save electricity consumption during daytime
- 3 Encouragement of off-peak electricity usage and reduction of usage during peak hours
- 4 Using energy saving LED lights in showrooms and replacing air conditioners to inverter type
- 5 Installation of capacitor banks

Our Efforts in Renewable Energy Generation

We expect to installation of the 2000MV solar power plant in our Lanka Walltiles Production facility and are expected to be commissioned during the current year. The Group also has plans for another 631MW solar plant to be installed at our Lanka Tiles production plant.

Water Management

We place a strategic focus on reducing water consumption, recognizing the significant impact we have on water resources. Our aim is to gradually decrease the amount of water withdrawn for our operations by minimizing waste and implementing water reuse practices.

To ensure responsible water management, all waste water generated from our operations undergoes treatment before being released into water bodies or reused. Each of our factories is equipped with advanced effluent treatment plants, and we consistently monitor the quality of discharged water. These measures ensure compliance with the standards set by the Central Environmental Authority.

Almost 100% of the water discharged from our operations is treated and either recycled or reintegrated back into the production process. To ensure responsible waste water management, effluent water treatment plants are installed at all our factories. This ensures that all wastewater undergoes proper treatment before being discharged.

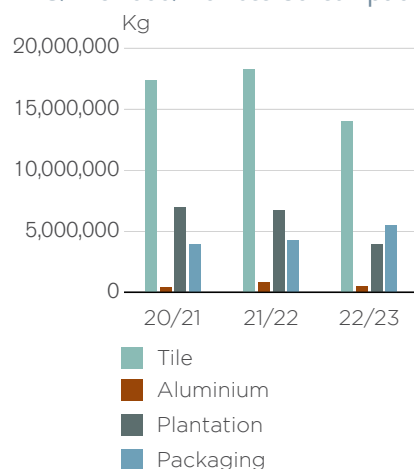
Water Consumption by Source (Litres)

Type	2022/23	2021/22
Ground water	190,091,589	236,726,153
Municipal Water	11,672,761	10,308,000
Rainwater Harvested	18,968,828	2,393,761
Surface water	162,045,346	170,512,719
Produced Water	16,840,000	16,320,000
Total	399,618,524	436,260,633

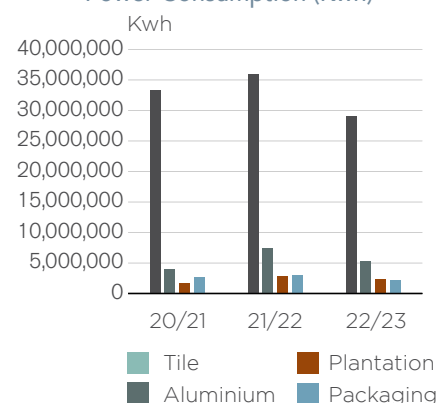
Waste Water (Litres)

Type	2022/23	2021/22
Municipality sewerage	4,814,110	14,751,000
Recycled	78,114,941	52,217,424
Soakage Pits	12,610,831	24,502,230
River,lakes & waterland	31,722,657	36,684,250
Total	127,262,539	128,154,904

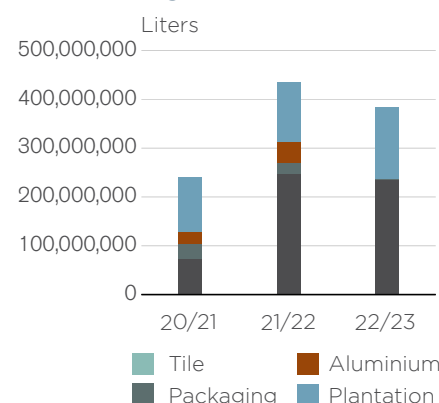
LPG/Firewood/Biomass Consumption



Power Consumption (Kwh)



Water Consumption by segment (Liters)



Natural Capital

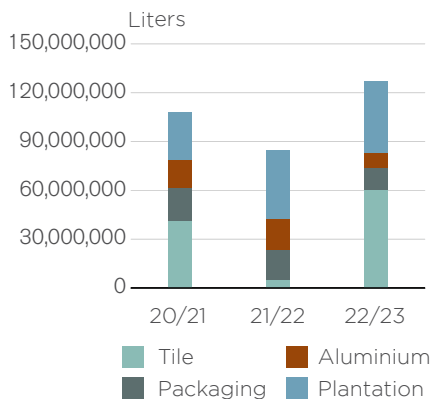
Waste and Effluents

We prioritize responsible waste management through waste segregation practices that align with regulatory compliance and industry best practices. Regular internal audits are conducted to ensure adherence to these standards.

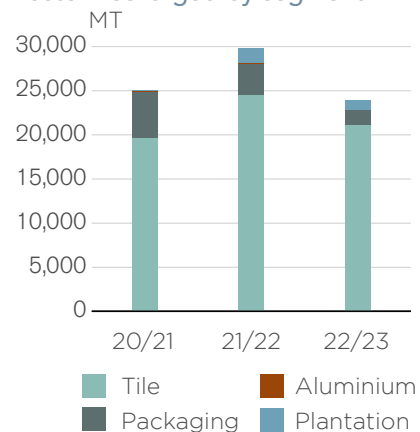
Our primary waste sources include paper, aluminium billets, and solid waste. Throughout the year, 22,861 metric tons of solid waste were discharged, with the tiles and associated products segment accounting for 88% of this total.

For hazardous waste disposal, we rely on specialized third-party services. Other types of waste, such as paper waste and organic waste, are either sell or reuse. In the past year, 12,203 metric tons of waste were converted into reusable forms. Segregated food waste, for instance, is repurposed as animal feed.

Water Discharged by Segment



waste Discharged by segment



Waste discharged by segment (MT)

Type	2022/23	2021/22
Tile	19,601	24,478
Packaging	5,304	3,503
Aluminium	85	119
Plantation	40	1,704
Total	25,030	29,804

Disposal of Solid Waste (MT)

Type	2022/23	2021/22
Composting	1,004	1,672
Inclination	167	55
Landfill	9,044	7,363
On site Storage	398	226
Other	45	36
Recycled	4,428	9,629
Reused	7,775	10,823
Total	22,861	29,804

Minimising our GHG emission

We acknowledge the risks posed by climate change and its potential impact on our operations. Therefore, we are dedicated to reducing our carbon footprint by implementing sustainable measures. Our ongoing efforts include improving energy efficiency and incorporating renewable energy sources, particularly through the generation of solar power.

A few other initiatives in this regard include:

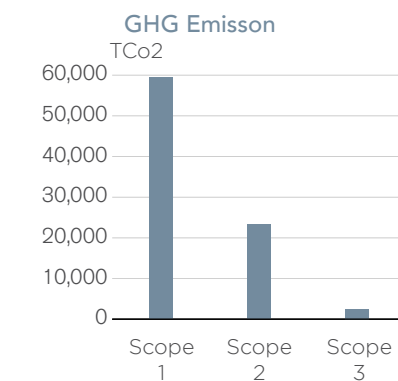
- Implementation of waste heat recovery projects
- Ongoing investments in green energy generation
- Use of heat exhaust chimneys
- Ensuring safe emission of gases from the melting furnace and other energy saving initiatives

Compliance

We comply with the relevant environmental regulations of the Central Environmental Authority and have obtained the Environmental Protection License for all our factories. This is reviewed annually through internal audits and compliance reporting.

During the year, there were no fines or penalties imposed for non-compliance with environmental regulations or laws.

Given below is a list of environmental compliance related certifications we complied with in 2022/23.



Compliance with Environmental Regulations

Type
Compliance with the requirements of the Central Environmental Authority
ISO 14001
Green SL Labelling System



Insights of Trustfulness

CORPORATE GOVERNANCE

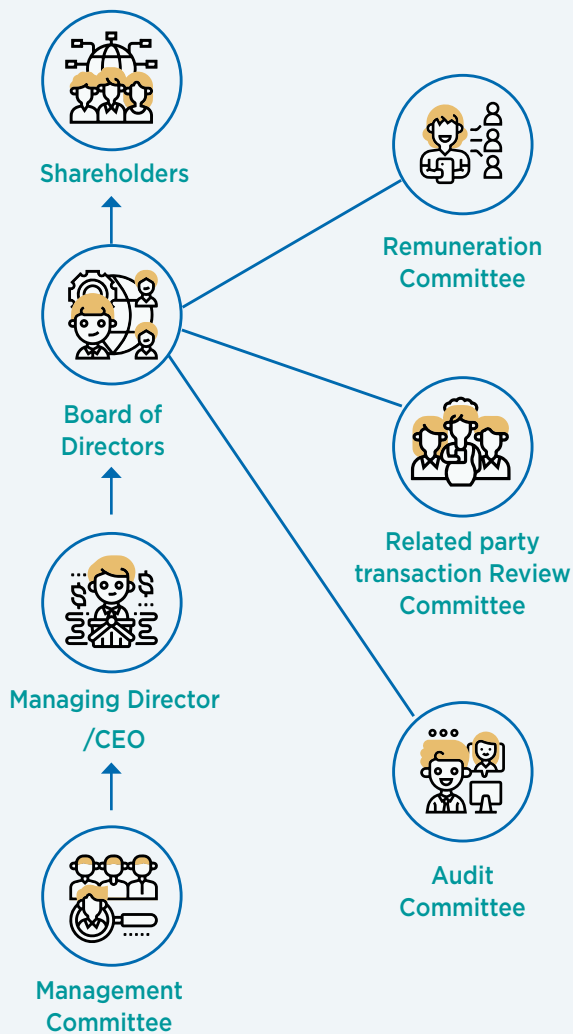
Audit Committee Report 92 | Remuneration Committee Report 93
Related party Transactions Review Committee Report 94
Annual report of The Board of Directors
on the Affairs of The Company 95
Chief Executive Officer's and Chief Financial
Officer's Responsibility Statement 100
Statement of Directors Responsibilities 101

Corporate Governance

Effective Leadership

Effective governance and strong leadership are fundamental to the success of the Lanka Walltiles Group. The Board plays a crucial role in formulating strategies that generate sustainable value for stakeholders and enable the organization to withstand potential disruptions. The structures, policies, and processes established by the Board are designed to support these objectives while ensuring accountability and facilitating a continuous improvement cycle, which is central to effective governance.

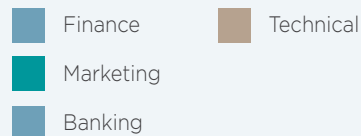
Governance Structure



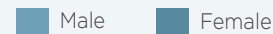
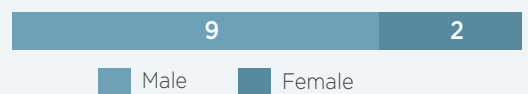
Board Composition

Executive Director	1
Non Executive Directors	5
Independent Non Executive Directors	5

Skill Set



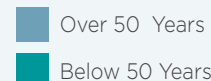
Gender



Tenure



Age



Key Governance Practices

- A balance of power established with a majority of non-executive directors of whom 05 are independent
- An Independent Non-Executive Director is the Chairman and a Senior Independent Director is also appointed
- Annual rotation of a minimum of 1/3 of the Board
- Annual evaluation of the effectiveness of the Board
- Shareholders have right to call for special meeting

Highlights

Mr.K.D.D.Perera resigned as Chairman with effect from 10th June 2022

Mr. A.M Weerasignhe was unanimously elected as Chairman of the Board with effect from 16th June 2022

Appointment of Ms. K A D B Perera to the Board with effect from 19th October 2022

Disposal of Assets

Sale of Horana Plantations PLC to Hayleys Plantation services (Pvt) Ltd on 28th March 2023

Compliance Framework

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

Corporate Governance

Appointment of Directors

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

Re-election of Directors

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

Role of the Chairman and CEO

The roles of the Chairman and CEO are separate facilitating a balance of power on the Board. The Chairman is responsible for determining the frequency of the meetings, setting the agenda, conducting the meeting, ensuring Board members have sufficient information for decision making and that all Board members participate effectively. The Managing Director, Chief Executive Officer is responsible for implementing strategy within the agreed policy framework and in compliance with the regulatory requirements.

Role of the Company Secretary

Company Secretarial services are provided by P W Corporate Secretarial (Pvt) Ltd who facilitate the scheduling of meetings, circulation of Board papers, maintain minutes and file the necessary returns. They also play a key role in advising the directors regarding board procedures and legal requirements with respect to their duties and responsibilities. They are also responsible for arranging the Annual General Meetings, Extraordinary General Meetings, shareholder communications and disclosures to the CSE. Their appointment and removal is a matter for the Board as a whole.

Managing conflicts of interest

Directors are required to declare their business interests on appointment and update thereafter and the Company Secretaries maintain a register of Directors' Interests. Directors are disclosed on page 18 to 21. Directors do not participate in the meeting when related party matters are discussed, absenting themselves from the Board room for the duration of the discussion.

Related party transactions are reviewed quarterly by the Related Party Transactions Review Committee who approve the transactions and ensure appropriate disclosures in line with regulatory requirements. Related party transactions are disclosed in Note 30 to the financial statements on page 178.

Effective Meetings

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

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

Board Subcommittees

Audit Committee (Refer page 92 for Audit Committee Report)

Mandate :

- Reviews the integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards.
- Ensure compliance to legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.
- Assess the External Auditor's independence and performance.
- Review adequacy and effectiveness of risk management

Composition : 02 Independent Directors and 01 Non Executive Director, of whom one is a Chartered Accountant

Remuneration Committee (Refer page 93 for Remuneration Committee Report)

Mandate : The Committee assists the Board in determining a suitable remuneration package.

Composition : 03 Independent Non Executive directors of the parent Company, Royal Ceramics Lanka PLC Related Party Transactions Review Committee (Refer page 94 for Related Party Transactions review Committee Report)

Mandate : To ensure on behalf of the Board, that all Related Party Transactions of the Group are consistent with the Code of Best Practice on Related Party Transactions issued by the SEC.

Composition : 02 Independent Non-Executive and 01 Non-Executive Director

Group Management Committee

Composition : members of the Corporate Management whose designations are given on pages 22

Shareholders

As of 31st March 2023, shares of Lanka walltiles PLC were held among 19,945 shareholders with our parent Company, Royal Ceramics Lanka PLC holding 54.55%.

Communication with shareholders

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

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

The Board recognises their responsibility to

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

Meeting Attendance

Name of Director	Meeting Attendance			
	Board Meetings	Audit Committee Meetings	Remuneration Committee	Related Party Transactions Review Committee
Dharmika Perera (Resigned w.e.f 10th June 2022)	3/11			
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 G Gunaratne	9/11			
A M L Page	10/11			
R N Somaratne	10/11			
J D N Kekulawala	11/11	4/4		4/4
S M Liyanage	10/11			
S R Jayaweera	11/11			
K A D B Perera (Appointed w.e.f. 19th October 2022)	5/5			
S H Amarasekara (Director of Royal Ceramics Lanka PLC)			1/1	
R N Asirwatham (Director of Royal Ceramics Lanka PLC)			1/1	
L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)			1/1	

Compliance

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

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A. Directors			
A.1	The Board		
A. 1.1	Board Meetings	Held every month and special meetings held as and when necessary	<input checked="" type="checkbox"/>
A1.2	Role of the Board	<ul style="list-style-type: none"> • Formulate and implement an effective strategy. • Risk management • Ensure compliance to all relevant laws and regulations. • Maintain an effective governance framework consisting of policies and internal controls. • Appoint and re-elect the members of the Board. Every member of the Board is re-elected at regular intervals at least once in three years. 	<input checked="" type="checkbox"/>

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 ensured the Group is compliant with all applicable, rules, laws and regulations.	<input checked="" type="checkbox"/>
A.1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is available at any given time to the Board. The Secretary also informs the Board of any new laws and regulations that will need to be adhered with.	<input checked="" type="checkbox"/>
A.1.5	Independent judgment of the Directors	The Board of Directors are committed in providing independent judgment in the decision- making process.	<input checked="" type="checkbox"/>
A.1.6	Dedicating adequate time and effort	The Directors attended all Board meetings in person and allocate adequate time and effort in managing the affairs of the group.	<input checked="" type="checkbox"/>
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are kept	<input checked="" type="checkbox"/>
A.1.8	Training of Directors	All Directors have a considerable experience in the Ceramic industry. The Directors have also participated in training programs both locally and overseas during the financial year to further upskill their knowledge and competencies.	<input checked="" type="checkbox"/>
A. 2.0	Segregation of Roles of Chairman & CEO	Please refer to Chairman and Managing Director pages 12 and 14.	<input checked="" type="checkbox"/>
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.	<input checked="" type="checkbox"/>
A. 4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	<input checked="" type="checkbox"/>
A.5	Board Balance		
A.5.1/A5.2/A.5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a)	Presence of Non-Executive Directors Independence of Non-Executive Directors	Please refer an Effective Board in page 18	<input checked="" type="checkbox"/>
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence is obtained by the secretary annually.	<input checked="" type="checkbox"/>
A.5.6	Alternate Director to a Non-Executive Director	No Alternate Directorships	<input checked="" type="checkbox"/>
A.5.7/5.8	Senior Independent Director	Do not have a Senior Independent Director	Working towards compliance
A.5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and Members of staff are excused from meetings	
A.5.10	Recording concerns	Concerns of directors are recorded in minutes even in the case of disagreement.	

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least 1 week before the meeting	<input checked="" type="checkbox"/>
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	<input checked="" type="checkbox"/>
A.7	Appointments to the Board		
A.7.1 / A.7.2	Nomination Committee and the assessment of composition of the Board	All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of Directors. The Board's skills and knowledge are assessed by the parent company board annually and informed to the directors.	<input checked="" type="checkbox"/>
A.7.3 7.10.3(d)	Disclosure of Appointment of a New Director	Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non-Executive/Executive Director.	<input checked="" type="checkbox"/>
A.8	Re-election		
A.8.1 /A.8.2	Re-election	At each AGM one Non-Executive director presents himself/herself for re-election. Newly appointed directors are re-elected at the 1 st AGM following their appointment.	<input checked="" type="checkbox"/>
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director.	<input checked="" type="checkbox"/>
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	The Board evaluates performance by: <ul style="list-style-type: none"> Assessing the achievement of corporate goals. Evaluating the effectiveness of strategy. Adherence to laws and regulations. Managing stakeholder requirements. 	<input checked="" type="checkbox"/>
A.10	Disclosure of Information in Respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on page 18	<input checked="" type="checkbox"/>
A.11	Appraisal of Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	The performance of the CEO is reviewed annually by the Board based on the strategic targets set for the year.	<input checked="" type="checkbox"/>
B. Directors' Remuneration			
B.1	Remuneration Procedure		
B.1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Directors' Remuneration on page 181 The Report of the Remuneration Committee on page 93 gives the composition of the Committee and a description of its activities during the year.	<input checked="" type="checkbox"/>

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
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.	<input checked="" type="checkbox"/>
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 93	<input checked="" type="checkbox"/>
B.1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman	<input checked="" type="checkbox"/>
B.1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	<input checked="" type="checkbox"/>
B.2	The Level & Makeup of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors while remaining within the industry standards and Annual performance approved	<input checked="" type="checkbox"/>
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	<input checked="" type="checkbox"/>
B.2.6	Executive share options	The company does not have an ESOP	<input checked="" type="checkbox"/>
B.2.7	Designing schemes of performance-based remuneration	Refer the Report of the Remuneration Committee on page 93	<input checked="" type="checkbox"/>
B.3	Disclosure of Remuneration		
B.3.1 7.10.5.(c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 93 Notes 30.3 in the financial statements on page 181	<input checked="" type="checkbox"/>
Relations with Shareholders			
C.1	Constructive use of AGM and Conduct of Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 days as required by the Articles of Association and the Code.	<input checked="" type="checkbox"/>
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are passed for each matter taken up at the AGM	<input checked="" type="checkbox"/>
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	<input checked="" type="checkbox"/>
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	<input checked="" type="checkbox"/>
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	<input checked="" type="checkbox"/>

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
C.2	Communications with shareholders		
C.2.1 to C.2.7	Communications with Shareholders	<p>The AGM and EGM (if any) are used as the method for communicating with the shareholders.</p> <p>All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE.</p> <p>The Company Secretaries/Registrars are the main contact people for the shareholders.</p> <p>All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/Subcommittee meetings.</p> <p>All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.</p>	<input checked="" type="checkbox"/>
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	<p>There were no matters which were identified as Major Transactions during the year as such no disclosure has been made in this regard.</p> <p>In the event there are Major Transactions, relevant disclosures and relevant shareholder approvals are obtained.</p>	<input checked="" type="checkbox"/>
D. Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on page 100 and 101	<input checked="" type="checkbox"/>
D.1.2	Interim and price sensitive reports to public and regulators	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"> • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>	<input checked="" type="checkbox"/>
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Deputy Chairman & Managing Director and the Chief Financial Officer.	<input checked="" type="checkbox"/>
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 95.	<input checked="" type="checkbox"/>
D.1.5	Statements on responsibilities for preparation of financial statements and internal control	<p>Refer the following:</p> <ul style="list-style-type: none"> • Statement of Board responsibility for preparation of financial statements - page 101 • Statement from Auditors on their reporting responsibilities - page 104 • Statement on Internal Control - page 31 	<input checked="" type="checkbox"/>
D.1.6	Management discussion & analysis	Refer annual report pages from 25 to 28 which provides a comprehensive management discussion and analysis of the Group's operations	<input checked="" type="checkbox"/>
D.1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	<input checked="" type="checkbox"/>
D.1.8	Related Party transactions	<p>Refer the following disclosures on Related Party Transactions:</p> <ul style="list-style-type: none"> • Relates party transactions Review Committee Report on page 94 • Annual Report of the Board of Directors on page 95 • Note 30 to the financial statements 	<input checked="" type="checkbox"/>
D.2	Risk Management & Internal Control		

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	<p>The following reports provide details on compliance with these requirements:</p> <ul style="list-style-type: none"> • Risk Report on page 31 • Risk & Internal Control on page 31 • Directors' Statement on Internal Controls on page 31 • Audit Committee Report on page 92 	<input checked="" type="checkbox"/>
D.2.2	Confirm assessment of the principal risks of the company		<input checked="" type="checkbox"/>
D.2.3	Internal Audit		<input checked="" type="checkbox"/>
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures		<input checked="" type="checkbox"/>
D.2.5	Compliance with Directors' responsibilities as set out by the Code		<input checked="" type="checkbox"/>
D.3	Audit Committee		
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive directors of which at least 2 must be independent	Audit Committee comprises 03 non-executive directors of whom 01 are independent. Refer Audit Committee on page 92.	<input checked="" type="checkbox"/>
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarized in the Audit Committee Report on page 92.	<input checked="" type="checkbox"/>
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 92	<input checked="" type="checkbox"/>
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer <ul style="list-style-type: none"> • Related Party Transactions Review Committee on page 94 • Report of the Related Party Transactions Review Committee on page 94 	<input checked="" type="checkbox"/>
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on page 91.	<input checked="" type="checkbox"/>
D.5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	<input checked="" type="checkbox"/>
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on page 94.	<input checked="" type="checkbox"/>
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 91 and The Board of Directors' Statement on Internal Controls on pages 31	<input checked="" type="checkbox"/>
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 81 to 91 together with its Annexes comply with this requirement.	<input checked="" type="checkbox"/>

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
E. Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	<input checked="" type="checkbox"/>
E.2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	<input checked="" type="checkbox"/>
F. Other Investors			
F1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	<input checked="" type="checkbox"/>
F.2.	Encouraging shareholder participation	Refer Shareholder Relations on page 200	<input checked="" type="checkbox"/>
G. Internet of things and cybersecurity			
G	Internet of things and cybersecurity	Refer Internet of Things & Cybersecurity on page 31	<input checked="" type="checkbox"/>
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 54 to page 74	<input checked="" type="checkbox"/>

Audit Committee Report

Role of the Audit Committee

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

Composition of the Audit Committee

The Audit Committee comprised of the following three Directors.

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

Dr. S. Selliah
Committee Member Independent
Non - Executive

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

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

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

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

Meetings

The Audit Committee met 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

a. 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.

b. The Committee reviewed the quarterly internal audit reports. The internal audit function is carried out by M/s. BDO Partners. The Internal audits are done on a process based audit framework to improve process performance and control.

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

d. The Non-Audit Services provided by the External Auditor were also reviewed and the Committee was of the view that such services did not impair with their independence and were not within the category of services identified as restricted under the guidelines for listed companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

e. The Audit Committee in conjunction with the Managing Director of the Company reviewed the Company's disclosure controls and procedures and internal control over financial reporting.

f. The Audit Committee reviewed the Company's framework and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

g. The Audit Committee reviewed the company's arrangement for the confidential receipt, retention and treatment of complaints alleging fraud, received from any sources and pertaining to accounting, internal controls or other such matters and assured the confidentiality to whistle-blowing employees. It also reviewed the company's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance and reviewed the procedure for receiving and dealing with "Non-Compliance with Laws and Regulations (NOCLAR) referred by Professional Accountants.

h. Performed other activities related to this charter as requested by the Board of Directors. Oversaw special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually and requested board approval for proposed changes, and ensured appropriate disclosure as may be required by law or regulations.

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

Remuneration Committee Report

Role of the Remuneration Committee

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

Composition of the Remuneration Committee

The Remuneration Committee comprises of the following three independent non-executive Directors of Royal Ceramics Lanka PLC who is the parent company of Lanka Walltiles PLC

Mr. S H Amarasekera - Chairman

Mr. R N Asirwatham

Mr. L N De S Wijeyeratne

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

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

Meetings

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

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

Functions performed by the Remuneration Committee

- Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personnel of the Company, to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for the last financial year is given on page 181 of the Annual Report under key management remuneration.
- Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. It also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.
- Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.

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

Conclusion

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



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

Responsibilities of the Related Party Transactions Review Committee

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

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

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

Composition of the Committee

The RPTRC comprises of the following three Non-executive Directors.

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

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

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

Meetings

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

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

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

Procedures for Reporting Related Party Transactions

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval 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. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year with an aggregate value 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 30 to the Financial Statements, on pages 178 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on pages 95 to 99 of this Annual Report.



Dr. S. Selliah
Chairman - Related Party Transactions Review Committee

31st May 2023

Annual report of The Board of Directors on the Affairs of The Company

The Directors of Lanka Walltiles PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2023.

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.

General

Lanka Walltiles PLC is a public limited liability company which was incorporated under the Companies Ordinance No.51 of 1938 as a public company on the 24th day of September 1975. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 24th July 2007 and bears registration number PQ55.

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

The main activity of Lanka Walltiles PLC, is the manufacture of glazed ceramic walltiles for export and for sale in the local market.

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 page 97

Summarised Financial Results

	2023	2022
	Rs.'000	Rs.'000
Revenue	43,455,012	37,293,878
Profit for the year	4,821,234	6,839,627

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 104 to 106.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on page 112 to 190 Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

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.

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 Director

Mr. J A P M Jayasekera
Managing Director

Non - Executive Directors

Mr. A M Weerasinghe
Chairman

Mr. T G Thoradeniya

Mr. M W R N Somaratne

Mr. S M Liyanage

Ms. K A D B Perera

Independent Non-Executive Directors

Dr. S Selliah

Mr. K D G Gunaratne

Ms. A M L Page

Mr. J D N Kekulawala

Mr. S R Jayaweera

Mr.. S R Jayaweera, Mr. S M Liyanage and Mr. R N Somaratne retire by rotation in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Annual report of The Board of Directors on the Affairs of The Company

Ms. K A D B Perera who was appointed to the Board during the year under review, retires under Article 110 of the Articles of Association, and being eligible, is recommended by the Board of Directors for election

Directors of subsidiary Companies are given below.

Lanka Tiles PLC

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
Mr. J A R N Adhietty
Mr. S M Liyanage
Mr. S R Jayaweera
Mr. J R Gunaratne
Ms. K A D B Perera

Swisstek (Ceylon) PLC

Mr. S H Amarasekera
Mr. A M Weerasinghe
Mr. J A P M Jayasekera
Dr. S Selliah
Mr. J K A Sirinatha
Mr. A S Mahendra
Mr. K D G Gunaratne
Mr. C U Weerawardena

Vallibel Plantation Management Limited

Mr. A M Pandithage
Mr. R Rajadurai
Mr. T G Thoradeniya
Mr. J A Rodrigo

Horana Plantations PLC

Mr. A M Pandithage
Mr. W G R Rajadurai
Mr. J A Rodrigo
Mr. S C Ganegoda
Mr. A N Wickremasinghe
Mr. Lalit de S Wijeyeratne
Mr. S M Liyanage

Mr. J M J Perera
(Horana Plantations PLC ceased to be a subsidiary on 28th March 2023)

Uni Dil Packaging Limited

Mr. D B Gamalath
Mr. J A P M Jayasekera
Mr. T G Thoradeniya
Mr. H Somashantha
Dr. N T Bogahalande
Mr. C U Weerawardena
Mr. S M Liyanage

Uni Dil Packaging Solutions Limited

Mr. K D H Perera
Mr. D B Gamalath
Mr. J A P M Jayasekera
Mr. C U Weerawardena

Beyond Paradise Collections Ltd

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

Lankatiles Private Limited

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

LTL Development Ltd

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

Swisstek Development Ltd

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

LWL Development (Pvt) Ltd

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

Swistek Aluminium Ltd.

Mr. S H Amarasekera
Mr. J A P M Jayasekera
Mr. A M Weerasinghe
Mr. A S Mahendra
Dr. S Selliah
(Resigned w.e.f 27th January 2023)
Mr. B T T Roche (Resigned w.e.f 30th September 2022)
Mr. T G Thoradeniya
Mr. C U Weerawardena
Mr. S M Liyanage

L W Plantation Investment Ltd

Mr. A M Weerasinghe
Mr. J A P M Jayasekera

Swisstek Investment (Pvt) Ltd

Mr. J A P M Jayasekera
Mr. A M Weerasinghe

Interests Register

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

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

The relevant interests of Directors in the shares of the Company as at 31st March 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 30.3 to the Financial Statements on page 181.

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 30.3 to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

The Company carried out transactions during the year in the ordinary course of its business at commercial rates as given in Note No 30.

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 Auditor and provider of tax related services.

A total amount of Rs. 3,460 Mn .is payable by the Company to the Auditors for the year under review comprising Rs. 2,170 Mn as audit fees and Rs. 1,290 Mn 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.787,765,736/-.

Subsequent to the sub-division of the total number of issued shares of the Company increased from 54,600,000 to 273,000,000.

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.

	2023	2022
Mr. A M Weerasinghe	-	-
Mr. J A P M Jayasekera	995	995
Dr. S Selliah	-	-
Mr. T G T horadeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	-	-
Mr. M W R N Somaratne	80,000	20,000
Mr. J D N Kekulawala	-	-
Mr. S M Liyanage	-	-
Mr. S R Jayaweera	-	-
Ms. K A D B Perera	-	-

Shareholders

There were 14,945 shareholders registered as at 31st March 2023 (13,789 shareholders as at 31st March 2022). The details of distribution are given on page 199 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 196 to 202 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 - 579 persons were in employment (581 persons as at 31st March 2022).

Reserves

The reserves of the Company with the movements during the year are given in Note 13 to the Financial Statements on page 154.

Annual report of The Board of Directors on the Affairs of The Company

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 9.277 Mn

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

Location	No. of Buildings	Land in Extent			Valuation
	31/03/2023	A	R	P	Rs.000
Head Office	1	1	1	2.1	1,545,778
Meepe Factory	29	25	1	37.2	1,938,228
Total	30	26	2	39.3	3,484,006

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

Dividends

An interim dividend of Rs. 6.30 per share for the year ending 31st March 2023 was paid on 11th April 2023.

The Directors recommended a final dividend of Ninety Cents (Rs.0.90) 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 Royal Ceramics Lanka PLC which holds 54.55% (2022- 54.55%) of the issued share capital of the Company.

The ultimate parent Company is Vallibel One PLC.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2023 are given in Notes 6 to the Financial Statements on pages 148 to 150.

Donations

The Company made donations amounting to Rs.2.6 Mn /- in total, during the year under review. (2022 Rs. 247,650/-).

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 31 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 or, where relevant provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note to the Financial Statements on page 181, there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 32 to the Financial Statements on page 181 there are no material events as at the

date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

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

An Audit Committee, Remuneration Committee and 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 Asirwatham
Mr. L N De S Wijeyeratne

Related Party Transactions 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 81 to 91 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 65 of this Report.

Environmental Protection

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

Going Concern

In determining the basis of preparing the financial statements for the year ended 31st March 2023, based on available information, the management has assessed the existing and anticipated effects prevailing economic conditions. Group Companies and the appropriateness of the use of the going concern basis.

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

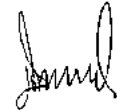
Annual General Meeting

The Notice of the Forty Sixth (46th) Annual General Meeting appears on page 206.

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

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

Our internal auditors 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 assurances provided by any system of internal controls and accounting.

The financial statements were audited by M/s. Ernst & Young, Chartered Accountants, the independent auditors. The independency 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.



J. A. P. M. Jayasekera

Managing Director



S U Amarasinghe

General Manager (Finance)

31st May 2023

Statement of Directors Responsibilities

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 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.

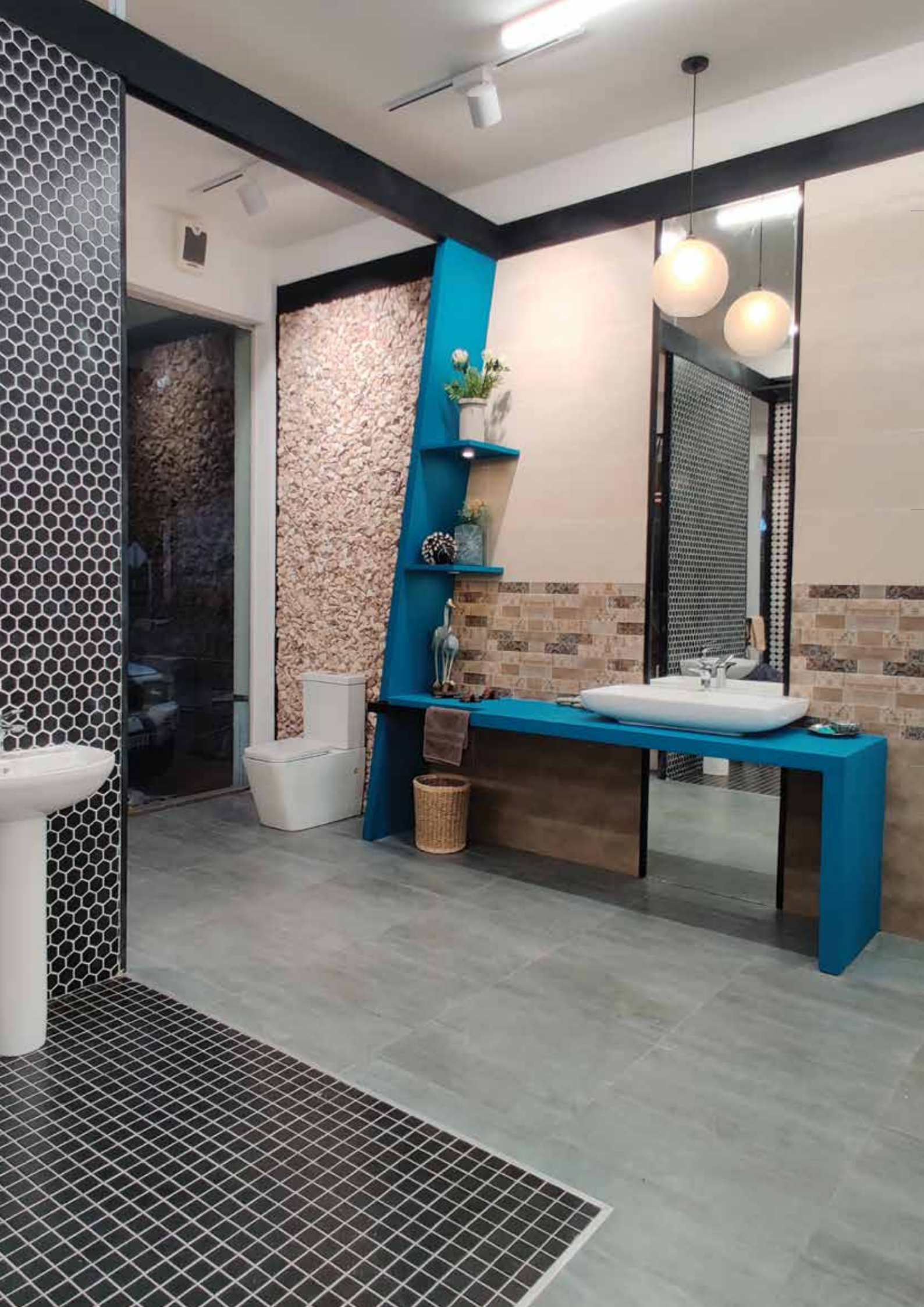
The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2022/23, including cash flows and borrowing facilities, consider that the Company has adequate resources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

By Order of the Board
LANKA WALLTILES PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

31st May 2023





Controls of Credibility

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Independent Auditor’s Report



Ernst & Young
Chartered Accountants
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P.O. Box 101
Colombo 10, Sri Lanka

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Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysk@lk.ey.com
ey.com

Report on the audit of the Consolidated Financial Statements
Opinion

We have audited the financial statements of Lanka Walltiles 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 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 Matter
Existence and carrying value of Inventories	
<p>As at 31 March 2023, the carrying value of inventories amounted to Rs. 14,896 Mn net of a provision of Rs. 365 Mn for slowing-moving inventory as disclosed in note 7 to the financial statements.</p> <ul style="list-style-type: none"> • Existence and carrying value of inventories was a key audit matter due to: • Materiality of the reported amount, which represents 33% of the Group’s total assets • Inventories being held at multiple locations • Judgements applied by the management in determining the provision for slow-moving inventory on account of ageing and prevailing economic conditions. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the reporting date • Tested whether inventory was stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items. • Understood the process followed by the management for the measurement of inventory and tested the relevant controls. • Tested the accuracy and completeness of inventory age reports used in the estimation of allowances • Assessed the reasonableness of management judgements applied in determining provision for slow-moving inventory. • We also evaluated the adequacy of the disclosures in note 2.3.5 and note 7 to the financial statements

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.

Independent Auditor's Report

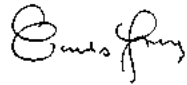
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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)-MSc MSc-IT, G B Gordin 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
ASSETS					
Non-current assets					
Property, plant and equipment	3.1	18,159,208	18,973,756	5,915,641	4,950,952
Consumable biological assets	3.1	-	595,643	-	-
Investment properties	3.9	815,687	813,619	-	-
Intangible assets	5	172,253	57,721	34,449	-
Investments in subsidiaries	6	-	-	1,618,984	1,562,096
Investment in associates	6	186,300	177,920	-	-
Right of use assets	3.9	58,545	309,436	20,189	45,658
Deferred tax asset	15.2	146,833	-	-	-
		19,538,826	20,928,095	7,589,263	6,558,706
Current assets					
Inventories	7	14,896,538	8,388,233	3,549,810	1,479,947
Trade and other receivables	8	8,628,891	6,767,705	2,519,426	792,407
Contract assets	9	32,343	29,342	-	-
Amounts due from related parties	10	85,827	52,533	47,623	119,378
Income tax receivable		-	17,586	-	-
Short term investments	11	4,454	4,008	4,454	4,008
Cash and cash equivalents	28	2,181,212	7,346,071	150,297	1,029,771
		25,829,265	22,605,478	6,271,610	3,425,511
Total assets		45,368,091	43,533,573	13,860,873	9,984,217
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	787,765	787,765	787,765	787,765
Reserves	13	3,172,011	3,536,480	1,810,498	2,057,891
Retained earnings		14,672,498	13,492,885	4,768,769	4,620,515
Shareholders' funds		18,632,274	17,817,130	7,367,032	7,466,171
Non controlling interest		4,879,643	5,633,586	-	-
Total equity		23,511,917	23,450,716	7,367,032	7,466,171
Non-current liabilities					
Interest bearing liabilities	14	650,072	2,363,591	10,072	6,586
Deferred tax liabilities	15	2,836,942	1,996,380	1,022,841	628,461
Retirement benefit liability	16	513,536	912,379	163,799	123,617
Deferred income and capital grants	17	-	113,324	-	-
		4,000,550	5,385,674	1,196,712	758,664
Current liabilities					
Trade and other payables	18	4,590,620	5,526,697	1,233,987	1,094,960
Contract liability	9	111,798	113,660	9,972	19,591
Income tax liabilities		528,371	778,669	89,944	338,039
Amounts due to related parties	19	403,762	121,365	1,529,278	20,784
Current portion of interest bearing liabilities	14	12,221,073	8,156,792	2,433,948	286,008
		17,855,624	14,697,183	5,297,129	1,759,382
Total equity and liabilities		45,368,091	43,533,573	13,860,873	9,984,217

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 112 to 190 form an integral part of the financial statements.

Figures in brackets indicate deductions.

31 May 2023

Colombo

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Continued Operations					
Revenue from contracts with customers	20	43,455,012	37,293,878	9,297,171	8,058,545
Cost of Sales		(26,950,988)	(24,257,006)	(5,753,067)	(4,772,898)
Gross Profit		16,504,024	13,036,872	3,544,104	3,285,647
Other Income	21	422,577	603,280	1,936,885	1,690,070
Change in fair value of investment property	3.9	2,068	-	-	-
Distribution Costs		(4,314,613)	(3,358,056)	(1,162,037)	(998,889)
Administrative Expenses		(2,236,468)	(1,482,995)	(427,514)	(289,316)
Finance Cost	22	(3,369,159)	(332,838)	(390,543)	(22,628)
Finance Income	23	545,433	188,592	7,942	5,594
Share of net profit of associate	6	7,123	3,720	-	-
Profit Before Tax from continuing operations	24	7,560,985	8,658,575	3,508,837	3,670,478
Income Tax Expense	25	(2,739,751)	(1,818,947)	(560,326)	(587,498)
Profit for the Year from continuing operations		4,821,234	6,839,628	2,948,511	3,082,980
Discontinued Operations					
Profit for the year from discontinued operations net of Tax	4	386,017	42,455	-	-
Profit for the year		5,207,251	6,882,083	2,948,511	3,082,980
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Actuarial Gain/ (Loss) on Retirement Benefit Liability		(3,067)	119,860	(14,996)	56,485
Deferred tax on components of other comprehensive income	25	(442,323)	(22,191)	(242,894)	(10,337)
Share of other Comprehensive Income of associate	6	1,257	4,200	-	-
Net Other Comprehensive Income from Discontinued Operation		(36,231)	5,860	-	-
Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods		(480,365)	107,729	(257,890)	46,148
Net Other Comprehensive Income may be reclassified to profit or loss in subsequent periods (net of tax):					
Foreign currency translation differences of foreign operations		3,292	3,523	-	-
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		3,292	3,523	-	-
Other Comprehensive Income/(loss) for the Year, net of tax		(477,073)	111,252	(257,890)	46,148
Total Comprehensive Income for the Year, net of tax		4,730,178	6,993,335	2,690,621	3,129,128
Profit attributable to :					
Equity holders of the parent		4,360,188	5,140,632	2,948,511	3,082,980
Non controlling interest		847,063	1,741,451	-	-
Profit for the year		5,207,251	6,882,083	2,948,511	3,082,980
Total comprehensive income attributable to :					
Equity holders of the parent		3,975,311	5,234,060	2,690,621	3,129,128
Non controlling interest		754,867	1,759,275	-	-
Total Comprehensive Income for the Year		4,730,178	6,993,335	2,690,621	3,129,128
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	26				
- From Continuing Operation		15.65	18.75	10.80	11.29
- From Discontinued Operation		0.32	0.08	-	-

The accounting policies and notes on pages 112 to 190 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

As at 31st March	Stated capital	Revaluation reserve	Retained Earnings	Total	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP						
Balance as at 1st April 2021	787,765	3,541,400	10,242,050	14,571,215	4,823,606	19,394,821
Transfer from revaluation reserve on disposal of land	-	(4,920)	4,920	-	-	-
Profit for the Year	-	-	5,140,631	5,140,631	1,741,451	6,882,082
Other Comprehensive Income	-	-	93,428	93,428	17,824	111,252
Total Comprehensive Income	-	-	5,234,059	5,234,059	1,759,275	6,993,334
Write back of unclaimed dividends	-	-	3,030	3,030	-	3,030
Dividends						
Final 2020/21	-	-	(846,300)	(846,300)	-	(846,300)
1st Interim 2021/22	-	-	(846,300)	(846,300)	-	(846,300)
2nd Interim 2021/22	-	-	(464,100)	(464,100)	-	(464,100)
	-	-	(2,156,700)	(2,156,700)	-	(2,156,700)
Dividends to non controlling interest	-	-	165,526	165,526	(949,295)	(783,769)
Balance as at 1st April 2022	787,765	3,536,480	13,492,885	17,817,130	5,633,586	23,450,716
Surcharge tax levied under the surcharge tax Act No. 14 of 2022	-	-	(690,156)	(690,156)	(191,926)	(882,082)
Adjusted Balance as at 1st April 2022	787,765	3,536,480	12,802,729	17,126,974	5,441,660	22,568,634
Profit for the Year	-	-	4,360,188	4,360,188	847,063	5,207,251
Other Comprehensive Income	-	(364,469)	(20,408)	(384,877)	(92,196)	(477,073)
Total Comprehensive Income	-	(364,469)	4,339,780	3,975,311	754,867	4,730,178
Effect of disposal of subsidiary	-	-	-	-	(455,677)	(455,677)
Dividends						
Final 2021/22	-	-	(791,700)	(791,700)	-	(791,700)
1st Interim 2022/23	-	-	(1,719,900)	(1,719,900)	-	(1,719,900)
	-	-	(2,511,600)	(2,511,600)	-	(2,511,600)
Dividends to non controlling interest	-	-	41,589	41,589	(861,207)	(819,618)
Balance as at 31 March 2023	787,765	3,172,011	14,672,498	18,632,274	4,879,643	23,511,917

The accounting policies and notes on pages 112 to 190 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

	Stated capital Rs.'000	Revaluation reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
COMPANY				
Balance as at 1st April 2021	787,765	2,057,891	3,645,057	6,490,713
Profit for the Year	-	-	3,082,980	3,082,980
Other Comprehensive Income	-	-	46,148	46,148
Total Comprehensive Income	-	-	3,129,128	3,129,128
Write back of unclaimed dividends	-	-	3,030	3,030
Dividends				
Final 2020/21 (Rs. 3.10 per Share)	-	-	(846,300)	(846,300)
1st Interim 2021/22 (Rs. 3.10 per Share)	-	-	(846,300)	(846,300)
2nd Interim 2021/22 (Rs. 1.70 per Share)	-	-	(464,100)	(464,100)
	-	-	(2,156,700)	(2,156,700)
Balance as at 1st April 2022	787,765	2,057,891	4,620,515	7,466,171
Surcharge tax levied under the surcharge tax Act No. 14 of 2022	-	-	(278,160)	(278,160)
Adjusted Balance as at 1st April 2022	787,765	2,057,891	4,342,355	7,188,011
Profit for the Year	-	-	2,948,511	2,948,511
Other Comprehensive Income	-	(247,393)	(10,497)	(257,890)
Total Comprehensive Income	-	(247,393)	2,938,014	2,690,621
Dividends				
Final 2021/22 (Rs. 2.90 per Share)	-	-	(791,700)	(791,700)
1st Interim 2022/23 (Rs. 6.30 per Share)	-	-	(1,719,900)	(1,719,900)
	-	-	(2,511,600)	(2,511,600)
Balance as at 31 March 2023	787,765	1,810,498	4,768,769	7,367,032

The accounting policies and notes on pages 112 to 190 form an integral part of the financial statements.

Figures in brackets indicate deductions.

Statement of Cash Flows

For the Year ended 31st March	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax from continuing operation		7,560,985	8,658,575	3,508,837	3,670,478
Profit before tax from discontinued operation		873,047	68,322	-	-
Adjustments for					
Depreciation & amortisation		1,136,986	1,086,545	226,271	213,274
Amortisation of Right of use Lease Assets	3.9	79,383	71,690	25,469	20,633
Income from investments		-	-	(1,922,898)	(1,477,277)
(Profit)/Loss on sale of property, plant & equipment		(1,111)	32,349	(1,000)	40
(Gain)/Loss on disposal of subsidiary	4	(215,955)	-	-	-
Interest income		(550,530)	(189,292)	(7,942)	(5,594)
Finance costs		3,703,767	473,901	390,542	22,628
Provision for retirement benefit obligations	16	204,658	119,404	28,621	8,906
Capital expenditure written off		23,707	19,595	-	-
Allowance/ (reversal) for obsolete and slow moving inventories	7	64,931	87,830	2,711	23,278
Allowance for impairment of trade receivable	8	23,771	19,709	3,000	3,400
Deferred income / capital grants amortisation	17.1	(7,671)	(7,564)	-	-
Changing in Fair Value of Biological Assets		8,042	36,713	-	-
Fair value in investment property	3.9	(2,068)	-	-	-
Foreign exchange (gain)/ loss		(193,010)	(213,629)	-	-
Inventory Written off		(4,795)	(81,874)	(4,116)	(70,935)
Share of net profit of associate	6.3	(7,123)	(3,720)	-	-
Operating profit/(loss) before working capital changes		12,697,014	10,178,554	2,249,495	2,408,831
Working capital adjustments:					
(Increase)/ decrease in inventories		(7,044,890)	(1,909,075)	(2,068,458)	(21,523)
(Increase)/ decrease in trade and other receivables		(1,206,712)	(2,316,339)	(1,730,019)	(3,775)
(Increase) /decrease in due from related parties		(33,295)	10,791	71,755	(48,688)
Increase/ (decrease) in due to related parties		282,397	35,408	1,508,493	(59,095)
Increase / (decrease) in trade and other payables		(546,016)	1,505,656	129,409	448,438
Increase/ (decrease) in investments		(446)	(65)	(446)	(132)
Cash generated from/(used in) operations		4,147,989	7,504,930	160,229	2,724,056
Interest received		550,530	189,292	7,942	5,594
Finance costs paid		(3,703,767)	(473,901)	(390,542)	(22,628)
Retirement benefit plan costs paid	16	(195,623)	(135,809)	(3,435)	(1,845)
Surcharge tax paid		(882,082)	-	(278,160)	-
Income tax paid		(2,609,131)	(1,437,958)	(656,935)	(456,309)
Net cash flows from/(used in) operating activities		(2,692,084)	5,646,554	(1,160,901)	2,248,868
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	3	(2,920,029)	(2,195,982)	(1,195,378)	(562,258)
Acquisition of Intangible assets	5.2	(130,234)	(22,326)	(35,030)	-
Acquisition of plantation assets	3	(282,555)	(181,793)	-	-
(Acquisition) / disposal of investments		-	-	(56,888)	(286,000)
Proceeds from sale of property, plant & equipment		6,187	59,361	6,000	1,878
Income from investments		-	-	1,922,898	1,477,277
Net cash inflow from disposal of subsidiary		459,625	-	-	-
Net cash flows from/(used in) investing activities		(2,867,006)	(2,340,740)	641,602	630,897
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained		24,004,478	25,934,440	3,668,864	1,835,922
Repayment of interest bearing borrowings		(20,381,738)	(22,926,584)	(1,823,715)	(1,970,263)
Repayment of Lease liability		(51,960)	(47,916)	(20,344)	(20,974)
Dividends paid - on Ordinary Shares	27	(2,511,600)	(2,156,700)	(2,511,600)	(2,156,700)
Dividend paid to non controlling interest		(819,618)	(783,769)	-	-
Dividend write back		-	3,030	-	3,030
Capital grants received	17	821	1,894	-	-
Net cash flows from/(used in) financing activities		240,383	24,395	(686,795)	(2,308,985)
Net increase/(decrease) in cash and cash equivalents		(5,318,707)	3,330,209	(1,206,094)	570,780
Foreign exchange difference arising on translation of foreign operation		1,825	3,523	-	-
Cash and cash equivalents at the beginning of the year	28	5,604,209	2,270,477	794,291	223,511
Cash and cash equivalents at the end of the year	28	287,327	5,604,209	(411,803)	794,291

The accounting policies and the notes on pages 112 to 190 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal activities and nature of operations

During the year, the principal activities of the Company were the manufacture and sale of ceramic walltiles for export and local markets and holding investments.

The principal activities of the other Companies of the Group are disclosed in Note 6.2 to the Financial Statements.

1.3 Parent enterprise and ultimate parent enterprise

The Company’s parent entity is Royal Ceramics Lanka 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 Walltiles 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 31 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. Biological assets (fair value less cost to sell)
3. Investment properties

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

2.1.2 Statement of Compliance

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

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

2.1.3 Going concern

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 Company and its subsidiaries as at 31 March 2023.

Subsidiaries and equity accounted investees are disclosed in Note 6 to the Financial Statements.

2.1.6.1 Subsidiaries

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

1. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

2. Exposure, or rights, to variable returns from its involvement with the investee

3. The ability to use its power over the investee to affect its returns

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is 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 6.2 to the financial statements.

Notes to the Financial Statements

2.1.6.2 Equity accounted investees (Investment in associates)

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

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

After application of the equity method, the Group determines whether it is necessary to 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 the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in the Statement of Profit or Loss. The investment in associate is accounted for using the cost method in the separate financial statements.

2.1.7 Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 16 for the assumptions used and the sensitivity thereon.

b) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 7).

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

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

Fair value related disclosures for assets measured at fair value are summarized in the Note 3.1, 3.4 and 3.9 to the financial statements.

d) Impairment of debtors

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. (Note 8.2)

e) Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

f) 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.

g) Fair Valuation of Biological Assets

The fair value of managed timber determined based on discounted cash flow method using various financial and non-financial assumptions. The growth of the trees is determined by various biological features that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the note 3.1 (h) and 2.4.2 (b).

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

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

2.3.2 Fair Value Measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarized in the Note 14.5 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.

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 (SSCL) shall be paid by the Group 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.

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”.

Borrowing cost incurred in respect of specific loans that are utilised for the field development activities have been capitalised as part of the cost of relevant immature plantation. The capitalisation will ceased when crops are ready for commercial harvest.

2.3.5 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

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

Finished goods

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

work-in-progress

At actual cost

Trading goods

At purchase cost on first in first out basis

Consumable and spares

At actual cost on weighted average basis

Raw materials

At purchase cost on weighted average cost basis, except for Vallibel Plantation Management Limited and Swisstek (Ceylon) PLC which is on a first in first out basis.

Goods in transit

At actual cost

Harvest Crops – Refer note 2.4.2 (b)

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.

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

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

Subsequent Measurement

The Group classifies all financial assets in the measurement category of financial assets at 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 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 Leases

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

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

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

a) Group as the Lessor

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

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.

(i) Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.3.12- 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 14).

(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.

2.3.9 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.

2.3.10 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.

2.3.11 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 uses the yields of Treasury Bonds published by the 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 a 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.

2.3.12 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

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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.

2.3.13 Revenue recognition

Revenue from contracts with customers

The Group is primarily involved in manufacturing and marketing of tiles and associated items, sanitaryware, packing material, aluminium products and agricultural products in Sri Lanka and overseas as detailed in Note. 20. 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.

a) Sale of goods - tiles and associated items, sanitaryware, packing material, aluminium products

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.

b) Sale of Plantation produce – Discontinued Operations

The group is in the Business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation produce).

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea and rubber produce are sold at the Colombo tea/rubber auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of hammer at which point control is transferred to the customer. Revenue from sale of the crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of goods.

c) Sale of timber with installation services - Discontinued Operations

The supply of timber is recognized at the point of delivery the goods to the customer and the revenue for installation services is recognized over installation period for the transactions that consumes a significant time period for installation. The revenue is recognized at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day delivery of goods.

(i) Significant financing component

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

(ii) Contract assets

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

(iii) Trade receivables

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

(iv) Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

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.

2.3.14 Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segments of the Group are determined based on product or services supplied by Group.

Segment information is presented in respect of the Group's business and has been prepared in conformation with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group. The business segments are reported based on Group's management and internal reporting structure.

Inter segment pricing is determined at prices mutually agreed by the companies.

Segment result, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of goodwill on consolidation.

The Group comprises the following main business segments:

Tiles and associated items

The manufacture and distribution of wall tiles, floor tiles and related products.

Biological assets – Disposed during the year

Cultivation, processing and sale of tea and rubber

Aluminum products

The manufacture and distribution of aluminum extrusions and allied products through a network of dealers & distributors.

Packing materials

The manufacture and distribution of packing materials

Management considers that there is no suitable basis for allocating such assets and related liabilities to geographical segments. Accordingly, segment assets, segment liabilities and other segment information by geographical segment is not disclosed.

2.4 Significant accounting policies that are specific to the business of plantation Disposed during the year

2.4.1 Basis of Preparation

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 3.10.(a).

Notes to the Financial Statements

- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits)
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.4.2 Property, Plant and Equipment

a) Permanent Land Development Cost

Permanent land development costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalized and amortized over the remaining lease period. Permanent impairments to land development costs are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

b) Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees those that are to be sold as Biological assets.

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

Recognition and Measurement

The entity recognizes the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The expenditure incurred on bearer biological asset fields, which are bearing during the year, has been transferred to mature plantations. Expenditure incurred

on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment as per the option provided by the ruling issued by the Institute of Chartered Accountants of Sri Lanka.

The managed timber trees are measured on initial recognition and at the end of each reporting period at fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduce the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalized when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalized are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

Consumer Biological Assets

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41 - Agriculture. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Group.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Group.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in profit or loss for the period in which it arises.

Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

Produce on Bearer Biological Asset

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered."

2.4.3 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 group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated

Notes to the Financial Statements

impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

Useful economic lives, amortization and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and 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 lives of assets are as follows:

Software 5 - 15 Years

2.4.4 Inventories

a) Agricultural produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from Agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

b) Agricultural produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

Input Material

At actual cost on first-in-first-out basis.

Spares and Consumables

At actual cost on first-in-first-out basis.

Produced Stocks

Valued at cost or NRV.

2.4.5 Retirement Benefit Obligation

a) Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Liability in the Statement of Financial Position.

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messers. Actuarial Management Consultants (Private) Limited as at 31.03.2023.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff's Provident Society (ESPS)/Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

2.4.6 Deferred Income

a) Grants and Subsidies

Government grants are recognized where there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants relate to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related

Property, Plant and Equipment is more fully mentioned in Note 17 to the Financial Statements.

Grants related to income are recognized in the Statement of comprehensive Income in the year which it is receivable.

Unconditional grants received for consumer biological assets are measured at fair value less cost to sell are recognized in the Statement of Comprehensive income when and only when such grants become receivable.

2.4.7 Revenue Recognition

Refer Note 2.3.13 (b) for the policy of revenue recognition on sale of the plantation products.

2.5 Cash and cash equivalents

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

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand, cash at bank deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents. Bank overdrafts are disclosed under Interest Bearing Liabilities in the Statement of Financial Position.

2.6 Standards issued but not yet effective

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

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.

Notes to the Financial Statements

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.

3. PROPERTY, PLANT & EQUIPMENT

3.1 GROUP

	Balance as at 01.04.2022	Additions	Disposals/ Transfers	De- recognition on disposal of subsidiary	Balance as at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
a) Gross Carrying Amounts					
At Cost					
Buildings	375,021	38,533	(32,663)	(380,891)	-
Plant and Machinery	11,629,884	691,956	(67,549)	(420,387)	11,833,904
Water Supply, Electricity Distribution Scheme	710,425	7,403	-	-	717,828
Tools, Implements, Furniture & Fittings and Electrical Appliances	1,348,973	331,309	(18,645)	(287,202)	1,374,435
Transport & Communication Equipment	618,805	122,607	(18,846)	(203,214)	519,352
	14,683,108	1,191,808	(137,703)	(1,291,694)	14,445,519
	Balance as at 01.04.2022	Additions	Disposals/ Transfers	De- recognition on disposal of subsidiary	Balance as at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At Valuation					
Freehold Land	5,253,435	-	-	-	5,253,435
Buildings	4,175,972	263,343	22,079	-	4,461,394
	9,429,407	263,343	22,079	-	9,714,829
	Balance as at 01.04.2022	Additions	Disposals/ Transfers	De- recognition on disposal of subsidiary	Balance as at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
In the Course of Construction					
Capital Work In Progress - Buildings & Others	740,491	2,008,117	(569,514)	(5,414)	2,173,680
	740,491	2,008,117	(569,514)	(5,414)	2,173,680
Total	24,853,006	3,463,268	(685,138)	(1,297,108)	26,334,028

Notes to the Financial Statements

b) Depreciation

	Balance as at 01.04.2022	Charge for the Year	Disposals/ Transfers	De- recognition on disposal of subsidiary	Balance as at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At Cost					
Buildings	191,609	10,750	(69,143)	(133,216)	-
Plant and Machinery	6,006,893	650,666	(68,662)	(302,356)	6,286,541
Water Supply, Electricity Distribution Scheme	425,578	28,412	-	-	453,990
Tools, Implements, Furniture & Fittings and Electrical Appliances	855,904	159,422	(21,906)	(125,012)	868,408
Transport & Communication Equipment	496,540	27,957	(13,846)	(184,244)	326,407
Total	7,976,524	877,207	(173,557)	(744,828)	7,935,346
At Valuation					
Buildings	75,679	127,313	36,482	-	239,474
	75,679	127,313	36,482	-	239,474
Total	8,052,203	1,004,520	(137,075)	(744,828)	8,174,820

c) Net book value of assets

	31.03.2023 Rs.'000	31.03.2022 Rs.'000
At Valuation		
Freehold Land	5,253,435	5,253,435
Buildings	4,221,920	4,100,292
At Cost		
Buildings	-	183,412
Plant and Machinery	5,547,363	5,622,991
Water Supply, Electricity Distribution Scheme	263,838	284,847
Tools, Implements, Furniture & Fittings and Electrical Appliances	506,027	493,069
Transport & Communication Equipment	192,945	122,265
	15,985,528	16,060,312
Capital Work in Progress	2,173,680	740,491
Net Book Value	18,159,208	16,800,803

(d) Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversi- -fication	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Immature Plantations						
Cost :						
Opening Balance	123,397	41,968	50,175	205,707	421,247	394,017
Additions	69,090	22,207	9,586	177,966	278,849	171,294
Transfers to Mature	(34,200)	(32,471)	(56,880)	(53,974)	(177,525)	(126,119)
Transfers (from)/to	(15,647)	(6,228)	(336)	11,301	(10,910)	-
Write off during the year	-	(2,823)	(2,545)	(17,955)	(23,323)	(17,945)
De-recognition on disposal of subsidiaries	(142,640)	(22,653)	-	(323,045)	(488,338)	-
At the end of the year	-	-	-	-	-	421,247
Mature Plantations						
Cost or Valuation :						
Opening Balance	868,897	1,589,563	221,313	143,213	2,822,986	2,704,011
Transfers from Immature	34,200	32,471	56,880	53,974	177,525	126,119
Disposal during the year	-	(1,166)	-	-	(1,166)	(7,144)
Transfers (from)/to	(49,452)	(190,945)	354	(3,117)	(243,160)	-
Write off during the year	-	-	-	(16)	(16)	-
De-recognition on disposal of subsidiaries	(853,645)	(1,429,923)	(278,547)	(194,054)	(2,756,169)	-
At the end of the year	-	-	-	-	-	2,822,986
Amortization :						
At the beginning of the year	302,307	695,549	29,937	43,487	1,071,280	942,071
Charge for the year	28,129	74,237	11,090	8,510	121,966	135,303
Disposal during the year	-	(1,166)	-	-	(1,166)	(6,094)
Transfers (from)/to	(49,452)	(190,945)	-	(3,217)	(243,614)	-
Write off during the year	-	-	-	(2)	(2)	-
De-recognition on disposal of subsidiaries	(280,984)	(577,675)	(41,027)	(48,778)	(948,464)	-
At the end of the year	-	-	-	-	-	1,071,280
Carrying Amount	-	-	-	-	-	1,751,706
Total Bearer Biological Assets	-	-	-	-	-	2,172,953

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 3.1. (d), 3.1. (e). and 3.9.3 Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

Notes to the Financial Statements

(e) Consumable Biological Assets

	31.03.2023 Rs'000	31.03.2022 Rs'000
Immature Plantations		
Cost :		
At the beginning of the year	39,293	49,464
Additions	3,706	10,506
Transfers to Mature Plantations	(39,617)	(20,078)
Transferred to Statement of Profit or Loss	(369)	(599)
Transfers from/(to)	10,456	-
De-recognition on disposal of subsidiaries	(13,469)	-
At the end of the year	-	39,293
Mature Plantations		
Cost :		
At the beginning of the year	556,350	581,114
Decrease due to Harvest	(3,664)	(68,177)
Increase due to new plantations	39,617	20,078
Change in Fair Value less costs to sell	(14,224)	23,335
De-recognition on disposal of subsidiaries	(578,079)	-
At the end of the year	-	556,350
Total Bearer Biological Assets	-	595,643

(f) Basis of Valuation

Under LKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2023 comprised approximately 330 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.13.4 Million as at 31st March 2023. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr.A.A.M.Fathihu- Proprietor of FM Valuers for 2022/23 using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure

Discounted rates used by the Valuer are within the range of 17.5%-19.5%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

The Company is exposed to the following risks relating to its timber plantation:-

Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Sensitivity Analysis

Sensitivity Analysis on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

Managed Timber		-5%	5%
31-Mar-23	Rs.000	(28,430)	28,430
31-Mar-22	Rs.000	(55,635)	55,635

Sensitivity Analysis on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

Managed Timber		-1%	1%
31-Mar-23	Rs.000	26,067	(26,067)
31-Mar-22	Rs.000	32,412	(28,068)

(g) Capitalisation of borrowing cost

There was nil Borrowing costs (Rs.41.390 Million in 2021/22) directly relating to an investment in Biological Assets (Immature Plantations) that have been capitalised during the period.

(h) Net book value of assets

	2023 Rs.'000	2022 Rs.'000
Property, plant and equipment [3.1 (c)]	18,159,208	16,800,803
Bearer Biological Assets [3.1 (d)]	-	2,172,953
Total	18,159,208	18,973,756

Notes to the Financial Statements

- (i) Fixed assets include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 3,073.94 Mn (2022- Rs.3056.08 Mn)
- (j) During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs.3,202.6 Mn (2022- Rs. 2377.7 Mn). Cash payments amounting to Rs. 3,202.6 Mn (2022 - Rs. 2,377.7Mn) were made during the year for the purchase of property, plant, and equipment.
- (k) 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).

Company	Location	Extent	Independent Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Fair Value measurement (Level 3) Rs. 000
Lanka Walltiles PLC property details included under Note 3.4.1.							
Lanka Tiles PLC	Factory Premises , Jaltara , Ranala	28A-02R-32.69P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market based evidence	Rs. 50,000/- to 120,000/- per perch	517,878
	Factory Premises , Jaltara , Ranala	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	08A-02R-08.56P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market based evidence	Rs. 120,000/- to 200,000/- per perch	203,001
	Land Adjacent to the Factory Premises , Jaltara , Ranala	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	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	48,531 sqft	FRT Valuation Services (pvt) Ltd	31 March 2021	Contractor's method	Rs 1500/- to Rs. 4000/- per sqft	192,451
	Land at Nugegoda	00A-00R-32.03P	FRT Valuation Services (pvt) Ltd	31 March 2021	Market approach	Rs. 7,500,000/- per perch	240,200
Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A12-R03-P371	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs.85,000/- per perch	124,211
	Building and land improvement at Narampola road, Moragala, Deketana	179,357 sqft	Mr. D.G.Newton	31 March 2021	Depreciated Replacement cost	Rs.750/- to Rs. 2,000/- per sqft	334,090
Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 80,000/- per perch	34,800

Company	Location	Extent	Independent Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Fair Value measurement (Level 3) Rs. 000
	Building at Narampola road, Moragala, Deketana	32103 sqft	Mr. D.G.Newton	31 March 2021	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sqft	65,700
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda	984.5 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 750,000/- per perch	738,375
	No: 288/26, Colombo Road, Belummahara, Imbulgoda	81.6 perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 625,000/- per perch	51,000
	No:334/5, Colombo Road, Belummahara, Imbulgoda	20.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 600,000/- per perch	12,000
	No: 177/6, New Kandy Rd., Weliwariya	84.0 Perches	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs. 525,000/- per perch	44,625
	Factory Complex, Belummahara, Imbulgoda	62,530 sqft	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs. 500/- to 4,000/- per sqft	139,253
	Factory Complex, Belummahara, Imbulgoda- Crushing Plant 2	7,000 sqft	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs. 4,000/- per sqft	28,000
	No: 177/6, New Kandy Rd., Weliwariya	27,170 sqft.	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs. 2,750/- to 3,250/- per sqft	79,569
	Factory Complex, Belummahara, Imbulgoda-Tiles Stores	27,285 sqft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 3,191/- per sqft	87,067
	Factory Complex, Belummahara, Imbulgoda-Sales Centre	4944 sqft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 6,163/- per sqft	30,473
	Factory Complex, Belummahara, Imbulgoda-Open shed	3524 sqft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 2,308/- per sqft	8,133
	Factory Complex, Belummahara, Imbulgoda-Warehouse	4,950 sqft	Mr. D.G.Newton	31 March 2021	Income Approach	Rs. 4,349/- per sqft	21,527
Swisstek Aluminium Ltd.	76/7,Pahala Dompe,Dompe	A11-R1-P 22.8	Mr. D.G.Newton	31 March 2021	Market based evidence	Rs.50,000/- to Rs.150,000/- Per Perch	218,311
	76/7,Pahala Dompe,Dompe	171,861 sqft	Mr. D.G.Newton	31 March 2021	Contractors Method	Rs.500/- to Rs.3,500/- per sqft	559,398

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

Notes to the Financial Statements

3.2 The useful lives of the assets are estimated as follows ;

	2023 Years	2022 Years
Non plantation assets		
Buildings	25-50	25-50
Plant and machinery	8-20	8-20
Permanent Land Development Cost	40	40
Tools, implements and furniture and fittings	2-10	2-10
Transport and Communication Equipment	2-5	2-5
Computer Hardware & Software	3-15	3-8
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	30
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33	33
Mature plantations (Rubber)	20	20
Mature plantations (Oil palm)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	15
Mature plantations (Coffee and pepper)	4	4

The carrying amount of revalued assets of the Company would have been included in the Financial Statement had the assets been carried at cost less depreciation as follows

	Group				Company			
	Cost Accumulated Depreciation		Net Carrying Amount	Net Carrying Amount	Cost Accumulated Depreciation		Net Carrying Amount	Net Carrying Amount
	2023 Rs.000	2023 Rs.000	2023 Rs.000	2022 Rs.000	2023 Rs.000	2023 Rs.000	2023 Rs.000	2022 Rs.000
Freehold Land	2,321,803	-	2,321,803	2,321,803	459,928	-	459,928	459,928
Building	3,021,584	(744,766)	2,276,818	3,128,548	499,549	(269,233)	230,316	499,253
	5,343,387	(744,766)	4,598,621	5,450,351	959,477	(269,233)	690,244	959,181

3. PROPERTY, PLANT & EQUIPMENT

3.3 Property, Plant & Equipment COMPANY

Gross Carrying Amounts	Balance as at 01.04.2022 Rs.000	Addition Rs.000	Disposals Rs.000	Balance as at 31.03.2023 Rs.000
At Cost				
Plant and Machinery	2,559,199	31,990	-	2,591,189
Water Supply, Electricity Distribution Scheme	202,315	-	-	202,315
Tools, Implements, Furniture & Fittings and Electrical Appliances	274,543	51,877	-	326,420
Transport & Communication Equipment	144,082	169	(14,000)	130,251
	3,180,139	84,036	(14,000)	3,250,175
At Valuation				
Freehold Land	2,433,989	-	-	2,433,989
Buildings	1,116,567	296	-	1,116,863
	3,550,556	296	-	3,550,852
In the Course of Construction				
Capital Work In Progress Plant & Machinery and Building	174,738	1,111,628	-	1,286,366
	174,738	1,111,628	-	1,286,366
Total	6,905,433	1,195,960	(14,000)	8,087,393

Notes to the Financial Statements

	Balance as at 01.04.2022 Rs.000	Addition Rs.000	Disposals Rs.000	Balance as at 31.03.2023 Rs.000
Depreciation				
At Cost				
Plant and Machinery	1,494,402	152,328	-	1,646,730
Water Supply, Electricity Distribution Scheme	114,810	9,546	-	124,356
Tools, Implements, Furniture & Fittings and Electrical Appliances	200,470	28,813	-	229,283
Transport & Communication Equipment	111,991	1,546	(9,000)	104,537
Total	1,921,673	192,233	(9,000)	2,104,906
At Valuation				
Buildings	32,808	34,038	-	66,846
	32,808	34,038	-	66,846
Total	1,954,481	226,271	(9,000)	2,171,752

3.4 Net Book Value of Assets

	2023 Rs. 000	2022 Rs.000
At Valuation		
Freehold Land	2,433,989	2,433,989
Buildings	1,050,017	1,083,759
At Cost		
Plant and Machinery	944,459	1,064,797
Water Supply, Electricity Distribution Scheme	77,959	87,505
Tools, Implements, Furniture & Fittings and Electrical Appliances	97,137	74,073
Transport & Communication Equipment	25,714	32,091
	4,629,275	4,776,214
Capital Work in Progress	1,286,366	174,738
Total	5,915,641	4,950,952

3. PROPERTY, PLANT & EQUIPMENT CONTD.

3.5 Assets At Valuation

3.5.1 The fair value of freehold lands and buildings was determined by means of a revaluation during the financial year 2020/2021 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
No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	Rs. 7,000,000/- per perch	1,414,700
		Mr. Ranjan J Samarakone	31 March 2020	Market based evidence	Rs. 7,000,000/- per perch	1,414,700
	36,170 Square feet building	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's basis method valuation	Rs.2,000/-to Rs 4,500/- per square feet	135,610
	35,990 Square feet building	Mr. Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	Rs.1,000/-to Rs 3,500/- per square feet	85,281
Plan No 2205 Situated at Mawathgama and Galagedara Village	A23-R1-P24.16	FRT Valuation Services (Pvt) Ltd	31 March 2021	Market based evidence	Rs. 250,000/- per perch	1,019,290
	A23-R1-P24.16	Mr. Ranjan J Samarakone	31 March 2020	Market based evidence	Rs. 300,000/- per perch	1,123,200
	308,612 Square Feet building	FRT Valuation Services (Pvt) Ltd	31 March 2021	Contractor's basis method valuation	Rs.2,000/-to Rs 6,000/- per square feet	897,017
	279,361 Square Feet building	Mr. Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	Rs.2,000/-to Rs 4,000/- per square feet	726,664

Notes to the Financial Statements

3.5.2 Description of Valuation Techniques.

Market Approach

The Selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for any differences in the nature, size, location or condition of the specific property.

Cost Approach

The market Value of a property is estimated as a function of the current cost to purchase or replace the property. Adjustments to new replacement cost are made to account for depreciation to determine the market value of the property.

Contractors method

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.

Income Approach

The income approach is specifically used to evaluate properties in commercial real estate, that is, properties that are income-generating are most suitable under the income approach. Investors that evaluate the value of a property using the income approach need to pay attention to the condition of the property as at the time it is being rented.

The income approach converts future amounts to a single discounted amount taking into account, inter alia, risk and uncertainty .When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Depreciated Replacement Cost Approach

Depreciated replacement cost of an asset is the current cost to replace the asset less accumulated depreciation. It is the cost company spends to acquire the current replacement asset and deduct the accumulated depreciation to reflects with the current asset condition. It is simply the replacement cost less depreciation which already deduct from current asset

3.6 Right of use Assets

During the financial year 2013, the Company acquired a right to leasehold land to the value of Rs.14.60 Mn for a period of 30 years.

3.7 During the financial year, the Company acquired property, plant, and equipment to the aggregate value of Rs. 1,195.38Mn (2022 - Rs.562.26 Mn). Cash payments amounting to Rs.1,195.38 Mn (2022 - Rs.262.26 Mn) were made during the year for the purchase of Property, Plant, and Equipment.

3.8 Fixed assets include fully depreciated assets the cost of which at the reporting date amounted to Rs. 989.17 Mn (2022 - Rs.962.07 Mn).

3.9 Investment property

	Group		Company	
	2023	2022	2023	2022
As at 01st April	813,619	813,619	-	-
Net fair value gain recognised in profit or loss	2,068	-	-	-
As at 31st March	815,687	813,619	-	-

3.9.1 The fair value of freehold lands and buildings were determined by means of an independent revaluation carried out by Chartered valuation surveyors during the financial year 2022/23 in reference to market based evidence and the details of the valuations are indicated below;

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	
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2023	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,900	
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P	31 March 2023	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.5,000,000/- per Acre	21,800	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	31 March 2023	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.130,000/- per Perch	5,850	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	31 March 2023	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.80,000/- per Perch	552	
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,900	
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.5,000,000/- per Acre	21,800	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.125,000/- per Perch	5,625	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.70,000/- per Perch	475	
	Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2023	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,895
		House	981.sq.ft	31 March 2023	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.5800/- per sq.ft	5,690
Agalagedara Village, Divulapitiya, Gampaha		48A-03R-17.9P	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs. 8,000,000/- per Acre	390,895	
	House	981.sq.ft	31 March 2022	FRT Valuation Services (Pvt) Ltd	Market based evidence	Rs.4,000/- per sq.ft	3,924	

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

Notes to the Financial Statements

3.9.2 Right of Use Assets/ Lease Liabilities- Company

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

	Land Rs. 000	Building Rs. 000	Total Rs. 000
Right of Use Asset			
As at 1 April 2021	10,707	23,078	33,785
Additions	-	32,506	32,506
Less: Amortization Expense	(487)	(20,146)	(20,633)
As at 31 March 2022	10,220	35,438	45,658
As at 1 April 2022	10,220	35,438	45,658
Less: Amortization Expense	(520)	(24,949)	(25,469)
As at 31 March 2023	9,700	10,489	20,189
Lease Liability			
As at 1 April 2021	-	24,749	24,749
Additions	-	32,506	32,506
Interest Expense	-	3,679	3,679
Less: Payments	-	(24,653)	(24,653)
As at 31 March 2022	-	36,281	36,281
As at 1 April 2022	-	36,281	36,281
Interest Expense	-	4,533	4,533
Less: Payments	-	(24,876)	(24,876)
As at 31 March 2023	-	15,938	15,938

*Net book value of the lease assets presented under Note 3, Property, Plant and Equipment as at 31 March 2019 has been transferred to Right-to-use Assets with the adoption of SLFRS 16-Leases, with effect from 1 April 2019. Prior period amounts has not been restated.

3.9.3 Right of Use Assets/ Lease Liabilities- Group

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

	Land Rs. 000	Building Rs. 000	Land -Plantation Rs. 000 (Note 3.10)	Equipment Rs. 000	Immovable Estate Assets Rs. 000 (Note 3.10)	Total Rs. 000
Right of Use Asset						
As at 1 April 2021	15,047	142,048	153,463	3,157	25,256	338,971
Additions	-	36,639	5,516	-	-	42,155
Less: Amortization Expense	(1,275)	(53,345)	(6,501)	(1,403)	(9,166)	(71,690)
As at 31 March 2022	13,772	125,342	152,478	1,754	16,090	309,436
As at 1 April 2022	13,772	125,342	152,478	1,754	16,090	309,436
Remeasurement of leasehold right	-	-	13,232	-	-	13,232
Less: Amortization Expense	(1,309)	(63,014)	(6,989)	(1,403)	(6,668)	(79,383)
De-recognition on disposal of subsidiaries	-	(16,246)	(158,721)	(351)	(9,422)	(184,740)
As at 31 March 2023	12,463	46,082	-	-	-	58,545
Lease Liability						
As at 1 April 2021	4,814	153,129	159,032	2,926	-	319,901
Additions	-	35,139	5,516	-	-	40,655
Interest Expense	542	18,291	22,388	317	-	41,538
Less: Payments	(1,200)	(63,073)	(23,362)	(1,819)	-	(89,454)
As at 31 March 2022	4,156	143,486	163,574	1,424	-	312,640
As at 1 April 2022	4,156	143,486	163,574	1,424	-	312,640
Remeasurement of leasehold right	-	-	13,232	-	-	13,232
Interest Expense	459	18,460	23,759	92	-	42,770
Less: Payments	(1,200)	(66,807)	(25,207)	(1,516)	-	(94,730)
De-recognition on disposal of subsidiaries	-	(19,100)	(175,358)	-	-	(194,458)
As at 31 March 2023	3,415	76,039	-	-	-	79,454

The following are the amounts recognized in profit or loss:

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Amortization expense of right-of-use assets	79,383	71,690	25,469	20,633
Interest expense on lease liabilities	42,770	41,538	4,533	3,679
Expense relating to short-term leases (included in cost of sales)	57,419	42,397	24,876	10,930
Total amount recognized in profit or loss	179,572	155,625	54,878	35,242

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Lease Liability -Current	32,794	39,715	5,866	29,695
Payable With in One to Five Years	46,660	116,711	10,072	6,586
Payable after Five Years	-	156,214	-	-
	79,454	312,640	15,938	36,281

Notes to the Financial Statements

3.10 Right of use - Land

(a)

	2023 Rs.'000	2022 Rs.'000
Capitalized Value As at 22.06.1992	204,931	204,931
Net book value carried forward as at 1st April	152,478	153,463
Remeasurement of leasehold right as at 1st July	13,232	5,516
De-recognition on disposal of subsidiaries	(165,710)	-
	-	158,979
Amortization		
Charge for the year	6,989	6,501
De-recognition on disposal of subsidiaries	(6,989)	-
Amortization as at 31st March	-	6,501
Carrying Amount as at 31st March	-	152,478

The Right of Use Asset of Lands consist of the lease rights on Janatha Estates Development Board (JEDB)/ Estates of Sri Lanka State Plantations Corporation (SLSPC) and Land located in Dumbara Estate. This right to use asset is amortized over the remaining lease period of 23 years from 01 April 2022.

(b) Right of Use Immovable Estate Assets

	Bearer Biological Assets (Mature)	Permanent Land Development Costs	Buildings	Plant & Machinery	Total as at 31.03.2023 Rs. 000	Total as at 31.03.2022 Rs. 000
Capitalized Value :						
As at 22.06.1992	214,810	4,014	47,173	6,818	272,815	272,815
Transfers from / to	(23,686)	(582)	(1,253)	(966)	(26,487)	-
De-recognition on disposal of subsidiaries	(191,124)	(3,432)	(45,920)	(5,852)	(246,328)	-
At the end of the year	-	-	-	-	-	(272,815)
Amortization :						
Opening Balance	198,884	3,851	47,173	6,818	256,727	247,559
Charge for the year	6,506	163	-	-	6,669	9,168
Transfers from / to	(23,686)	(582)	(1,253)	(966)	(26,487)	-
De-recognition on disposal of subsidiaries	(181,704)	(3,432)	(45,920)	(5,852)	(236,909)	-
At the end of the year	-	-	-	-	-	(256,727)
Carrying Amount :						
As at 31.03.2023	-	-	-	-	-	-
As at 31.03.2022	15,926	163	-	-	-	16,089

4. DISPOSAL OF SUBSIDIARY

4.1 The net assets of Horana Plantations PLC at the date of disposal were as follows:

	Rs.000
Non Current Assets	
Right of Use Assets	184,742
Bearer Biological Assets	2,296,046
Consumable Biological Assets	591,546
Property, Plant & Equipment	552,281
Total Non Current Assets	3,624,615
Current Assets	
Non-harvested Produce on Bearer Biological Assets	9,847
Inventories	476,385
Trade and Other Receivables	197,560
Other Related Companies Receivables	9,384
Cash and Cash Equivalents	37,379
Total Current Assets	730,555
Total Assets	4,355,170
Non Current Liabilities	
Interest bearing Loans & Borrowings	745,939
Lease Liabilities	183,991
Retirement Benefit Obligations	458,833
Deferred Income	106,475
Deferred Tax Liability	583,027
Total Non Current Liabilities	2,078,265
Current Liabilities	
Trade and Other Payables	361,677
Related Companies Payables	32,930
Interest bearing Loans & Borrowings	444,875
Lease Liabilities	10,467
Short Term Borrowings	497,003
Total Current Liabilities	1,346,952
Total Liabilities	3,425,217
Carrying amount of the net assets disposed	929,953

4.2 Gain on disposal of subsidiary - Group

	Rs. 000
Total Cash Consideration Receivable	695,180
Net Assets Attributable to Parent	
The carrying value of net assets disposed	929,953
Goodwill on Acquisition of HPPLC	4,949
De-recognition of non-controlling interests	(455,677)
Gain on disposal of subsidiary	215,955
Net cash inflow arising on disposal	
The consideration receivable from the disposal of subsidiary	695,180
Net cash inflow from disposal of subsidiary	459,625

Notes to the Financial Statements

4.3 Discontinued Operations

On 28th March 2023, Board of Directors of Lanka Walltiles PLC approved the sale of 12,750,000 shares held by its fully owned subsidiary, Vallibel Plantations Management Limited in Horana Plantations PLC to Hayleys Plantation Services (Pvt) Limited at Rs.54.90 per share. The said shares constitute 51% of the total shares in the issue of Horana Plantations PLC. Results of Horana Plantations PLC is being classified as discontinued operations, hence results of the plantation segment is no longer presented in the income statement and segment information.

The results of the discontinued operations, which have been included in the profit for the year, were as follows

	2023 Rs.'000	2022 Rs.'000
Revenue	3,794,035	2,563,636
Cost of Sales	(2,559,346)	(2,192,626)
Gross Profit	1,234,689	371,010
Other Operating Income	7,782	7,564
Change in Fair Value of Biological Assets	(4,377)	31,464
Expenses	(251,584)	(201,354)
Profit from Operations	986,510	208,685
Net Finance Expenses	(329,418)	(140,362)
Profit before Tax	657,092	68,323
Tax Expense	(487,030)	(25,868)
Profit/(Loss) for the year	170,062	42,455
Gain on disposal of subsidiary	215,955	-
	386,017	42,455
Summary of Statement of Cash flows,		
Net Cash Flows Generated/(Used) Operating Activities	681,561	245,804
Net Cash Flows Generated/(Used) Investing Activities	(430,106)	(300,989)
Net Cash Flows Generated/(Used) Financing Activities	(227,186)	(159,097)
	24,269	(214,282)

A Gain of Rs 215.96 million arose on the disposal of Horana Plantations PLC, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and attributable goodwill

5 INTANGIBLE ASSETS

5.1 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April	24,519	24,519	-	-
De-recognition of goodwill	(4,949)	-	-	-
Balance as at 31st March	19,570	24,519	-	-

The key assumptions used to determine the recoverable amount for the cash generating units, are as follows;

Discount rate (after tax) - 17%

Terminal Growth Rate - 2%

Gross profit Margin - 27%

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Growth Rate

The Management has estimated 2% growth rate in the cash flow beyond the five-year period

5.2 Intangible Assets

	Group		Company	
	2023	2022	2023	2022
	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 April	33,202	11,295	-	-
Additions	130,234	24,502	35,030	-
Transfer from PPE	-	4,198	-	-
Amortisation charge	(10,754)	(6,793)	(581)	-
Balance as at 31 March	152,683	33,202	34,449	-
As at 31 March 2023				
Cost	181,118	50,883	35,030	-
Accumulated amortisation	(28,435)	(17,681)	(581)	-
Net book amount	152,683	33,202	34,449	-

Notes to the Financial Statements

6 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE

Company	Number of Shares'000		Holding		Cost	Market Value/ Value/ Directors' Valuation*	Cost	Market Value/ Value/ Directors' Valuation*
	2023	2022	2023 %	2022 %	2023 Rs.'000	2023 Rs.'000	2022 Rs.'000	2022 Rs.'000
6.1 Subsidiary								
a) Quoted								
Lanka Tiles PLC	180,946	180,946	68.22	68.22	935,958	7,798,772	935,958	10,802,475
Swisstek (Ceylon) PLC	15,706	15,706	11.48	11.48	41,247	221,458	41,247	347,108
Total Quoted Investment in Subsidiary					977,205	8,020,230	977,205	11,149,583
b) Non-quoted								
Vallibel Plantation Management Ltd	10,336	10,336	100.00	100.00	298,891	298,891	298,891	298,891
LWL Development (Pvt) Ltd	28,600	28,600	100.00	100.00	286,000	286,000	286,000	286,000
LW Plantation Investment Ltd	5,689	0.001	100.00	100.00	56,888	56,888	0.001	-
Total Non-quoted Investments in Subsidiaries					641,779	641,779	584,891	584,891
Total Net Carrying Value of Investments in Subsidiaries					1,618,984		1,562,096	

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

6.2

Details of those companies in which Lanka Walltiles 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		Principal activities of the company	Principal place of Business	Country of Incorporation	
	Company					
	2023	2022				
1) Lanka Tiles PLC	68.22	68.22	68.22	Manufacture of Ceramic & Porcelain floor tiles	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
2) Vallibel Plantation Management Ltd	100.00	100.00	100.00	Providing management services to plantation industry	No 400, Deans Road, Colombo 10, Sri Lanka	Sri Lanka
3) Horana Plantations PLC	0.00	51.00	-	Agricultural production	No 400, Deans Road, Colombo 10, Sri Lanka	Sri Lanka
4) Uni-Dil Packaging Ltd	100.00	100.00	-	Manufacture and sale of cartons for packing	Narampola Road, Moragala, Dekatana. Sri Lanka	Sri Lanka
5) Uni-Dil Packaging Solutions Ltd	100.00	100.00	-	Manufacture and sale of paper sacks for packing	Narampola Road, Moragala, Dekatana. Sri Lanka	Sri Lanka
6) Swisstek (Ceylon) PLC	59.28	59.28	11.48	Manufacture and sale of tile grout and tile mortar.	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
7) Swisstek Aluminium Ltd	51.81	51.81	-	Manufacture and sale of aluminium extrusions	No. 76/7, Pahala Dompe, Dompe. Sri Lanka	Sri Lanka
8) LWL Development Limited	100.00	100.00	100.00	Property Holding Company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
9) Beyond Paradise Collection Limited	68.22	68.22	-	Property Holding Company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
10) Lankatiles (Pvt) Ltd(Foreign Subsidiary)	34.79*	34.79	-	Distribution of Tiles in India	No 196, A1, Bommasandra Industrial Area, Banglo India	India
11) LTL Development Ltd	68.22	68.22	-	Property Holding Company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
12) Swisstek Development Ltd	51.81	51.81	-	Property Holding Company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka
13) LW Plantation Investment Ltd	100.00	100.00	100.00	Property Holding Company	No 215, Nawala Road, Narahenpita, Colombo 05	Sri Lanka

* The company has a controlling stake in these investee companies through the direct and indirect holdings within Group Companies.

Notes to the Financial Statements

6.3 INVESTMENTS IN ASSOCIATES

Group	Holding		Carrying Value	
	2023 %	2022 %	2023 Rs.000	2022 Rs.000
Non-quoted Investments				
C P Holdings (Pvt) Limited	35.39%	35.39%	186,300	177,920

Movement in Investments in Associates

Group	2023 Rs.000	2022 Rs.000
As at the beginning of the year	177,920	170,000
Investment	-	-
Share of net profit of associate	7,123	3,720
Share of other Comprehensive Income of associate	1,257	4,200
At the end of the year	186,300	177,920

The Group invested in CP Holdings (Pvt) Ltd through its subsidiary Companies namely LTL Development Limited, Swisstek Development Limited and LW Plantation Investment Limited at 16.67% each. Accordingly, the effective investment holding of CP Holding (Pvt) Ltd is 35.39% as at the reporting date.

C P Holdings (Pvt) Limited

Summarized Statement of financial position

As at 31 March	2023 Rs.000	2022 Rs.000
Current Asset	21,409	15,742
Non Current Assets	379,000	352,079
Current liabilities	1,486	1,282

Detail of this Company in which Lanka Walltiles 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
CP Holdings (Pvt) Limited	Property Holding Company	M/s. Ernst & Young	No 23, Nawala Road , Narahenpita, Colombo 05	Sri Lanka

7 INVENTORIES

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Raw materials	6,245,250	4,715,853	672,397	311,373
Work in progress	1,822,994	358,774	55,157	23,722
Finished goods	6,554,477	2,102,146	2,045,546	577,091
Goods in transit	96,195	118,685	-	-
Consumables and spares	542,950	1,274,436	842,724	631,064
Harvested crops	-	116,959	-	-
Non-harvested produce on bearer biological assets	-	8,129	-	-
Shading Tree Nurseries	-	3,369	-	-
Allowances for slow moving stocks	(365,328)	(310,118)	(66,014)	(63,303)
Total	14,896,538	8,388,233	3,549,810	1,479,947
Writ-off/(Write back)during the year	(4,793)	(81,874)	(4,116)	(70,935)
7.1 Provision as at 31 April	310,118	222,288	63,303	40,025
Charge during the year	64,931	87,830	2,711	23,278
De-recognition on disposal of subsidiaries	(9,721)	-	-	-
Provision as at 31 March	365,328	310,118	66,014	63,303

Finished goods of the company includes Rs 1,112 Mn (2022 Rs 322 Mn) of trading goods. Also, disclose the group breakup.

8.0 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Trade debtors - related parties (8.1)	7,727	22,919	-	15,795
- Other	5,136,028	4,371,333	775,673	582,655
	5,143,755	4,394,252	775,673	598,450
Less: Allowances for doubtful debts	(155,410)	(137,744)	(17,470)	(14,470)
	4,988,345	4,256,508	758,203	583,980
Advance and prepayments	3,187,936	2,160,695	1,724,265	199,165
Other debtors	444,355	322,292	28,702	8,686
Loans to company officers	8,256	28,210	8,256	576
Total	8,628,891	6,767,705	2,519,426	792,407

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Allowances for doubtful debts				
Balance as at 1 April	137,744	118,034	14,470	11,070
Provided during the year	24,680	23,602	3,000	3,400
Utilised/reversed during the year	(909)	(3,892)	-	-
De-recognition on disposal of subsidiaries	(6,105)	-	-	-
Balance as at 31 March	155,410	137,744	17,470	14,470

Notes to the Financial Statements

8.1 Trade debtors - related parties

Company	Relationship	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	-	15,643
Royal Ceramics Lanka PLC	Parent Company	7,727	16,790	-	100
Rocell Bathware Ltd	Affiliated Company	-	49	-	49
Uni Dil Packaging Ltd	Subsidiary Company	-	-	-	3
Delmage Forsyth & Co.Ltd	Affiliated Company	-	6,080	-	-
		7,727	22,919	-	15,795

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

Company	Neither past due nor impaired	Past due but not impaired			Impaired	Total
	Rs.'000	< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000		
2023	643,901	87,909	28,597	-	15,266	775,673
2022	544,570	25,055	7,033	8,624	13,168	598,450

Group	Neither past due nor impaired	Past due but not impaired			Impaired	Total
	Rs.'000	< 3 Months Rs.'000	> 1 Year Rs.'000	> 1 Year Rs.'000		
2023	3,093,297	1,493,378	367,898	91,294	97,886	5,143,755
2022	3,325,871	707,494	166,742	120,020	74,125	4,394,252

9. Contract Asset and Liability

9.1 Contract Assets

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
As at 1st April	29,342	40,164	-	-
During the year recognised	3,001	(10,822)	-	-
As at 31st March	32,343	29,342	-	-

The contract assets primarily relate to company's rights to consideration for work completed but not billed at the reporting date on supply of timber. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

9.2 Contract Liabilities

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
As at 1st April	113,660	58,383	19,591	30,350
Advance received	11,593	90,233	-	-
During the year recognised	(13,455)	(34,956)	(9,619)	(10,759)
As at 31st March	111,798	113,660	9,972	19,591

The contract liability primarily relates to the advance consideration received from customers for Supply of timber and installation of timber flooring, for which revenue is recognised overtime. This will be recognised as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

10 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lanka Ceramic PLC	Affiliated Company	-	3,398	-	-
Swisstek Aluminium Ltd	Subsidiary company	-	-	46,899	-
Rocell Bathware Ltd	Affiliated Company	17,649	9,964	717	888
LW Plantation Investment Ltd	Subsidiary company	-	-	7	56,775
Royal Ceramics Lanka PLC	Parent Company	44,001	39,171	-	-
Horana Plantations PLC	Affiliated Company	24,178	-	-	-
Lanka Tiles PLC	Subsidiary company	-	-	-	61,715
Total		85,827	52,533	47,623	119,378

11 SHORT TERM INVESTMENTS

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Deposit of Tsunami donations	4,454	4,008	4,454	4,008
	4,454	4,008	4,454	4,008

12 STATED CAPITAL

12.1 Issued & fully paid

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	787,765	787,765	787,765	787,765
Balance at the end of the year	787,765	787,765	787,765	787,765

12.2 Issued & fully paid

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance at the beginning of the year	273,000	273,000	273,000	273,000
Balance at the end of the year	273,000	273,000	273,000	273,000

12.3 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.

Notes to the Financial Statements

13 RESERVES

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revaluation reserve (13.1)	3,172,011	3,536,480	1,810,497	2,057,891
Total	3,172,011	3,536,480	1,810,497	2,057,891

13.1 Revaluation reserve

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
On: Property Plant & Equipment				
As at 01 April	3,536,480	3,541,400	2,057,891	2,057,891
Transfer from revaluation reserve on disposal of land	-	(4,920)	-	-
Net of deferred tax effect on freehold land and building	(364,468)	-	(247,393)	-
As at 31 March	3,172,011	3,536,480	1,810,497	2,057,891

14 INTEREST BEARING LIABILITIES

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Non Current				
Long term loans (14.1)	603,412	2,113,775	-	-
Lease Liability-Plantation(14.2)	-	162,592	-	-
Lease Liability-Other (Note-3.9.2)	46,660	87,224	10,072	6,586
Total	650,072	2,363,591	10,072	6,586
Current				
Long term loans (14.1)	456,409	1,010,829	-	20,833
Lease Liability-Plantation(14.2)	-	982	-	-
Lease Liability-Other (Note-3.9.2)	32,794	61,843	5,866	29,695
Short term loans	9,837,985	5,341,276	1,865,982	-
Bank overdrafts (28)	1,893,885	1,741,862	562,100	235,480
Total	12,221,073	8,156,792	2,433,948	286,008
Total	12,871,145	10,520,383	2,444,020	292,594

14.1 Long term loans

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance as at 01st April	3,124,604	3,174,144	20,833	55,174
Loans obtained	428,985	781,574	-	-
Exchange gain/(loss)	23,859	44,846	-	-
Repayments	(1,326,813)	(875,960)	(20,833)	(34,341)
De-recognition on disposal of subsidiaries	(1,190,814)	-	-	-
Balance as at 31st March	1,059,821	3,124,604	-	20,833
Amount payable within 12 months	456,409	1,010,829	-	-
Amount payable after 12 months	603,412	2,113,775	-	20,833
Total	1,059,821	3,124,604	-	20,833
Short term loans				
Balance as at 01st April	5,341,276	2,283,880	-	100,000
Loans obtained	23,575,494	25,152,866	3,668,864	1,835,922
Repayments	(19,078,785)	(22,095,470)	(1,802,882)	(1,935,922)
Balance as at 31st March	9,837,985	5,341,276	1,865,982	-

14.2 Lease Liabilities to JEDB/SLSPC Estates and Dumbara Land

	2023			2022		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement :						
As at 1st April	540,695	(377,122)	163,573	545,621	(386,589)	159,032
Interim remeasurement of right-of-use asset as at 1st July	42,448	(29,216)	13,232	18,437	(12,921)	5,516
	583,144	(406,338)	176,806	564,058	(399,510)	164,548
Repayments during the year	(25,207)	-	(25,207)	(23,362)	-	(23,362)
Interest Expense for the year	-	23,759	23,759	-	22,388	22,388
De-recognition on disposal of subsidiaries	(557,937)	382,579	(175,358)	-	-	-
As at 31st March	-	-	-	540,695	(377,122)	163,573
Payable as follows :						
Payable within One Year	-	-	-	23,362	(22,380)	982
Payable by due dates	-	-	-	23,362	(22,380)	982
Payable after One Year :-						
Payable within Two to Five Years	-	-	-	93,983	(87,605)	6,378
Payable after Five Years	-	-	-	423,352	(267,138)	156,214
				517,335	(354,743)	162,592
Total Payable	-	-	-	540,697	(377,123)	163,574

14.3 The weighted average incremental borrowing rate applied to the lease liabilities was 14.44% (01 April 2019).

The rental payable under the JEDB/SLSPC lease is Rs. 6.302 Million per quarter until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

Notes to the Financial Statements

14.4 Details of long term loans of the Group

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 2023-03-31 Rs '000	Balance as at 2022-03-31 Rs '000
Lanka Walltiles PLC						
DFCC Bank PLC	48 monthly installments	100,000	AWDR+1%	Corporate Guarantee from Lanka Tiles PLC.	-	20,833
Company Total - Lanka Walltiles PLC					-	20,833
Lanka Tiles PLC						
DFCC Bank PLC	72 monthly installments (12 month Grace period)		AWPLR+0.75%	'A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	666,667	916,667
Company Total					666,667	916,667
Uni-Dil Packaging Limited						
Standard Chartered PLC	US \$ 114,079 Quarterly installments	USD 500,000	LIBOR+3.25%	Primary concurrent Mortgage bond for LKR 170 Mn over Property	68,154.16 USD 208.33	133,615.30 USD 454.99
Commercial Bank of Ceylon PLC	54 monthly installments	70,755	7.75%(fixed)	Solar System & related equipment	55,032	70,755
Hatton National Bank PLC	36 monthly installments	60,000	AWPLR+0.5%	Clean	26,668	46,667
Company Total					149,854	251,037
Uni-Dil Packaging Solutions Limited						
Commercial Bank of Ceylon PLC	54 monthly installments	17,744	7.75%(fixed)	Solar System & related equipment	14,454	17,744
Company Total					14,454	17,744

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 2023-03-31 Rs '000	Balance as at 2022-03-31 Rs '000
Horana Plantations PLC						
Hatton National Bank PLC	72 monthly instalments	150,000	AWPLR + 1.00%	Primary mortgage for 550 million	-	3,000
		200,000	AWPLR + 1.00%	Over the leasehold rights of Frocester Estate	-	25,175
		200,000	AWPLR + 0.75%	Primary mortgage for 400 million	-	50,150
		250,000	AWPLR + 2.00%	Over the leasehold rights of Bambrakelly Estate	-	146,000
		200,000	AWPLR + 1.75%		-	162,200
		200,000	AWPLR + 1.25%		-	234,376
Commercial Bank of Ceylon PLC	72 monthly installments, After a 24 months grace period.	100,000	AWPLR + 2.00%	Primary Floating Mortgage for Rs.120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.	-	65,250
Sampath Bank PLC	72 monthly installments, After a 24 months grace period.	200,000	AWPLR + 1.80%	Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate and Alton Estate	-	166,400
Commercial Bank of Ceylon PLC	60 monthly installments	350,000	8.5%-Fixed Rate	Primary mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (pvt) Ltd and Jhon Keels PLC	-	279,992
Seylan Bank PLC	24 monthly installments	15,000	4.00%	No security has been offered	-	8,594
Commercial Bank of Ceylon PLC	60 monthly installments	43,477	7.75%-Fixed Rate	Primary mortgage bond over Solar Panels and related equipment	-	43,477
Company Total - Horana Plantations PLC					-	1,200,434

Notes to the Financial Statements

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 2023-03-31 Rs. 000	Balance as at 2022-03-31 Rs. 000
Swisstek (Ceylon) PLC						
DFCC Bank PLC	60 monthly installments	110,000	AWPLR+1.25%	Mortgage over Land, Building, Plant & Machinery , Stocks and Book debts owned by Swisstek Aluminium Ltd.	45,808	76,704
Bank of Ceylon	54 monthly installments	170,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	-	28,323
	60 monthly installments	323,000	AWPLR+1.5%	Board Resolution	-	323,000
Company Total - Swisstek (Ceylon) PLC					45,808	428,027
Swisstek Aluminium Limited						
DFCC Bank PLC	60 monthly installments, After a 24 months grace period.	500,000	AWPR+1.4%	Mortgage over land, building, plant & machinery	50,000	133,333
Commercial Bank of Ceylon PLC	60 monthly installments, After a 6 months grace period.	156,529	AWPR+1.4%	Mortgage over Solar Panel Equipment	133,039	156,529
Company Total - Swisstek Aluminium Limited					183,039	289,862

14.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

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

Group	Carrying Amount		Fair value	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
Financial Assets				
Trade and Other Receivables	5,440,954	4,607,010	5,440,954	4,607,010
Amounts due from related parties	85,828	52,533	85,828	52,533
Contract Asset	32,343	29,342	32,343	29,342
Short term investments	4,454	4,008	4,454	4,008
Cash and cash equivalents	2,181,212	7,346,071	2,181,212	7,346,071
Total	7,744,791	12,038,964	7,744,791	12,038,964
Financial Liabilities				
Trade and Other Payables	2,004,175	2,884,498	2,004,175	2,884,498
Contract Liability	111,798	113,660	111,798	113,660
Loans and Borrowings- Current	12,221,073	8,156,792	12,221,074	8,156,792
Loans and Borrowings- Non Current	650,073	2,363,591	650,073	2,363,591
Total	14,987,120	13,518,541	14,987,120	13,518,541

Company	Carrying Amount		Fair value	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
Financial Assets				
Trade and Other Receivables	766,459	584,557	766,459	584,557
Amounts due from related parties	47,623	119,378	47,623	119,378
Short term investments	4,454	4,008	4,454	4,008
Cash and cash equivalents	150,297	1,029,771	150,297	1,029,771
Total	968,833	1,737,714	968,833	1,737,714
Financial Liabilities				
Trade and Other Payables	552,949	615,022	552,949	615,022
Contract Liability	9,972	19,591	9,972	19,591
Loans and Borrowings- Current	2,433,947	286,008	2,433,947	286,008
Loans and Borrowings- Non Current	10,072	6,586	10,072	6,586
Total	3,006,940	927,207	3,006,940	927,207

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.

Majority of the Interest-bearing loans and borrowings balances comprise floating rate instruments therefore fair value of the value due to banks approximate to the carrying value as at the reporting date.

Fixed Rate Financial Instruments

In fair valuing financial assets and financial liabilities with fixed rate, Average Weighted Primary Lending Rates published by the CBSL were used.

Notes to the Financial Statements

15 DEFERRED TAX

15.1 Deferred tax liability

	Group		Company	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
Balance as at 01st April	1,996,380	1,879,638	628,461	623,783
Reclassification to deferred tax assets	(144,927)	-	-	-
De-recognition on disposal of subsidiaries	(129,107)	-	-	-
Charge/ (Reversal) Recognised in Profit or Loss (Note 25.2)				
- Arising on During the Year Movement	311,956	93,864	11,784	(5,659)
- Due to Change in Tax Rates	832,920	-	139,702	-
- De-recognition on disposal of subsidiaries	(469,447)	-	-	-
Charge/ (Reversal) Recognised in Other Comprehensive Income (Note 25.2)				
- Arising on During the Year Movement	(5,650)	22,878	3,552	10,337
- Due to Change in Tax Rates	429,290	-	239,342	-
- De-recognition on disposal of subsidiaries	15,527	-	-	-
Balance as at 31st March	2,836,942	1,996,380	1,022,841	628,461

15.1.1 Statement of Financial Position

	Group		Company	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
Deferred Tax Liability				
Capital Allowances	1,809,122	1,458,504	443,409	270,269
Revaluation surplus	1,180,681	741,502	649,311	406,415
Revaluation surplus on Investment Property	122,099	113,271	-	-
Lease Liability	(4,582)	(1,571)	-	-
Deferred Tax Assets				
Retirement Benefit Liability	(137,586)	(137,675)	(44,834)	(33,679)
Carried Forward Tax Losses	-	(93,044)	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(115,425)	(68,442)	(19,804)	(11,838)
Allowances for Doubtful Debts	(17,367)	(16,165)	(5,241)	(2,706)
	2,836,942	1,996,380	1,022,841	628,461

15.2 Deferred Tax Asset

	2023 Rs. 000	2022 Rs. 000
Balance as at 01st April	-	-
Reclassification from liability	(144,927)	-
Deferred tax (charge) / reversal	294,916	-
Deferred tax release on components of other comprehensive income	(3,156)	-
Balance as at 31st March	146,833	-

Deferred tax asset as at the reporting date has been tested for recoverability based on the estimated future taxable income of the company in line with approved business plans and budgets covering the period of six years and management is of the view that taxable losses can be set off in future and accordingly the entire amount of the future tax savings of Rs. 297,131,547/- related to the tax losses amounting to Rs.1,487,585,068/- has been recognised as deferred tax assets as at 31 March 2023. These tax losses under the Inland Revenue Act No 24 of 2017 can be carry forward up to six years.

15.2.1 Statement of Financial Position

	2023 Rs. 000	2022 Rs. 000
Deferred Tax Liability		
Capital Allowances	(162,841)	-
Revaluation Surplus	(1,552)	-
Deferred Tax Assets		
Retirement Benefit Liability	7,227	-
Carried Forward Tax Losses	297,132	-
Provision for Obsolete and Slow Moving, Consumables and Spares	6,867	-
	146,833	-

16 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
Balance as at 01st April	955,426	1,098,237	123,617	173,041
Past Service Cost	-	(22,145)	-	(11,183)
Current service cost	66,297	60,001	9,213	7,976
Net interest on the net defined benefit liability (asset)	138,359	81,548	19,408	12,113
	204,658	119,404	28,621	8,906
Net Actuarial Gain / loss for the year	54,826	(126,407)	14,996	(56,485)
Payments made during the Year	(195,625)	(135,809)	(3,435)	(1,845)
	(140,798)	(262,216)	11,561	(58,330)
	1,019,284	955,426	163,799	163,799
Payable for retired employees included under current liabilities	(46,915)	(43,046)	-	-
De-recognition on disposal of subsidiaries	(458,833)	-	-	-
Balance as at 31st March	513,536	912,379	163,799	123,617

Lanka Walltiles PLC - 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 Walltiles PLC is as follows;

	2023 Rs. 000	2022 Rs. 000
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	10,496	9,285
Effect on DBO due to increase in the discount rate by 1%	(9,375)	(8,209)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(9,893)	(8,679)
Effect on DBO due to increase in the salary escalation rate by 1%	10,925	9,693

Notes to the Financial Statements

Group

In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis for all employees of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek Ceylon PLC, Swisstek Aluminium Limited, Uni Dil Packaging Ltd and Uni Dil packaging Solutions Ltd is as follows;

	2023 Rs. 000's	2022 Rs. 000's
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	131,086	61,832
Effect on DBO due to increase in the discount rate by 1%	(121,836)	(54,904)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(122,996)	(60,744)
Effect on DBO due to increase in the salary escalation rate by 1%	133,457	67,609

Lanka Walltiles PLC - Company

Distribution of Present value of define benefit obligation - Rs. 000

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March					
2022	11,295	49,721	25,868	76,915	163,799
2023	6,660	32,743	19,723	64,491	123,617

Group

Distribution of Present value of define benefit obligation - Rs. 000

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March					
2022	62,995	134,585	79,378	236,578	513,536
2023	113,613	146,861	177,804	474,101	912,379

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 2.3.11). 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 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

16 RETIREMENT BENEFIT LIABILITY CONTD.

Lanka Walltiles PLC

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;

	2023	2022
Discount rate (per annum)	17.00%	15.70%
Salary scale (per annum) - Executives	15.00%	14.00%
- Non Executives	12.50%	10.00%
Retirement Age	60 Years	60 Years
Staff Turnover ratio	6% up to 54 years, thereafter 0%	4% up to 54 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	11.47	14.08

Lanka Tiles PLC

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

Principal Actuarial Assumptions are as follows

	2023	2022
Discount rate	16.00%	15.40%
Future salary increases - Executives	15.00%	14.00%
- Non Executives	12.50%	10.00%
Retirement Age	60 Years	60 Years
Staff Turnover ratio	4% Age up to 54 and thereafter zero	7% Age up to 54 and thereafter zero
In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the actuarial valuation.		
Weighted Average duration of defined benefit obligation (Years)	14.37	10.81

Horana Plantations PLC

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2023 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits".

Notes to the Financial Statements

Principal Actuarial Assumptions are as follows

	2023	2022
Rate of interest	19%	15%
Rate of salary increase		
Workers	13% per annum	8% per annum
Staff	16.00% per annum	13.5% per annum
Head Office Staff	16.00% per annum	13.5% per annum
Retirement age		
Workers	60 years	60 years
Estate Staff	60 years	60 years
Head Office Staff	60 years	60 years
Weighted Average duration of defined benefit obligation (Years)		
Staff	9.20	9.93
Workers	7.97	7.35

Uni Dil Packaging Ltd and Uni Dil Packaging Solutions Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2023.

The valuation method used by the actuaries to value the benefit is the "Projected Unit Credit Method".

Principal Actuarial Assumptions are as follows	2023	2022
Discount rate p.a	17.80%	15.00%
Rate of salary increase	12.50%	10.00%
Staff turnover factor	8.00%	7.00%
Retirement age (Years)	60	60
Weighted Average duration of defined benefit obligation (years) Uni Dil Packaging Ltd	5.32	6.46
Weighted Average duration of defined benefit obligation (years) Uni Dil Packaging Solution Ltd	6.28	7.72

16 RETIREMENT BENEFIT LIABILITY CONTD.**Swisstek (Ceylon) PLC**

Gratuity liability based on the actuarial valuation carried out by Messrs. Actuarial and Management (Pvt) Ltd on 31 March 2023.

	2023	2022
Principal Actuarial Assumptions are as follows		
Discount rate p.a	18%	15.00%
Future salary increases	15.00%	15.00%
Executives		
Non Executives	12.5%	10.40%
Retirement age (Years)	60	60
Weighted Average duration of defined benefit obligation (Years)	10.43	13.71

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs. Actuarial and Management (Pvt) Ltd on 31 March 2023.

	2023	2022
Principal Actuarial Assumptions are as follows		
Discount rate p.a	18.00%	15.00%
Future salary increases	15.00%	15.00%
Executives		
Non Executives	12.50%	12.50%
Retirement age (Years)	60	60
Weighted Average duration of defined benefit obligation (Years)	8.33	6.85

17 CAPITAL GRANTS

	Group	
	2023	2022
	Rs.'000	Rs.'000
Capital grants (17.1)	-	113,324
Total	-	113,324

Notes to the Financial Statements

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received	Balance at the beginning	Received During the year	Amortised During the year	De-recognition on disposal of subsidiaries	Balance at the end
			Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Sri Lanka Tea Board	Tea factory modernisation	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	756	1,059	-	(96)	(962)	-
	Tea replanting subsidy	Will be amortized at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	6,929	360	(186)	(7,103)	-
	Farm Waste Shedder	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	300	-	300	(38)	(262)	-
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	13,188	-	(1,128)	(12,059)	-
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	22,337	-	(1,600)	(20,737)	-
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	216	-	(17)	(201)	-
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	11,750	-	(716)	(11,034)	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	2,804	-	(165)	(2,639)	-
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	6,208	-	(361)	(5,847)	-
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	48,724	161	(3,354)	(45,531)	-
Export Agriculture Department (EAD)	Cinnamon replanting subsidy	Will be amortized at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	109	-	(9)	(101)	-
Total			166,540	113,324	821	(7,670)	(106,476)	-

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade creditors - other	1,999,721	2,697,081	548,495	528,262
- related parties [18.1]	-	60,636	-	3,026
	1,999,721	2,757,717	548,495	531,288
Sundry creditors including accrued expenses	2,586,445	2,642,199	681,038	479,937
Provision for terminal benefits (current) [16.0]	-	43,046	-	-
Donations in respect of Tsunami fund	4,454	4,008	4,454	4,008
Unclaimed dividends	-	79,727	-	79,727
Total	4,590,620	5,526,697	1,233,987	1,094,960

18.1 Trade creditors - related parties

Company	Relationship	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lanka Ceramic PLC	Affiliated Company	-	1,698	-	289
Hayleys Agriculture Holding	Affiliated Company	-	861	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	-	1	-	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	-	312	-	-
Hayleys PLC	Affiliated Company	-	18,616	-	-
Hayleys Aventura (Pvt) Ltd	Affiliated Company	-	264	-	-
Kelani Valley Plantations PLC	Affiliated Company	-	515	-	-
Talawakelle Tea Estates PLC	Affiliated Company	-	6	-	-
Fentons Limited	Affiliated Company	-	38,363	-	-
Unidil Packaging Solution Ltd	Subsidiary Company	-	-	-	2,737
Total		-	60,636	-	3,026

19 AMOUNTS DUE TO RELATED PARTIES

Current Company	Relationship	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	1,297,906	-
Swisstek (Ceylon) PLC	Subsidiary Company	-	-	1,597	554
LWL Development (Pvt)Ltd	Subsidiary Company	-	-	13,946	-
Swisstek Aluminium Ltd	Subsidiary Company	-	-	-	1,618
Royal Ceramics Lanka PLC	Parent Company	14,476	7,006	3,233	262
Uni Dil Packing solution Ltd	Subsidiary Company	-	-	23,600	-
Lanka Ceramic PLC	Affiliated Company	191,933	2,644	174,253	2,644
Vallibel One PLC	Ultimate Parent Company	197,353	111,655	14,743	15,706
Delmage Forsyth & Co. Ltd.	Affiliated Company	-	60	-	-
Total		403,762	121,365	1,529,278	20,784

Notes to the Financial Statements

20 REVENUE

20.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's/ Group's revenue from contracts with customers:

Revenue from Contracts with Customers

Year ended 31st March	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Types of goods or service				
Sale of Tiles & Associated Items	28,819,022	23,752,747	9,297,171	8,058,545
Sale of Plantation Produce	-	2,563,636	-	-
Sale of Packing Materials	9,379,147	6,226,383	-	-
Sale of Aluminum Products	5,256,843	7,314,748	-	-
Total revenue from contract with customers	43,455,012	39,857,514	9,297,171	8,058,545
Geographical markets				
Local	41,586,716	38,445,016	8,253,876	7,288,008
Foreign - Export	1,868,296	1,412,498	1,043,295	770,537
Total revenue from contract with customers	43,455,012	39,857,514	9,297,171	8,058,545
Timing of revenue recognition				
Goods transferred at a point in time	43,455,012	39,857,514	9,297,171	8,058,545
Total revenue from contract with customers	43,455,012	37,293,878	9,297,171	8,058,545

Segmental information is given in Note 33 to the financial statements.

20.2 Contract balances

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Trade receivables (Note 09)	8,628,891	6,767,705	2,519,426	792,407
Contract assets (Note 9.1)	32,343	29,342	-	-
Contract liability (Note 9.2)	111,798	113,660	9,972	19,591

21 OTHER INCOME

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Income from investments in related Parties - Dividend	-	-	1,922,898	1,477,277
Rental income - Related parties	-	-	15,884	24,640
Disposal Gain/(Loss) on property, plant and equipment	1,000	(32,349)	1,000	(40)
Sundry income	362,367	258,663	9,406	10,698
Exchange gain	59,211	376,965	(12,303)	177,495
Total	422,577	603,280	1,936,885	1,690,070

22 FINANCE COST

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Interest expense on overdrafts	378,574	42,104	113,214	3,867
Interest expense on bank loans	2,590,882	393,340	272,797	15,082
Finance charges on lease liabilities	15,984	14,980	4,533	3,679
Exchange loss/(gain)	383,720	(117,586)	-	-
Total	3,369,159	332,838	390,543	22,628

23 FINANCE INCOME

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Interest income	545,433	188,592	7,942	5,594
Total	545,433	188,592	7,942	5,594

Notes to the Financial Statements

24 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

	Group		Company	
	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Included in cost of sales				
Depreciation and Amortization cost	810,773	818,136	191,520	186,364
Defined benefit plan costs - gratuity	52,949	22,328	14,054	4,453
Defined contribution plan costs - EPF & ETF	127,215	114,034	39,130	34,863
Other staff cost	2,398,011	2,174,913	537,165	468,611
Inventory written off and allowances	2,711	85,619	2,711	23,278
Included in administration expenses				
Depreciation and Amortization cost	106,502	63,164	13,432	13,611
Amortization of Right of use Lease Asset	30,730	25,864	-	-
Defined benefit plan costs - gratuity	27,258	7,228	11,788	3,587
Defined contribution plan costs - EPF & ETF	42,273	33,427	8,192	5,818
Other staff cost	417,956	375,403	68,450	56,955
Audit Fee	12,847	5,463	1,540	1,600
Technical Fee	394,649	342,568	54,279	55,280
Social Security Contribution levy	436,471	-	91,652	-
Included in distribution cost				
Depreciation and Amortization cost	53,693	28,870	21,319	13,300
Amortization of Right of use Lease Asset	25,469	20,633	25,469	20,633
Defined benefit plan costs - gratuity	10,187	5,011	2,779	866
Defined contribution plan costs - EPF & ETF	26,911	24,202	8,923	7,560
Other staff cost	457,393	359,023	148,864	111,468
Allowance for doubtful Debts	19,238	20,112	3,000	3,400

25 INCOME TAX EXPENSES

25.1 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	2,069,633	1,745,974	408,841	593,157
Under/(over) provision of current taxes in respect of prior years	31,346	(2,994)	-	-
Tax effect on Inter company Dividends	258,256	-	-	-
	2,359,235	1,742,980	408,841	593,157
(b) Deferred income tax				
Deferred taxation charge/(reversal)	380,516	75,967	151,484	(5,659)
Income tax expense reported in the Income statement	2,739,751	1,818,947	560,326	587,498
(c) Deferred tax expense reported in the OCI	442,323	22,191	242,894	10,337
	3,182,074	1,841,138	803,220	597,835

25.2 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	7,560,985	8,658,576	3,508,837	3,670,478
Income considered as separate source of income	1,510,868	1,810,673	1,477,277	1,477,277
Income exempt from tax	(1,109,161)	-	-	-
Non deductible expenses	2,555,898	(689,342)	337,758	337,758
Deductible expenses	(3,152,578)	(1,891,956)	(1,714,641)	(1,714,641)
Total Statutory Income	7,366,011	7,887,952	3,609,232	3,770,872
Tax losses utilized	-	(7,466)	-	-
Qualifying Payment Relief	(100)	(1,055)	-	-
Net Taxable profit	7,365,911	7,879,431	3,609,232	3,770,872
Taxable Profit	7,733,383	7,880,050	3,609,232	3,770,872
Taxable Loss	(367,472)	(619)	-	-
Net Taxable profit	7,365,911	7,879,431	3,609,232	3,770,872
Current income tax expense				
Taxation -14%	152,362	322,130	60,608	193,997
Taxation -18%	708,430	1,288,458	123,336	297,703
Taxation -24%	151,196	135,385	34,197	101,457
Taxation -30%	1,057,646	-	190,700	-
	2,069,634	1,745,974	408,841	593,157

- The corporate income tax rate changed with effect from 01st October 2023.

Notes to the Financial Statements

25.3 Reconciliation between 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
Capital Allowances	801,436	(1,606)	173,141	1,548
Retirement Benefit Liability	(58,724)	18,271	(11,155)	(2,013)
Carried Forward Tax Losses	(297,132)	94,978	-	-
Lease Liability	(2,729)	(2,734)	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(53,840)	(9,454)	(7,967)	(4,513)
Allowances for Doubtful Debts	(8,498)	(5,592)	(2,535)	(680)
Deferred taxation charge/(reversal)	380,513	93,863	151,483	(5,658)
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	443,678	-	247,393	-
Retirement Benefit Liability	(1,355)	22,878	(4,499)	10,337
Total	442,323	22,878	242,894	10,337
Effective Income Tax Rate	36.24%	21.14%	15.97%	16.01%

25.3 Notes on income tax of Group companies

Lanka Walltiles PLC, Lanka Tiles PLC, Vallibel Plantation Management Ltd, Unidil Packaging Limited and Swisstek (Ceylon) PLC

The statutory tax rate of above companies are as follows;

	2023	2022
Local sales and other profits	30% ,24% & 18%	24%&18%
Qualified export profit	14% & 30%	14%

Tax rates were changed w.e.f 01 October 2023

Swisstek Aluminum Ltd

Income tax exemption given for the Swisstek Aluminium Ltd has been ended by 01st September 2016 and company liable to pay tax at a rate of 20% on trade profit and 30% on other income.

Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the Lanka Walltiles 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 Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income. Total Surcharge Tax liability of Rs.882.08 Mn has been recognized for the Group(company-Rs.278.Mn) 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 paid Rs.441.01(Company-Rs.139.08) on account of the first installment of the Surcharge Tax liability. The final installment of Surcharge Tax payable reported under income tax liability as of 30 June 2022 has been paid on 20 July 2022.

26 EARNINGS PER SHARE

26.1 Earnings per share - basic

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of Lanka Walltiles 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
Amounts used as the numerator:				
Profit attributable to equity holders for basic earnings per share	4,360,188	5,140,632	2,948,511	3,082,980
- from continuing operations	15.65	18.75	10.80	11.29
-from Discontinued operations	0.32	0.08	-	-

	Group		Company	
	2023	2022	2023	2022
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	273,000,000	273,000,000	273,000,000	273,000,000

27 DIVIDENDS PAID

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Declared and paid during the year				
Equity dividends on ordinary shares :				
Final Interim 2021/22	791,700	846,300	791,700	846,300
First Interim 2022/23	1,719,900	846,300	1,719,900	846,300
Second Interim 2021/22	-	464,100	-	464,100
	2,511,600	2,156,700	2,511,600	2,156,700
Dividend Payout Ratio(%)	52%	42%	85%	70%

Notes to the Financial Statements

28. 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	2,181,212	7,346,071	150,297	1,029,771
	2,181,212	7,346,071	150,297	1,029,771
Unfavourable cash & cash equivalent balances				
Bank overdrafts (13)	(1,893,885)	(1,741,862)	(562,100)	(235,480)
Total cash and cash equivalents for the purpose of cash flow statement	287,327	5,604,209	(411,803)	794,291

29. ASSETS PLEDGED

Following Assets have been pledged as security for liabilities, in addition to the items disclosed in Note 14.7 to these financial statements.

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging Ltd

Lender	Facility	Limit Rs.000	Security
Hatton National Bank PLC	Import Loan	1,200,000	Immovable Property Inventories and Debtors
Standard Chartered Bank PLC	Import Loan	70,000	Land and Building, Immovable
		134,000	Machinery and Debtors Inventories and Debtors
DFCC Bank PLC	Import Loan	1,250,000	Inventories and Debtors
Sampath Bank PLC	Import Loan	1,000,000	Corporate Bonds

Uni Dil Packaging Solutions Ltd

Lender	Facility	Limit Rs. '000	Security
Hatton National Bank PLC	Import Loan Overdraft	570,000 30,000	Primary Mortgage Bond over the Company's Stock-in-trade and Book Debts
Hongkong and Shanghai Banking Corporation Limited	Import Loan	40,000	Corporate Guarantee from Uni Dil Packaging Limited
Seylan Bank PLC	Import Loan Overdraft	100,000 20,000	Corporate Guarantee from Uni Dil Packaging Limited
DFCC Bank PLC	Import Loan Overdraft	100,000 20,000	Primary concurrent Mortgage Bond for Rs 120,000,000/- ranking equal and parri passu with mortgage bond no 2365.

Lanka Walltiles PLC

Hatton National Bank PLC Rs. 100 Mn bank overdraft is secured primarily on register primary floating mortgage bond for Rs.390 Mn over the project assets comprising of land, building and machinery at Meepe.

Other bank overdrafts are secured primarily on inventories and debtor.

Swisstek Aluminum Limited

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Hatton National Bank PLC (Import Loan)	Trading Stock and Trade Debtors	AWPLR+0.5%	300,000
DFCC Bank PLC (Term loan)	Primary mortgage over plant and machinery	AWPLR+1.5%	200,000
DFCC Bank PLC (Import loan and Bank Overdrafts)	Secondary mortgage over stock and book debtors	AWPLR+0.5%	800,000

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

30.1 Company

	Transactions with the Parent and ultimate Parent Company (Royal Ceramics Lanka PLC and Vallibel One PLC)		Transactions with Subsidiaries and Affiliate Companies		Total	
	2023	2022	2023	2022	2023	2022
	R. '000	R. '000	R. '000	R. '000	R. '000	R. '000
Balance as at 01 April	(15,868)	(26,924)	127,232	10,039	111,364	(16,885)
Sale of Tiles/ (Sales returns)	-	-	-	(4,330)	-	(4,330)
Purchase of raw materials	-	100	(809,481)	(443,830)	(809,481)	(443,730)
Purchase of other items	(47)	(724)	-	-	(47)	(724)
Sale of raw materials	1,471	228	6,477	3,876	7,948	4,104
Settlements/(Recoveries) by the Company	75,304	68,280	528,345	(59,937)	603,649	8,343
Rent received/(paid)	-	-	(11,048)	7,701	(11,048)	7,701
Expenses apportioned	-	388	42,547	769,551	42,547	769,939
Commission on sales	-	-	(6,714)	(11,239)	(6,714)	(11,239)
Expenses incurred and transferred	-	-	(395,271)	(160,243)	(395,271)	(160,243)
Credit cards collected on behalf of subsidiary	-	-	(108,265)	15,643	(108,265)	15,643
Term Loan	-	-	(837,500)	-	(837,500)	-
Technical Fees	(78,836)	(57,215)	-	-	(78,836)	(57,215)
Balance as at 31 March	(17,976)	(15,867)	(1,463,678)	127,231	(1,481,654)	111,364
Included Under						
Trade and other receivable	-	100	-	15,695	-	15,795
Trade and other payable	-	-	(23,600)	(3,026)	(23,600)	(3,026)
Amount due from related parties	-	-	724	119,377	724	119,377
Amount due to related parties	(17,976)	(15,967)	(1,440,803)	(4,815)	(1,458,779)	(20,782)
Balance as at 31 March	(17,976)	(15,867)	(1,463,678)	127,231	(1,481,654)	111,364

The above subsidiaries and affiliates include following companies;

Company

- - Lanka Tiles PLC
- - Unidil Packaging Ltd
- - Vallibel Plantation Management Ltd
- - Horana Plantations PLC
- - Swisstek Aluminum Ltd
- - Swisstek (Ceylon) PLC
- - Rocell Bathware Ltd
- - LWL Development (Private) Ltd
- - Beyond Paradise Collection Ltd
- - Lankatiles (Pvt) Ltd
- - LTL Development Ltd
- - Swisstek Development (Pvt) Ltd
- - MN Properties (Pvt) Ltd
- - Lanka Ceramics PLC
- - LW Plantation Investment Ltd.

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 within short period of time.

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 Walltiles PLC, Lanka Tiles PLC and Swisstek Aluminum Limited.

Credit cards collection & part of the settlement represents the sales proceeds of the subsidiaries received by the parent company 'and it will be settled by transferring of funds back to the relevant companies.

'Commission on sales paid to Royal Ceramics Lanka PLC & Swisstek (Ceylon) PLC for the sales of tiles at their Owned location.

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

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES CONTD.

30.2 Group - Related Party Transactions

30.2.1 Swisstek Aluminium Ltd

Statement of Profit or Loss	Parent & ultimate Parent		Other Related Entities		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Nature of Transaction						
Sale of goods	272,642	183,691	1,336,310	201,105	1,608,952	384,796
Purchase of goods	-	-	(2,083)	-	(2,083)	-
Expenses incurred by related parties	(5,015)	(39,288)	(5,489)	(4,072)	(10,504)	(43,360)
Expenses reimbursements	-	17,030	(944)	1,344	(944)	18,374
Settlements made	(352,523)	(124,345)	(1,601,638)	(152,426)	(1,954,161)	(276,771)
Rent income	-	-	6,364	4,543	6,364	4,543
Statement of Financial Position						
Balance outstanding as at the reporting date						
Amount Due to Related Parties	(27,562)	(22,547)	(194,098)	(16,744)	(221,661)	(39,291)
Due from Related Parties	2,301	82,181	3,965	94,318	6,266	176,499
	(25,262)	59,634	(190,133)	77,574	(215,395)	137,207

30.2.2 Lanka Tile PLC

Name of the company	Relationship	Nature of the transaction	2023 Rs. '000	2022 Rs. '000
(a) Sale of goods /services to				
Rocell Bathware Ltd	Affiliated Company	Raw materials	169	1,938
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	4,526	4,589
		Spares	-	3,957
		Packing	-	10,800
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Affiliated Company	Raw materials	166,931	110,152
Swisstek Aluminium Ltd	Affiliated Company	Trading Items	219,224	209,012
		Others	676,126	
Swisstek (Ceylon)PLC	Affiliated Company	Trading Items	1,576,894	962,995
		Sales Commission	34,965	31,692
Uni-Dil Packing Ltd	Affiliated Company	Packing Material	490,429	228,625
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	2,497	941
		Spares	-	17
		Consumables	-	121
		Technical fees	28,493	22,803
Vallibel One PLC	Affiliated Company	Technical fees	184,357	189,637
Hayleys Travels & Tours (Private) limited	Affiliated Company	Services	21,677	4,107
Hayleys Electronic Lighting (Private) Limited	Affiliated Company	Services	-	202

30.2.3 Swisstek (Ceylon) PLC

Name of the company	Relationship	Nature of the transaction	2023	2022
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	1,640,265	903,834
		Warehouse rental income	14,430	13,608
		Sales Commission	34,965	31,692
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	134,765	62,007
		Sales Commission	11,161	8,802
		Warehouse rental income	4,770	4,498
Swisstek Aluminum Ltd	Affiliated Company	Rental income	4,129	2,925
Rocell Bathware Ltd.	Affiliated Company	Sales Commission	2,466	1,643
(b) Purchase of goods/Services from:				
Uni-Dil Packing Ltd	Affiliated Company	Purchase of corrugated boxes	8,739	9,767
Swisstek Aluminum Ltd	Affiliated Company	Purchase of Goods	261,935	185,372
Lanka Tiles PLC	Affiliated Company	Purchase of Goods	23,688	5,840
Venigros (Pvt) Ltd	Affiliated Company	Purchase of Land & Building	-	268,967
Dipped Products PLC	Affiliated Company	Purchase of Land	-	131,033

Notes to the Financial Statements

30 RELATED PARTY DISCLOSURES CONTD.

30.2.4 Uni Dil Packaging Ltd

Name of the company	Relationship	Nature of the transaction	2023 Rs. '000	2022 Rs. '000
(a) Sale of goods /services to				
Horana Plantations PLC	Affiliated Company	Finished goods	-	317
Royal Bathware Ltd	Affiliated Company	Finished goods	1,098	1,098
Swisstek (Ceylon) PLC	Affiliated Company	Finished goods	8,794	9,767
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	2,814	2,814
(b) Purchase of goods/Services from:				
Horana Plantations PLC	Affiliated Company	Finished goods	1,122	480
Swisstek Aluminum Ltd	Affiliated Company	Purchase of goods	167	111
Vallibel One PLC	Affiliated Company	Technical fees	81,450	26,255
Uni-Dil Packing Solution Limited	Affiliated Company	Purchase of goods	860,108	423,121

30.2.5 Uni Dil Packaging Solutions Ltd

Name of the company	Relationship	Nature of the transaction	2023 Rs.000	2022 Rs.000
(a) Sale of goods to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	151,112	75,087
Royal Bathware Ltd	Affiliated Company	Finished goods	134,740	50,323
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	378,993	208,357
Lanka Tiles PLC	Affiliated Company	Finished goods	494,370	228,623
Horana Plantations PLC	Affiliated Company	Finished goods	15,303	16,657
Nilano Garments Private Limited	Affiliated Company	Finished goods	-	341
(b)Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Ltd	Parent Company	Purchase of goods	860,108	423,121

30.2.6 Horana Plantations PLC

Name of the company	Relationship	Nature of the transaction	2023 Rs.000	2022 Rs.000
(a) Sale of goods /services to				
Uni Dil Packaging Ltd	Affiliated Company	Sale of tea	260	560
Lanka Ceramic PLC	Affiliated Company	Sale of tea	88	38
Lanka Tiles PLC	Affiliated Company	Sale of tea	206	-
Royal Ceramics Lanka PLC	Affiliated Company	Sale of tea	138	-
Delmage Forsyth & Co.Ltd	Affiliated Company	Sale of tea	20,963	41,051
Rocell Bathware Ltd	Affiliated Company	Sale of tea	255	-

Name of the company	Relationship	Nature of the transaction	2023 Rs. '000	2022 Rs. '000
(b)Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Ltd	Affiliated Company	Purchase of goods	1,136	317
Uni Dil Packaging Solutions Ltd	Affiliated Company	Purchase of goods	15,678	17,401
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of tiles	43	60
Lanka Tiles PLC	Affiliated Company	Purchase of sanitaryware	5	3
Hayleys PLC	Affiliated Company	Office Rent & related services	9,404	10,738
		Insurance Premium	23,938	21,580
Hayleys Agriculture Holdings Ltd	Affiliated Company	Chemicals	12,232	5,633
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	Fertilizer	126,407	14,602
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	Salary Processing Fee	218	164
Hayleys Aventura(Pvt) Ltd	Affiliated Company	Office Premises Related Services	656	260
Logiwiz Limited	Affiliated Company	Document Storage Rental	53	42
Singer Sri Lanka PLC	Affiliated Company	Purchase of Equipment	686	129
Diesel & Motor Engineering PLC	Affiliated Company	Purchase of Motor Vehicle Spares	1,013	-
Hayleys Lifesciences (Pvt) Ltd	Affiliated Company	Purchase of Medical & Analytical Equipment	-	1,237
Fentons Limited	Affiliated Company	Purchase of solar PV system	50,577	51,149

30.3 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	2023 Rs'000	2022 Rs'000
Short Term Employment Benefits	213,754	170,240	54,267	45,568
Post Employment Benefits	57,815	48,457	20,057	16,887
	271,569	218,697	74,324	62,455

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

As at 31 March 2023, Company had capital commitments of Rs.5,178 Mn for the proposed factory expansion project.

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

Lease commitments

a). Lanka Tiles PLC is committed to pay Rs. 14,808,000/- as rent per annum for the use of land & buildings situated in Nawala.

31.2 Contingencies

a) Lanka Walltiles PLC

As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue in respect of Income tax, Value added tax and economic service charge totalling Rs. 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments. The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company. Accordingly no provision for liability has been made in these financial statements.

32. 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.0.90 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.

Notes to the Financial Statements

SEGMENTAL INFORMATION

	2023						2022					
	Tiles & associated items	Alluminium Products	Plantation products	Packing materials	Inter Segment Elimination	Total	Tiles & associated items	Alluminium Products	Plantation products	Packing materials	Inter Segment Elimination	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Sales to External Customers	28,819,022	5,256,843	-	9,379,147	-	43,455,012	23,752,747	7,314,749	-	6,226,383	-	37,293,878
Inter Segment Sales	-	-	-	706,583	(706,583)	-	-	-	-	351,891	(351,891)	-
Total Revenue	28,819,022	5,256,843	-	10,085,730	(706,583)	43,455,012	23,752,747	7,314,749	-	6,578,274	(351,891)	37,293,878
Gross Profit	12,935,425	1,280,277	-	2,288,322	-	16,504,024	10,567,706	1,457,482	-	1,011,684	-	13,036,872
Other Income	105,397	87,205	-	232,042	-	424,645	407,613	24,233	-	174,554	(312)	603,280
Distribution Costs	(3,428,513)	(581,823)	-	(304,277)	-	(4,314,613)	(2,635,599)	(547,335)	-	(178,242)	3120	(3,358,056)
Administrative Expenses	(1,572,949)	(233,404)	-	(430,115)	-	(2,236,468)	(958,633)	(238,278)	-	(286,084)	-	(1,482,995)
Other Operating Expenses	(919,366)	(1,877,423)	-	(572,369)	-	(3,369,159)	(178,430)	(145,565)	-	(8,842)	-	(332,838)
Finance Income	545,433	-	-	-	-	545,433	188,592	-	-	-	-	188,592
Share of net profit of associate	7123	-	-	-	-	7123	3720	-	-	-	-	3720
Profit Before Tax from continuing operations	7,672,550	(1,325,168)	-	1,213,603	-	7,560,985	7,394,969	550,538	-	713,069	-	8,658,576
Income Tax Expense	(2,870,709)	256,564	-	(125,607)	-	(2,739,751)	(1,605,319)	(96,394)	-	(117,234)	-	(1,818,947)
Profit for the Year from continuing operations	4,801,841	(1,068,604)	-	1,087,996	-	4,821,234	5,789,650	454,144	-	595,835	-	6,839,628
Profit for the year from discontinued operation	-	-	386,017	-	-	386,017	-	-	42,455	-	-	42,455
Segment Assets	35,141,425	7,377,511	-	5,431,845	(2,582,689)	45,368,091	33,381,861	7,522,471	-	5,189,880	(2,560,636)	43,533,575
Segment Liabilities	11,718,613	6,812,452	-	2,987,974	337,136	21,856,174	11,368,500	5,897,623	-	3,042,316	(225,578)	20,082,860
Other Segment Information												
Total cost incurred during the period to												
Depreciation and amortization	985,398	133,564	-	97,406	-	1,216,368	944,690	114,999	-	98,548	-	1,158,236
Property, plant & equipment	2,590,245	134,792	-	194,992	-	2,920,029	1,797,874	184,294	-	213,814	-	2,195,982
Biological assets	-	-	-	-	-	282,555	181,793	-	-	-	-	181,793
Trade debtors and inventory impairment	61614	12,086	-	15,002	-	88,703	52,997	18,914	-	35,628	-	107,539
Provision for retirement benefit	169,413	12,707	-	22,538	-	204,658	100,141	8,156	-	11,107	-	119,404
Reconciliation of net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-
Segment net profit for the year	-	-	-	-	-	5,207,251	-	-	-	-	-	6,882,083
Dividend tax on Inter segment dividend	-	-	-	-	-	-	-	-	-	-	-	-
Group net profit for the year	-	-	-	-	-	5,207,251	-	-	-	-	-	6,882,083
Reconciliation of assets	-	-	-	-	-	-	-	-	-	-	-	-
Segment Assets	-	-	-	-	-	47,950,780	-	-	-	-	-	46,094,212
Inter-segment balance eliminations	-	-	-	-	-	337,136	-	-	-	-	-	(225,578)
Investment in subsidiary elimination	-	-	-	-	-	(2,919,825)	-	-	-	-	-	(2,335,059)
	-	-	-	-	-	45,368,091	-	-	-	-	-	43,533,575
Reconciliation of liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Segment Liabilities	-	-	-	-	-	21,519,038	-	-	-	-	-	20,308,438
Inter-segment balance eliminations	-	-	-	-	-	337,136	-	-	-	-	-	(225,578)
	-	-	-	-	-	21,856,174	-	-	-	-	-	20,082,860

34. 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 company financial risk management policies. The board of directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

Market risk

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

(i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

(ii) Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate.

Foreign currency/ exchange risk

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

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

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

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar & Euro and The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

Foreign currency sensitivity	Change in percentage	Change in profit before tax Group Rs.'000'	Change in PBT - Company Rs.'000'
2023	5%	125,948	29,793
	10%	251,896	59,585
	15%	377,844	89,378
	20%	503,792	119,170
	-10%	(251,896)	(59,585)
	-15%	(377,844)	(89,378)
	-20%	(503,792)	(119,170)
2022	10%	87,339	31,823
	15%	131,009	47,735
	20%	174,679	63,647
	-10%	(87,339)	(31,823)
	-15%	(131,009)	(47,735)
	-20%	(174,679)	(63,647)

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 percentage	Change in profit before tax Group Rs.'000'	Change in PBT - company Rs.'000'
2023	6%	773,976	148,064
	4%	515,984	98,709
	2%	257,992	49,355
	-2%	(257,992)	(49,355)
	-4%	(515,984)	(98,709)
	-6%	(773,976)	(148,064)
2022	6%	587,125	17,776
	4%	391,417	11,851
	2%	195,708	5,925
	-2%	(195,708)	(5,925)
	-4%	(391,417)	(11,851)
	-6%	(587,125)	(17,776)

Credit risk

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

The group places its cash and cash equivalents with a number of creditworthy financial institutions. The group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the group is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. (Please refer Note 8.2 for ageing analysis of trade receivables)

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the group operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the group aims at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted (principal plus interest) payments. date to the contractual maturity date.

34. FINANCIAL RISK MANAGEMENT CONTD.

Group

At 31 March 2023	Less than 3	Between 3	Between	Between	Over 5 years
	months	months and 1	year 1 and 2	year 2 and	
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Interest Bearing Loans and Borrowings	7,192,853	6,471,980	396,386	407,914	-
Trade and other payables	4,590,620	-	-	-	-
Amounts due to related parties	403,762	-	-	-	-
Lease liability of Right of Use Assets	10,275	34,719	50,016	54,442	-

At 31 March 2022	Less than 3	Between 3	Between	Between	Over 5 years
	months	months and 1	year 1 and 2	year 2 and	
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Interest Bearing Loans and Borrowings	4,189,479	3,729,887	1,656,641	1,632,183	593,675
Trade and other payables	5,526,697	-	-	-	-
Amounts due to related parties	121,365	-	-	-	-
Lease liability of Right of Use Assets	13,785	20,086	49,735	75,974	562,245

Company

At 31 March 2023	Less than 3	Between 3	Between	Between	Over 5 years
	months	months and 1	year 1 and 2	year 2 and	
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Interest Bearing Loans and Borrowings	2,586,960	20,145	-	-	-
Trade and other payables	1,233,987	-	-	-	-
Amounts due to related parties	1,529,277	-	-	-	-
Lease liability of Right of Use Assets	5,735	19,415	26,735	33,629	-

At 31 March 2022	Less than 3	Between 3	Between	Between	Over 5 years
	months	months and 1	year 1 and 2	year 2 and	
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Interest Bearing Loans and Borrowings	247,268	35,787	8,149	7,284	-
Trade and other payables	1,094,959	-	-	-	-
Amounts due to related parties	20,783	-	-	-	-
Lease liability of Right of Use Assets	5,221	18,427	7,276	5,356	-

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	12,871,145	10,520,383	2,444,020	292,594
Total equity	23,511,916	23,450,716	7,367,032	7,466,171
Gearing ratio ; Debt to Equity	55%	45%	33%	4%

35. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2023 %	2022 %
Lanka Tiles PLC	Sri Lanka	31.78	31.78
Horana Plantations PLC	Sri Lanka	0.00	49.00
Swisstek (Ceylon) PLC	Sri Lanka	55.91	55.91
Swisstek Aluminium Limited	Sri Lanka	61.48	61.48
Beyond Paradise Collection Limited	Sri Lanka	31.78	31.78
Lankatiles (Pvt) Limited	India	65.21	65.21
LTL Development Limited	Sri Lanka	31.78	31.78
Swisstek Development Limited	Sri Lanka	55.91	55.91

Accumulated Balances of the Material Non - Controlling Interest

Name	2023 Rs. '000'	2022 Rs. '000'
Accumulated Balances of Material Non - Controlling Interest		
Lanka Tiles PLC	3,674,723	3,379,517
Horana Plantations PLC	-	396,226
Swisstek (Ceylon) PLC	892,950	892,315
Swisstek Aluminium Limited	252,088	903,616
Beyond Paradise Collection Limited	49,184	53,514
Lankatiles (Pvt) Limited	11,221	8,791
LTL Development Limited	(152)	(107)
Swisstek Development Limited	(371)	(285)
	4,879,643	5,633,586
Profit allocated to Material Non - Controlling Interest		
Lanka Tiles PLC	1,227,890	1,208,623
Horana Plantations PLC	83,330	20,802
Swisstek (Ceylon) PLC	196,965	236,977
Swisstek Aluminium Limited	(656,945)	279,194
Beyond Paradise Collection Limited	(4,330)	(4,129)
Lankatiles (Pvt) Limited	284	236
LTL Development Limited	(45)	(19)
Swisstek Development Limited	(86)	(233)
	847,063	1,741,451

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Notes to the Financial Statements

Summarized statement of profit or loss for year ended 31 March 2023

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Limited	LTL Development (Pvt) Limited	Swisstek Development (Pvt) Limited
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Revenue	18,684,042	-	3,741,283	5,256,843	-	-	-	-
Cost of sales	(10,256,396)	-	(2,816,587)	(3,976,566)	-	-	-	-
Distribution costs	(2,160,122)	-	(195,381)	(581,823)	-	-	-	-
Administrative expenses	(1,023,031)	-	(119,130)	(233,404)	(2,650)	(439)	(142)	(154)
Finance costs	(264,642)	-	(263,720)	(1,877,423)	-	-	-	-
Profit before tax	5,670,742	-	532,601	(1,325,168)	-	-	-	-
Income tax	(1,686,966)	-	(180,331)	256,564	-	-	-	-
Profit for the year	3,983,776	-	352,270	(1,068,604)	(13,625)	436	(142)	(154)
Total comprehensive income	3,861,934	133,831	274,855	(1,059,791)	(13,625)	3,728	(142)	(154)
Attributable to non- controlling interests	1,227,890	83,330	196,965	(656,945)	(4,330)	284	(45)	(86)
Dividends paid to non-controlling interests	590,135	-	218,089	141,071	-	-	-	-

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarized statement of profit or loss for year ended 31 March 2022

	Lanka Tiles PLC	Horana Plantations PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Limited	LTL Development Limited (Pvt)	Swisstek Development Limited (Pvt)
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Revenue	14,591,620	2,563,636	2,390,434	7,314,749	-	-	-	-
Cost of sales	(7,981,658)	(2,192,626)	(1,718,337)	(5,857,266)	-	-	-	-
Distribution costs	(1,583,831)	-	(139,508)	(547,335)	-	-	-	-
Administrative expenses	(573,381)	(201,354)	(93,320)	(238,278)	(1,819)	(291)	(60)	(417)
Finance costs	(88,126)	(141,063)	(67,125)	(145,565)	-	-	-	-
Profit before tax	4,819,523	68,321	811,439	550,538	-	-	-	-
Income tax	(829,966)	(25,868)	(146,595)	(96,394)	-	-	-	-
Profit for the year	3,989,557	42,453	664,844	454,144	(12,991)	361	(60)	(417)
Total comprehensive income	4,021,772	48,313	667,786	455,400	(12,991)	3,884	(60)	(417)
Attributable to non- controlling interests	1,208,623	20,802	236,977	279,194	(4,129)	236	(19)	(233)
Dividends paid to non-controlling interests	590,135	-	218,089	141,071	-	-	-	-

Summarized statement of financial position as at 31 March 2023

	Lanka Tiles PLC	Horana Plantations PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Limited	LTL Development Limited (Pvt)	Swisstek Development Limited (Pvt)
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Current Assets	9,923,802	-	1,419,241	5,577,156	7,800	20,321	-	-
Non- Current Assets	7,686,783	-	2,454,768	1,800,356	484,857	-	56,667	56,667
Current Liabilities	3,791,946	-	1,537,194	6,658,328	6,313	71	61	127
Non- Current Liabilities	1,813,188	-	390,194	154,124	67,585	-	-	-
Total equity	12,005,447	-	1,946,625	565,059	418,760	20,250	56,606	56,540
Attributable to:								
Equity holders of parent	8,190,116	-	858,267	217,682	285,678	7,045	38,616	24,929
Non-controlling interest	3,815,331	-	1,088,358	347,376	133,082	13,205	17,989	31,612

Notes to the Financial Statements

Summarized statement of financial position as at 31 March 2022

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Limited	LTL Development (Pvt) Limited	Swisstek Development (Pvt) Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Current Assets	8,369,338	558,165	1,288,714	5,878,393	6,600	16,648	-	-
Non- Current Assets	7,040,869	3,406,040	2,201,866	1,644,078	483,091	-	56,667	56,667
Current Liabilities	2,905,452	1,463,982	1,005,304	5,503,157	3,665	126	56,775	57,003
Non- Current Liabilities	1,529,203	1,704,101	539,789	394,465	53,644	-	-	-
Total equity	10,975,551	796,123	1,945,488	1,624,850	432,384	16,523	(108)	(336)
Attributable to:								
Equity holders of parent	7,487,521	406,023	857,765	625,955	294,973	5,749	(74)	(148)
Non-controlling interest	3,488,030	390,100	1,087,722	998,895	137,412	10,774	(34)	(188)

Summarized cash flow information for year ending 31 March 2023

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Limited	LTL Development (Pvt) Limited	Swisstek Development (Pvt) Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Operating	(1,188,706)	686,659	152,312	(1,527,941)	-	1,739	(57,084)	-
Investing	(1,007,863)	(436,026)	(314,566)	(143,008)	-	-	-	-
Financing	(2,002,369)	(226,364)	(127,382)	1,733,518	-	-	57,084	-
Net increase / (decrease) in cash and cash equivalents	(4,198,938)	24,269	(289,636)	62,569	-	1,739	-	-

Summarized cash flow information for year ending 31 March 2022

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Limited	LTL Development (Pvt) Limited	Swisstek Development (Pvt) Limited
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Operating	5,125,219	246,505	480,583	(1,439,852)	(175,729)	470	-	-
Investing	(819,490)	(303,583)	(244,198)	(205,700)	175,728	-	-	-
Financing	(2,120,728)	(157,203)	(13,960)	1,632,436	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	2,185,001	(214,281)	222,425	(13,116)	(1)	470	-	-



Accounts of Validity

SUPPLEMENTARY INFORMATION

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GRI Index

GRI content index

Statement of use	Lanka Walltiles 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.					
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	5				
	2-2 Entities included in the organization's sustainability reporting	7				
	2-3 Reporting period, frequency and contact point	3-4				
	2-4 Restatements of information	4				
	2-5 External assurance	104				
	2-6 Activities, value chain and other business relationships	7-8				
	2-7 Employees	60				
	2-8 Workers who are not employees	59-60				
	2-9 Governance structure and composition	82				
	2-10 Nomination and selection of the highest governance body	81-91				
	2-11 Chair of the highest governance body	81-91				
	2-12 Role of the highest governance body in overseeing the management of impacts	81-91				
	2-13 Delegation of responsibility for managing impacts	31				
	2-14 Role of the highest governance body in sustainability reporting	81				
	2-15 Conflicts of interest	84				
	2-16 Communication of critical concerns	81				
	2-17 Collective knowledge of the highest governance body	62				
	2-18 Evaluation of the performance of the highest governance body	81-91				
	2-19 Remuneration policies		GRI 2-19	Not Applicable	Not disclosed due to confidentiality concerns.	
	2-20 Process to determine remuneration	58,93				
	2-21 Annual total compensation ratio		GRI 2-21	Not Applicable	Not disclosed due to confidentiality concerns.	
	2-22 Statement on sustainable development strategy	23-25				
2-23 Policy commitments	3,85					
2-24 Embedding policy commitments	85,80-81					
2-25 Processes to remediate negative impacts	82-91					
2-26 Mechanisms for seeking advice and raising concerns	82-91					
2-27 Compliance with laws and regulations	85					
2-28 Membership associations	84					
2-29 Approach to stakeholder engagement	28					
2-30 Collective bargaining agreements	60					
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	30				
	3-2 List of material topics	30				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	10,27,69				
	201-2 Financial implications and other risks and opportunities due to climate change	36				
	201-3 Defined benefit plan obligations and other retirement plans	62				
	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	30				
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	30				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	69-71				
	203-2 Significant indirect economic impacts	36				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	66				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
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	Zero Incidents	
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 207: Tax 2019	207-1 Approach to tax	116-171				
	207-2 Tax governance, control, and risk management	116-171				
	207-3 Stakeholder engagement and management of concerns related to tax	28-29				
	207-4 Country-by-country reporting		GRI 207-4	Not Applicable	Operating only locally	
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	78				
	301-2 Recycled input materials used	80				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	78				
	302-2 Energy consumption outside of the organization		GRI 302-2	Not Available	The group does not track this information at present.	
	302-3 Energy intensity	78				
	302-4 Reduction of energy consumption	78-80				
	302-5 Reductions in energy requirements of products and services	78-80				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	79				
	303-2 Management of water discharge-related impacts	79				
	303-3 Water withdrawal	79				
	303-4 Water discharge	79				
	303-5 Water consumption	79				

GRI Index

Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	80				
	305-2 Energy indirect (Scope 2) GHG emissions	80				
	305-3 Other indirect (Scope 3) GHG emissions	80				
	305-4 GHG emissions intensity	80				
	305-5 Reduction of GHG emissions	80				
	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	30				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	80				
	306-2 Management of significant waste-related impacts	80				
	306-3 Waste generated	80				
	306-4 Waste diverted from disposal	80				
	306-5 Waste directed to disposal	80				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	61				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	62				
	401-3 Parental leave	64				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	62				
	403-2 Hazard identification, risk assessment, and incident investigation	62				
	403-3 Occupational health services	62				
	403-4 Worker participation, consultation, and communication on occupational health and safety	62				
	403-5 Worker training on occupational health and safety	62				
	403-6 Promotion of worker health	62				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62				
	403-8 Workers covered by an occupational health and safety management system	62				
	403-9 Work-related injuries	62				
	403-10 Work-related ill health	62				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	63-64				
	404-2 Programs for upgrading employee skills and transition assistance programs	63-64				
	404-3 Percentage of employees receiving regular performance and career development reviews	63-64				

Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	60				
	405-2 Ratio of basic salary and remuneration of women to men	64				
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		GRI 406-1	Not Applicable	No such incidents during the FY 2022/23	
Forced or compulsory labour						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour		GRI 409-1	Not Available	The group does not track this information at present.	
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	58,65				
	413-2 Operations with significant actual and potential negative impacts on local communities	58,65				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	65-68				
	414-2 Negative social impacts in the supply chain and actions taken	65-68				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	65-68				
	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	
Marketing and labelling						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	65-68				
	417-2 Incidents of non-compliance concerning product and service information and labelling		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	
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
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	

Five Year Summary - Statement of Profit or Loss

	Group				
	2023 Rs.000	2022 Rs.000	2021 Rs.000	2020 Rs.000	2019 Rs.000
Continuing Operations					
Revenue	43,455,012	37,293,878	29,423,381	19,929,709	19,627,160
Cost of Sales	(26,950,988)	(24,257,006)	(20,187,348)	(15,144,779)	(15,324,147)
Gross Profit	16,504,024	13,036,872	9,236,033	4,784,930	4,303,014
Other Income	422,577	603,280	231,906	165,489	614,218
Distribution Costs	(4,314,613)	(3,358,056)	(2,700,250)	(1,921,242)	(1,803,218)
Administrative Expenses	(2,236,468)	(1,482,995)	(1,332,035)	(1,055,957)	(1,079,661)
Other Operating Expenses	-	-	(100,951)	-	-
Finance Cost	(3,369,159)	(332,838)	(769,888)	(1,171,381)	(847,593)
Finance Income	545,433	188,592	20,814	1,837	6,012
Change in fair value of investment property	2,068	-	(3,186)	-	-
Share of net profit of associate	7,123	3,720	-	-	-
Profit / (Loss) Before Tax from Continuing Operations	7,560,985	8,658,576	4,582,442	803,676	1,192,772
Income Tax (Expense)/Reversal	(2,739,751)	(1,818,947)	(569,022)	(389,027)	(412,702)
Profit / (Loss) for the Year from Continuing Operations	4,821,234	6,839,628	4,013,420	414,649	780,070
Discontinued Operations					
Profit for the year from discontinued operations net of Tax	386,017	42,454	-	-	-
Profit for the Year	5,207,251	6,882,082	4,013,420	414,649	780,070
Profit attributable to:					
Equity holders of the parent	4,360,188	5,140,631	2,960,211	405,115	617,157
Non controlling interest	847,063	1,741,451	1,053,209	9,534	162,914
Profit for the year	5,207,251	6,882,082	4,013,420	414,649	780,070
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	15.65	18.75	10.84	1.48	2.26

	Company				
	2023 Rs.000	2022 Rs.000	2021 Rs.000	2020 Rs.000	2019 Rs.000
Revenue	9,297,171	8,058,545	5,988,521	3,493,619	3,220,934
Cost of Sales	(5,753,067)	(4,772,898)	(3,922,084)	(2,537,014)	(2,291,881)
Gross Profit	3,544,104	3,285,647	2,066,437	956,605	929,053
Other Income	1,936,885	1,690,070	823,986	36,823	214,793
Distribution Costs	(1,162,037)	(998,889)	(751,723)	(528,566)	(483,030)
Administrative Expenses	(427,514)	(289,316)	(211,241)	(185,660)	(206,134)
Other Operating Expenses	-	-	(40,989)	-	-
Finance Cost	(390,543)	(22,628)	(130,938)	(220,077)	(166,487)
Finance Income	7,942	5,594	-	-	-
Profit Before Tax	3,508,837	3,670,478	1,755,531	59,124	288,196
Income Tax (Expense)/Reversal	(560,326)	(587,498)	(138,013)	(21,099)	(56,915)
Profit for the Year	2,948,511	3,082,980	1,617,518	38,026	231,281
Profit attributable to:					
Equity holders of the parent	2,948,511	3,082,980	1,617,518	38,026	231,281
Profit for the year	2,948,511	3,082,980	1,617,518	38,026	231,281
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	10.80	11.29	5.92	0.14	0.85

Five Year Summary - Statement of Financial Position

	Group				
	2023 Rs.000	2022 Rs.000	2021 Rs.000	2020 Rs.000	2019 Rs.000
Non-current assets					
Property, plant and equipment	18,159,208	18,973,756	17,798,601	16,884,149	16,822,752
Consumable biological assets	-	595,643	630,578	632,177	585,920
Investment Property	815,687	813,619	813,619	816,805	816,805
Intangible assets - goodwill	172,253	57,721	35,814	37,113	24,519
Investments in associates	186,300	177,920	170,000	-	-
Long term receivables	-	-	-	27,285	27,285
Right of use assets	58,545	309,436	338,971	389,880	-
Deferred tax asset	146,833	-	-	-	847
	19,538,826	20,928,095	19,787,583	18,787,409	18,278,128
Current assets					
Inventories	14,896,538	8,388,233	6,484,986	10,226,419	8,316,920
Trade and other receivables	8,628,891	6,767,705	4,246,624	3,875,187	3,837,082
Contract Assets	32,343	29,342	40,164	38,079	58,269
Amounts due from related parties	85,827	52,533	63,324	48,450	37,016
Income tax receivable	-	17,586	49,231	30,336	123,962
Short term investments	4,454	4,008	3,877	3,754	3,499
Cash and cash equivalents	2,181,212	7,346,071	3,034,216	413,243	401,580
	25,829,265	22,605,478	13,922,422	14,635,468	12,778,329
Total assets	45,368,091	43,533,573	33,710,005	33,422,877	31,056,458
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	3,172,011	3,536,480	3,541,400	2,850,974	2,850,974
Retained earnings	14,672,498	13,492,885	10,242,050	7,982,331	7,602,813
Shareholders' funds	18,632,274	17,817,130	14,571,215	11,621,070	11,241,553
Non controlling interest	4,879,643	5,633,586	4,823,606	3,936,582	3,943,554
Total equity	23,511,917	23,450,716	19,394,821	15,557,652	15,185,107
Non-current liabilities					
Interest bearing liabilities	650,072	2,363,591	2,572,712	2,765,040	2,950,245
Deferred tax liabilities	2,836,942	1,996,380	1,879,638	2,421,476	2,341,613
Retirement benefit liability	513,536	912,379	1,071,475	975,933	882,161
Deferred income & Capital grants	-	113,324	118,995	122,832	125,726
	4,000,550	5,385,674	5,642,820	6,285,281	6,299,745
Current liabilities					
Trade and other payables	4,590,620	5,526,697	4,034,728	2,785,122	3,117,585
Contract liability	111,798	113,660	85,407	14,843	79,177
Income tax liabilities	528,371	778,669	497,320	45,924	9,829
Amounts due to related parties	403,762	121,365	85,957	90,903	100,613
Current portion of interest bearing liabilities	12,221,073	8,156,792	3,968,952	8,643,152	6,264,402
	17,855,624	14,697,183	8,672,364	11,579,944	9,571,606
Total equity and liabilities	45,368,091	43,533,573	33,710,005	33,422,877	31,056,458

	Company				
	2023 Rs.000	2022 Rs.000	2021 Rs.000	2020 Rs.000	2019 Rs.000
Non-current assets					
Property, plant and equipment	5,915,641	4,950,952	4,603,885	4,524,000	4,536,281
Intangible assets	34,449	-	-	-	-
Investments in subsidiaries	1,618,984	1,562,096	1,276,096	1,276,096	1,276,096
Right of use assets	20,189	45,658	33,785	57,885	-
	7,589,263	6,558,706	5,913,766	5,857,981	5,812,377
Current assets					
Inventories	3,549,810	1,479,947	1,410,768	2,762,580	2,224,608
Trade and other receivables	2,519,426	792,407	792,031	673,756	814,889
Amounts due from related parties	47,623	119,378	70,690	64,981	72,756
Short term investments	4,454	4,008	3,877	3,754	3,499
Cash and cash equivalents	150,297	1,029,771	279,697	47,776	33,240
	6,271,610	3,425,511	2,557,063	3,552,847	3,148,992
Total assets	13,860,873	9,984,217	8,470,829	9,410,828	8,961,369
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	1,810,498	2,057,891	2,057,891	1,812,082	1,812,083
Retained earnings	4,768,769	4,620,515	3,645,057	2,770,699	2,739,853
Shareholders' funds	7,367,032	7,466,171	6,490,713	5,370,546	5,339,701
Total equity	7,367,032	7,466,171	6,490,713	5,370,546	5,339,701
Non-current liabilities					
Interest bearing liabilities	10,072	6,586	39,922	72,735	119,134
Deferred tax liabilities	1,022,841	628,461	623,783	967,884	989,442
Retirement benefit liability	163,799	123,617	173,041	142,902	118,746
	1,196,712	758,664	836,746	1,183,521	1,227,322
Current liabilities					
Trade and other payables	1,233,987	1,094,960	635,763	483,266	666,730
Contract liability	9,972	19,591	30,350	-	-
Income tax liabilities	89,944	338,039	201,192	12,841	8,402
Amounts due to related parties	1,529,278	20,784	79,878	146,043	191,377
Current portion of interest bearing liabilities	2,433,948	286,008	196,187	2,214,611	1,527,838
	5,297,129	1,759,382	1,143,370	2,856,761	2,394,346
Total equity and liabilities	13,860,873	9,984,217	8,470,829	9,410,828	8,961,369

Major Shareholders

MAJOR 25 SHAREHOLDERS OF THE COMPANY

NAME	31-03-2023		31-03-2022	
	NO OF SHARES	(%)	NO OF SHARES	(%)
1 ROYAL CERAMICS LANKA PLC	148,921,090	54.550	148,921,090	54.550
2 MR. A A PAGE	19,636,260	7.193	19,636,260	7.193
3 ARUNODHAYA INVESTMENTS (PRIVATE) LTD	6,313,345	2.313	6,313,345	2.313
4 ARUNODHAYA (PRIVATE) LTD	6,313,345	2.313	6,313,345	2.313
5 ARUNODHAYA INDUSTRIES (PRIVATE) LTD	6,313,345	2.313	6,313,345	2.313
6 SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	5,115,349	1.874	1,354,349	0.496
7 EMPLOYEES TRUST FUND BOARD	3,944,811	1.445	1,770,351	0.648
8 MRS. A SELLIAH	3,733,895	1.368	3,733,895	1.368
9 MRS. A KAILASAPILLAI	3,486,670	1.277	3,486,670	1.277
10 AMANA BANK PLC/MR.MOHAMED NAYAZ DEEN	2,321,908	0.851	1,671,164	0.612
11 ANDYSEL PRIVATE LTD	2,100,000	0.769	2,100,000	0.769
12 MR. K ARAVINTHAN	1,680,000	0.615	1,680,000	0.615
13 MR K A S R NISSANKA	1,506,204	0.552	2,550,000	0.934
14 HATTON NATIONAL BANK PLC/JN LANKA HOLDINGS COMPANY (PVT) LTD	1,183,550	0.434	-	-
15 DFCC BANK PLC/J N LANKA HOLDINGS COMPANY (PVT) LTD	1,081,360	0.396	-	-
16 MR S VASUDEVAN	1,000,449	0.366	1,000,449	0.366
17 MRS V. SARASWATHI & MR S. VASUDEVAN	1,000,000	0.366	1,000,000	0.366
18 SEYLAN BANK PLC/MOHAMED NAYAZ DEEN	957,182	0.351	694,372	0.254
19 SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	935,240	0.343	635,240	0.233
20 EMFI CAPITAL LTD	910,000	0.333	-	-
21 AMES TILE & STONE LTD	887,250	0.325	887,250	0.325
22 HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM	851,875	0.312	851,875	0.312
23 MIS M.A. RASHEDA NASREEN	824,281	0.302	913,827	0.335
24 CAPITAL TRUST HOLDINGS LTD	743,028	0.272	3,449,466	1.264
25 SAMPATH BANK PLC/MR. S.M. DISSANAYAKE	705,919	0.259	1,028,711	0.377
SUB TOTAL	222,466,356	81.490	216,305,004	79.233
OTHER 14,920 SHAREHOLDERS	50,533,644	18.510	56,694,996	20.767
ISSUED CAPITAL	273,000,000	100.000	273,000,000	100.000

SHARE DISTRIBUTION AS AT 31ST MARCH 2023

From	To	No of Holders	No of Shares	%
1	1,000	5,359	1,800,812	0.66
1,001	10,000	8,884	16,151,241	5.92
10,001	100,000	612	16,766,917	6.14
100,001	1,000,000	74	23,629,449	8.65
	Over 1,000,000	16	214,651,581	78.63
		14,945	273,000,000	100.00

CATEGORIES OF SHAREHOLDERS

	No of holders	No of Shares	Holdings %
Local Individuals	14,385	70,085,155	25.67
Local Institutions	458	200,385,556	73.40
Foreign Individuals	96	588,294	0.22
Foreign Institutions	6	1,940,995	0.71
	14,945	273,000,000	100.00

Major Shareholders

DIRECTORS' & CEO'S SHAREHOLDING AS AT 31ST MARCH 2023

Name of Director	No. of shares	%
Mr A M Weerasinghe	-	-
Mr J A P M Jayasekera	995	0.000
Dr. S Selliah	-	-
Mr T G Thoradeniya	-	-
Mr K D G Gunaratne	-	-
Ms A M L Page	-	-
Mr.M.W.R.N Somarathne		
Shares held in the following manner		
Mr.M.W.R.N Somarathne	20,000	0.007
Sampath Bank PLC/Mr.M.W.R.N Somarathne	60,000	0.022
Mr J D N Kekulawala	-	-
Mr S M Liyanage	-	-
Mr S R Jayaweera	-	-
Ms K A D B Perera (Appointed w.e.f 19-10-2022)	-	-

- The fractional shares of 210 arising from the Sub division were issued jointly in the names of Mr. A A Page and Mr. L De Chikera
- The fractional shares of 2,445 arising from the Sub division of shares were issued jointly in the names of Mr. A A Page and Mr. J A P M Jayasekera.

SHARE PRICE FOR THE YEAR

Market price per share	2023	2022
Highest during the year	Rs. 86.50 (30-09-2022)	Rs.140.00 (07-01-2022)
Lowest during the year	Rs. 35.00 (27-04-2022)	Rs. 37.80 (01-04-2021)
As at end of the year	Rs. 48.10 (31.03.2023)	Rs. 69.70 (31.03.2022)

Number of Transactions during the year	41,086
Number of Shares traded during the year	59,928,826
Value of shares traded during the year (Rs.)	3,749,964,426.90

PUBLIC HOLDING

Public Holding	
The Percentage of shares held by the Pubic as at 31st March 2023	29.112%
No of public shareholders representing the above percentage	14,929
The float adjusted market capitalization as at 31st March 2023 is	Rs. 3,822,845,383.50

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.

Statement of Value Added

	2023	%	2022	%	2021	%	2020	%	2019	%
	Rs.000		Rs.000		Rs.000		Rs.000		Rs.000	
Group										
Turnover	43,455,012		39,857,514		29,423,381		19,929,709		19,627,160	
Other Income	968,010		831,600		252,720		167,326		620,230	
Cost of material and services purchased	(25,243,619)		(27,258,990)		(20,605,995)		(14,013,881)		(14,409,902)	
Value Added	19,179,403		13,430,124		9,070,106		6,083,155		5,837,488	
To employees as remuneration	5,084,444	26.5	4,545,637	33.8	3,625,222	40.0	3,116,945	51.2	2,874,779	49.2
To providers funds as interest	3,703,767	19.3	473,901	3.5	769,888	8.5	1,171,381	19.3	847,593	14.5
To state as taxes	3,491,213	18.2	1,844,815	13.7	569,022	6.3	389,028	6.4	412,702	7.1
To shareholders as dividends	2,511,600	13.1	2,156,700	16.1	742,560	8.2	-	0.0	163,800	2.8
Depreciation	1,216,367	6.3	1,158,237	8.6	1,103,695	12.2	1,026,284	16.9	813,876	13.9
Reserves	3,172,012	16.5	3,250,834	24.2	2,259,719	24.9	379,516	6.2	724,739	12.4
Total	19,179,403	100	13,430,124	100.0	9,070,106	100.0	6,083,155	100.0	5,837,488	100.0

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Sixth (46th) Annual General Meeting of Lanka Walltiles PLC will be held by way of electronic means on the 30th day of June 2023 at 12.30 p.m. centred 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 Ninety Cents (Rs. 0.90) per share as recommended by the Board of Directors.
3. 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.
4. To re-elect Mr. S M Liyanage, 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. R N Somarathne, 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 110 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 WALLTILES PLC



P W 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 Walltiles PLC, do hereby appoint
ofor 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. Migel Wasam Rizvi Nandajith Somaratne	of Colombo or failing him*
Mr. Joseph Dacius Nihal Kekulawala	of Colombo or failing him*
Mr. Sameera Madushanka Liyanage	of Colombo or failing him*
Mr. Sanjeewa Renuka Jayaweera	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 12.30 p.m and any adjournment thereof and at every poll which may be taken in consequence thereof

	FOR	AGAINST
1. To declare a final dividend of Ninety Cents (Rs. 0.90) per share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
2. 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"/>
3. To re-elect Mr. S M Liyanage, 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. R N Somarathne, 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 110 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 authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise 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 lwl.pwcs@gmail.com before the time fixed for the meeting.

Corporate Information

NAME OF THE COMPANY

Lanka Walltiles PLC

LEGAL FORM

Lanka Walltiles PLC is a public limited liability company which was incorporated under the Companies Ordinance No.51 of 1938 as a public company on 24th day of September 1975. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 24th July 2007 and bears registration number PQ 55.

DIRECTORS

Mr. A M Weerasinghe (Chairman)
Mr. J A P M Jayasekera (Managing Director)
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. M W R N Somaratne
Mr. J D N Kekulawala
Mr. S M Liyanage
Mr. S R Jayaweera
Ms. K A D B Perera

REGISTERED OFFICE

215, Nawala Road, Narahenpita, Colombo 05
Telephone : + 94 -11 - 4526700
Facsimile : + 94 -11 - 2805463
E-mail : info@lankatiles.com
Website : www.lankatiles.com

FACTORY

Meepe, Padukka
Telephone : + 94 - 11 - 4309809
Facsimile : + 94 - 11 - 2859168
E-mail : meepe_fac@lankatiles.com

PARENT COMPANY

Royal Ceramics Lanka PLC
No. 20,R A De Mel Mawatha
Colombo 03
Telephone : + 94 - 11 - 4799400
Facsimile : + 94 - 11 - 4720077
Website : www.rocell.com

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

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon
Hongkong and Shanghai Banking Corporation Limited
People's Bank
DFCC Bank PLC
Sampath Bank PLC
Seylan Bank PLC
Habib Bank Limited
Pan Asia Banking Corporation PLC

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